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August 20, 2001

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 010827-EI

Enclosed is Gulf Power Company's Request for Confidential Classification for certain portions of the Company's response to interrogatory numbered 62 of Staff's Third Set of Interrogatories, Nos. 61-65, 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

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER - DATE

10377 AUG 22 2001

FPSC-COMMISSION CLERK

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) Date Filed: August 20, 2001
through recovery clauses dealing with)
purchased capacity and purchased energy.)
_____)

REQUEST FOR CONFIDENTIAL CLASSIFICATION

GULF POWER COMPANY ("Gulf Power", "Gulf", or the "Company") and Southern Power Company ("Southern Power")(collectively the "Companies"), by and through their undersigned attorney and pursuant to Rule 25-22.006, Florida Administrative Code, hereby files a request that the Florida Public Service Commission enter an order protecting from public disclosure certain portions of Gulf Power Company's response to interrogatory numbered 62 of Staff's Third Set of Interrogatories (61-65). As grounds for this request, Gulf Power Company states:

Notices and communications with respect to this Request should be addressed to:

Jeffrey A. Stone, Esquire	Susan D. Ritenour
Russell A. Badders, Esquire	Assistant Secretary and Assistant Treasurer
Beggs & Lane	Gulf Power Company
P. O. Box 12950	One Energy Place
Pensacola, FL 32576-2950	Pensacola, FL 32520-0780

1. The Florida Public Service Commission Staff propounded its Third Set of Interrogatories (61-65) on Gulf Power Company on August 7, 2001. Portions of Gulf Power's response to interrogatory number 62 of Staff's Third Set of Interrogatories to Gulf Power Company (Nos. 61-65) are being submitted pursuant to this Request for Confidential Classification.

2. Gulf Power's response to interrogatory number 62 of Staff's Third Set of Interrogatories to Gulf Power Company (Nos. 61-65) 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 Gulf Power's response to interrogatory number 62 of Staff's Third Set of Interrogatories to Gulf Power Company (Nos. 61-65) 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 Gulf's responses, 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 responses, 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 20th day of August 2001,



JEFFREY A. STONE

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Attorneys for Gulf Power Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Gulf Power Company's petition for)
approval of purchased power arrangement)
regarding Smith Unit 3 for cost recovery)
through recovery clauses dealing with)
purchased capacity and purchased energy.)
_____)

Docket No.: 010827-EI

Date Filed: August 20, 2001

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"

62. For purposes of this interrogatory, refer to the spreadsheet/schedule entitled "Comparison of Purchase Power Arrangement and Rate Base Treatment of Smith CC Unit," the lower half of which is confidential. Please provide the entire schedule recalculated using a 12% for the return on equity and assuming:
- A. a 25-year depreciable life for the unit; and
 - B. a 20-year depreciable life for the unit.

ANSWER:

The requested information has been provided pursuant to the Request for Confidential Classification filed with the Commission on August 20, 2001.

**CONFIDENTIAL AND PROPRIETARY
BUSINESS INFORMATION**

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

Revision Base on Interrogatory Request #62.A. (25-Yr Depreciable Life, 12% ROE)

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
RATE BASE CALCULATION:												
6	Avg Net Plant		215,496	209,459	202,718	197,369	194,629	189,812	184,551	183,117	178,116	170,750
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		(1,299)	(3,149)	(5,099)	(6,614)	(7,830)	(8,955)	(9,907)	(10,603)	(11,181)	(11,708)
10	Avg. Net Investment		218,100	213,431	207,476	201,647	195,981	190,387	184,862	179,190	173,231	166,823
11	Interest	7.73% 45.00%	7,587	7,424	7,217	7,014	6,817	6,623	6,430	6,233	6,026	5,803
12	Trust Preferred Dividends	8.25% 10.00%	1,799	1,761	1,712	1,664	1,617	1,571	1,525	1,478	1,429	1,376
13	Return On Equity	12.00% 45.00%	11,777	11,525	11,204	10,889	10,583	10,281	9,983	9,676	9,354	9,008
14	Income Taxes		7,396	7,238	7,036	6,838	6,646	6,456	6,269	6,077	5,875	5,657
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		9,099	9,183	9,291	9,479	9,809	10,058	10,327	10,838	11,178	11,436
19	AFUDC Equity Depreciated x Tax Rate	9663 / 25 x .38575	149	149	149	149	149	149	149	149	149	149
20	ESTIMATED TOTAL NON - FUEL COSTS IF RATE BASED		43,273	44,902	45,038	44,620	45,046	45,366	44,708	44,772	44,346	44,726
21	Net Present Value Of 10 Years Rate Base Costs Above @ AT Disc Rate	8.04%	306,059									

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	Total Net Present Value Of 10 Year Non-Fuel PPA Costs @	8.04%										
33	Net Present Value Rate Base Minus PPA											

NOTE : Totals may not add due to rounding

**CONFIDENTIAL AND PROPRIETARY
BUSINESS INFORMATION**

**Gulf Power Company
Comparison of Purchase Power Arrangement and Rate Base Treatment of Smith CC Unit
Revision Based on Interrogatory Request #62.B. (20-Yr Depreciable Life, 12% ROE)**

	(\$000's)		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
RATE BASE CALCULATION:												
6 Avg Net Plant			214,122	206,129	197,139	189,496	184,383	177,100	169,281	165,141	157,267	146,899
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			(769)	(1,865)	(2,947)	(3,577)	(3,877)	(4,051)	(4,017)	(3,668)	(3,139)	(2,507)
10 Avg. Net Investment			<u>217,256</u>	<u>211,386</u>	<u>204,049</u>	<u>196,811</u>	<u>189,687</u>	<u>182,578</u>	<u>175,483</u>	<u>168,149</u>	<u>160,424</u>	<u>152,173</u>
11 Interest	7.73%	45.00%	7,557	7,353	7,098	6,846	6,598	6,351	6,104	5,849	5,580	5,293
12 Trust Preferred Dividends	8.25%	10.00%	1,792	1,744	1,683	1,624	1,565	1,506	1,448	1,387	1,324	1,255
13 Return On Equity	12.00%	45.00%	11,732	11,415	11,019	10,628	10,243	9,859	9,476	9,090	8,663	8,217
14 Income Taxes			7,368	7,169	6,920	6,674	6,433	6,192	5,951	5,702	5,440	5,160
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			11,311	11,417	11,556	11,800	12,235	12,565	12,935	13,643	14,117	14,501
19 AFUDC Equity Depreciated x Tax Rate	9663 / 20 x .38575		186	186	186	186	186	186	186	186	186	186
20 ESTIMATED TOTAL NON - FUEL COSTS IF RATE BASED			<u>45,412</u>	<u>46,906</u>	<u>46,891</u>	<u>46,346</u>	<u>46,685</u>	<u>46,887</u>	<u>46,125</u>	<u>46,169</u>	<u>45,646</u>	<u>45,910</u>
21 Net Present Value Of 10 Years Rate Base Costs Above @ AT Disc Rate	8.04%		317,616									

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 Total Net Present Value Of 10 Year Non-Fuel PPA Costs @	8.04%											
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

Interrogatory 62 Spreadsheet using 25-yr depreciable life (Identified as 62A)

Interrogatory 62 Spreadsheet using 20-yr depreciable life (Identified as 62B)

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 from 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.

