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Pensacola, Florida 32520

Tel 850.444.6111

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FLORIDA PUBLIC  
SERVICE COMMISSION

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MAIL ROOM



June 29, 2001

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 010827-EI

Enclosed are an original and fifteen copies of Gulf Power Company's Request for Confidential Classification to be filed in the above docket.

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Ritenour".

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER: DATE  
08115 JUL-26  
FPSC-RECORDS/REPORTING



2. The Comparison contains proprietary and commercially sensitive information regarding Gulf and Southern Power which if disclosed to the general public would cause irreparable harm to the Companies. The Companies assert that this information is entitled to designation as confidential pursuant to Section 366.093(3)(a) and (e), Florida Statutes. During the past 5 years, the wholesale electricity markets in the United States have become increasingly competitive. The nature of the competitive wholesale market in which Southern Power operates requires that the confidentiality of the specific terms and conditions of the Purchased Power Arrangement (“PPA”), as well as information supporting and derived therefrom, be assured in order to safeguard Southern Power from the competitive disadvantages that could result from its public disclosure. Long-term power contracts typically contain combinations of a great number of significant price and non-price terms which render each contract unique. Knowing the details of one’s competitors’ prices and terms and conditions of service confers a distinct advantage on competing suppliers and a corresponding disadvantage to purchasers. Once competitors learn the pricing details and terms and conditions of service offered by their successful counterpart, a market target price and terms is established for wholesale power service in that market. Revelation of such information removes the incentive for competitors to aggressively cut costs, reduce margins and offer better terms and conditions. This competitive intelligence allows future offers to include prices only slightly lower than the public target price and on similar non-price terms. In addition, public disclosure of this information would give competitors insight into Southern Power’s strategy for managing risk and setting prices. In this instance, public disclosure of the specific terms and conditions of the PPA, as well as the information supporting and derived therefrom, would give competitors access to details about Southern Power’s costs

and operations that are not otherwise available in the competitive market. This would result in Southern Power being severely disadvantaged in any bid process in which they participate since other potential bidders would have vital information about Southern Power that they could use to undercut any bid submitted by Southern Power. Southern Power does not have access to any similar information about its competitors. This virtually eliminates Southern Power from being truly competitive in the very market in which it operates its business. On a broader view, the harm to competition in the wholesale electricity market in general is substantial. The competitive process is built on many principles, one of which is the control and flow of vital information. Competition requires bidders to bid in what they perceive is their best offer under the prevailing market constraints based on the best information available to them at that time. Public disclosure of the information filed pursuant to this Request would cause the competitive market to become distorted by an asymmetrical flow of information among the pool of potential bidders. Southern Power's competition would be given far greater information than they are otherwise entitled in the market. Over time, Southern Power could become ineffective as a competitor and competition is then lessened by their inability to participate in the wholesale electricity market in a meaningful manner. In addition, other wholesale electricity suppliers may become hesitant or even decide to forgo participation in the Florida wholesale electricity market for fear that their proprietary and confidential business information and other trade secrets will be made public. Thus, the Companies assert that this information is entitled to designation as confidential pursuant to Section 366.093(3)(a) and (e), Florida Statutes.

3. The information provided in the Comparison is also entitled to confidential classification as information concerning contractual data, the disclosure of which would impair

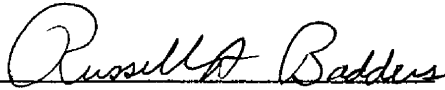
the efforts of the public utility or its affiliates to contract for goods or services on favorable terms. Section 366.093(3)(d), Florida Statutes, provides that such information is proprietary confidential business information to be afforded protection from public disclosure. For the reasons stated in paragraph 2 above, the public disclosure of the specific contractual terms and conditions of the PPA would result in irreparable harm to Southern Power. Gulf would suffer similar harm, but from the perspective of a purchaser in the wholesale energy market. Southern Power will not enter into the PPA with Gulf if the terms and conditions of said PPA are publicly disclosed. Other entities with whom Gulf may desire to enter into a purchased power agreement in the future may have the same concerns and take the same position. Gulf would then be in a very difficult market position and may be unable to acquire purchased power at a competitive price. The PPA was filed with the Commission pursuant to a Request for Confidential Classification on June 22, 2001.

4. The information filed pursuant to Request is intended to be, and is treated as, confidential by the Companies and has not been otherwise publicly disclosed.

5. Submitted as Exhibit "A" is a copy of the Comparison, on which is highlighted the information for which confidential classification is requested. Exhibit "A" should be treated as confidential pending a ruling on this request. Attached as Exhibit "B" are two (2) edited copies of the Comparison, which may be made available for public review and inspection. Attached as Exhibit "C" to this request is a line-by-line/field-by-field justification for the request for confidential classification.

WHEREFORE, Gulf Power Company respectfully requests that the Commission enter an order protecting the information highlighted on Exhibit "A" from public disclosure as proprietary confidential business information.

Respectfully submitted this 29<sup>th</sup> day of June 2001,



**JEFFREY A. STONE**

Florida Bar No. 325953

**RUSSELL A. BADDERS**

Florida Bar No. 007455

**Beggs & Lane**

P. O. Box 12950

(700 Blount Building)

Pensacola, FL 32576-2950

(850) 432-2451

**Attorneys for Gulf Power Company**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Gulf Power Company's petition for )  
approval of purchased power arrangement ) Docket No.: 010827-EI  
regarding Smith Unit 3 for cost recovery )  
through recovery clauses dealing with ) Date Filed: June 29, 2001  
purchased capacity and purchased energy. )  
\_\_\_\_\_ )

**EXHIBIT "A"**  
**REQUEST FOR CONFIDENTIAL CLASSIFICATION**

The information provided herein should be maintained as proprietary confidential business information pursuant to Section 366.093 and Rule 25-22.006, F.A.C.

**EXHIBIT "A"**

Provided to the Division of Records and Reporting  
under separate cover as confidential information

**EXHIBIT "B"**



**Gulf Power Company**  
**Comparison of Purchase Power Arrangement and Rate Base Treatment of Smith CC Unit**

(\$000's)

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
<b>RATE BASE CALCULATION:</b>													
6	Avg Net Plant		216,412	211,679	206,437	202,614	201,450	198,266	194,690	195,026	191,889	186,456	
7	Avg. Land		119	119	119	119	119	119	119	119	119	119	
8	Avg ( LTSA Prepayment + Spare Parts Inventory )		3,785	7,003	9,738	10,773	9,062	9,410	10,099	6,557	6,177	7,662	
9	Avg ADIT		(1,652)	(4,006)	(6,533)	(8,637)	(10,461)	(12,216)	(13,818)	(15,197)	(16,494)	(17,766)	
10	Avg. Net Investment		<u>218,663</u>	<u>214,794</u>	<u>209,760</u>	<u>204,869</u>	<u>200,170</u>	<u>195,580</u>	<u>191,090</u>	<u>186,506</u>	<u>181,691</u>	<u>176,471</u>	
11	Interest	7.73%	45.00%	7,606	7,472	7,297	7,126	6,963	6,803	6,647	6,488	6,320	6,139
12	Trust Preferred Dividends	8.25%	10.00%	1,804	1,772	1,731	1,690	1,651	1,614	1,576	1,539	1,499	1,456
13	Return On Equity	13.00%	45.00%	12,792	12,565	12,271	11,985	11,710	11,441	11,179	10,911	10,629	10,324
14	Income Taxes			8,033	7,891	7,706	7,526	7,354	7,185	7,020	6,852	6,675	6,483
15	Operating & Maintenance Expense			3,503	4,428	5,164	5,281	5,889	6,412	6,198	6,439	6,422	7,268
16	A & G Expense, Ins., Benefits & Payroll Taxes			1,160	1,266	1,339	1,380	1,609	1,889	1,900	1,955	1,986	2,101
17	Property Taxes			803	1,927	1,927	1,927	1,927	1,927	1,927	1,927	1,927	1,927
18	Depreciation Expense			7,624	7,693	7,782	7,934	8,201	8,402	8,613	9,012	9,277	9,471
19	AFUDC Equity Depreciated x Tax Rate	9663 / 30 x .38575		124	124	124	124	124	124	124	124	124	124
20	ESTIMATED TOTAL NON - FUEL COSTS IF RATE BASED		43,449	45,140	45,340	44,974	45,428	45,797	45,184	45,246	44,859	45,293	
21	Net Present Value Of 10 Years Rate Base Costs Above @ AT Disc Rate 8.49%		<del>302,383</del>										

**PPA CALCULATION:**

23	PPA Price Per MW											
24	MW											
25	Estimated PPA Capacity Payments											
26	Net Present Value Of 10 Years Capacity Payments											
27	Estimated Territorial USE (GWHs)											
28	Estimated Variable O & M Rate											
29	Estimated Territorial Variable O & M Cost											
30	Net Present Value Of 10 Years Variable O & M											
31	Estimated Total Non-Fuel Costs Under PPA											
32	Net Present Value Of 10 Year Non-Fuel PPA Costs @ AT Disc Rate 8.49%											
33	Net Present Value Rate Base Minus PPA											

Note : Totals may not add due to rounding.

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33	Net Present Value Rate Base Minus PPA											

Note : Totals may not add due to rounding.

## EXHIBIT "C"

### **Line-by-Line/Field-by-Field Justification**

#### **Line(s)/Field(s)** \_\_\_\_\_

#### **Justification**

Line 23, Price Term of PPA  
Line 28, Price Term of PPA

These lines contain information regarding a price or non-price term of the PPA which is already subject to a Request for confidential classification filed on or about June 22, 2001. This information is entitled to designation as confidential pursuant to Sections 366.093(3)(a), (d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraphs 2 and 3 of this Request and in the Request for Confidential Classification for the PPA filed on June 22, 2001.

Line 24, Derived from Non-price Term of PPA  
Line 25, Derived form Price Term of PPA  
Line 26, Derived from Price Term of PPA  
Line 27, Derived from Non-price Term of PPA  
Line 29, Derived from Price Term of PPA  
Line 30, Derived from Price Term of PPA  
Line 31, Derived from Price Term of PPA  
Line 32, Derived from Price Term of PPA  
Line 33, Derived from Price Term of PPA

The information provided on these lines is entitled to designation as confidential pursuant to Sections 366.093(3)(a), (d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 2 of this Request. Public disclosure of this information would enable competitors of Southern Power to derive the price and non-price terms of the PPA. The PPA was filed with the Commission pursuant to a Request for Confidential Classification on June 22, 2001.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Gulf Power Company's petition for )  
approval of purchased power arrangement ) Docket No.: 010827-EI  
regarding Smith Unit 3 for cost recovery )  
through recovery clauses dealing with )  
purchased capacity and purchased energy )  
\_\_\_\_\_ )

Certificate of Service

this 29<sup>th</sup> I HEREBY CERTIFY that a copy of the foregoing has been furnished  
day of June 2001 by U.S. Mail or hand delivery to the following:

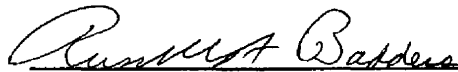
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