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Pensacola, Florida 32520

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ORIGINAL



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February 14, 2002

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. 010949-EI

Enclosed are an original and fifteen copies of Gulf Power Company's Request for Confidential Classification for portions of Gulf Power's response to Staff's Eighth Request for Production of Documents, Nos. 59-60, 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

Enclosure

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER-DATE

01773 FEB 15 8

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Request for Rate Increase by Gulf
Power Company

Docket No.: 010949-EI
Date: February 14, 2002

_____)
REQUEST FOR CONFIDENTIAL CLASSIFICATION

GULF POWER COMPANY [“Gulf Power”, “Gulf”, or “the Company”], by and through its undersigned attorney and pursuant to Rule 25-22.006, Florida Administrative Code, hereby files a request that the Florida Public Service Commission (“Commission”, or “FPSC”) enter an order protecting from public disclosure certain specified portions of Gulf Power’s response to Staff’s Eighth Request for Production of Documents to Gulf Power Company (Nos. 59-60). 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
Russell A. Badders, Esquire
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32576-2950

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer
Gulf Power Company
One Energy Place
Pensacola, FL 32520-0780

1. Gulf Power Company’s response to requests numbered 59 and 60 contain proprietary and commercially sensitive information regarding Gulf and Southern Power Company [“the Companies”] which if disclosed to the general public would cause irreparable harm to both companies. This information is entitled to designation as confidential pursuant to §366.093(3)(a) and (e), Florida Statutes. Specifically, the response to request numbered 59 is a

document entitled "Comparison of Purchase Power Arrangement and Rate Base Treatment of Smith CC Unit" and the response to request numbered 60 is the same or similar information with one or more changes to inputs or assumptions. 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 proposed purchased power arrangements ("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 responses to requests 59 and 60 of Staff's eighth Request for Production of Documents to Gulf Power Company (Nos. 59-60) 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.

3. Submitted as Exhibit "A" is a copy of the Company's responses to requests numbered 59 and 60 of Staff's Eighth Request for Production of Documents, 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 Company's response to requests numbered 59 and 60 of Staff's Eighth Request for Production of Documents, which may be made available for public review and inspection. Attached as Exhibit "C" to this request is a justification for the request for confidential classification.

4. The material for which confidential classification is requested is intended to be, and is treated as, confidential by Gulf Power Company and has not been otherwise publicly disclosed.

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 14th day of February, 2002.



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: Request for Rate Increase by Gulf
Power Company
_____)

Docket No.: 010949-EI
Date: February 13, 2002

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"

59. In Docket No. 010827-EI, Gulf shared with the Commission staff a spreadsheet/schedule entitled, "Comparison of Purchase Power Arrangement and Rate Base Treatment of Smith CC Unit." This analysis was performed by Gulf using a 13% return on equity. Please provide this document.

ANSWER:

See page 2 of 2.

**CONFIDENTIAL AND PROPRIETARY
BUSINESS INFORMATION**

**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
RATE BASE CALCULATION:												
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 (LISA 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)	(13,816)	(15,197)	(16,494)	(17,766)
10	Avg Net Investment		218,663	214,794	209,760	204,869	200,170	195,580	191,090	186,506	181,691	176,471
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 Cost Above @ AT Disc Rate	8.49%	302,849									

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 (GWts)											
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 Years Non-Fuel PPA Costs @ AT Disc Rate											
33	Net Present Value Rate Base Minus PPA											

NOTE: Totals may not add due to rounding

60. Please provide Gulf's Response to Staff Interrogatory No. 57 in Docket No. 010827-EI.

ANSWER:

See pages 2 and 3.

**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 #57 (ROE 11%)

	(\$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	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 (LISA 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 ADIF	(1,652)	(4,006)	(6,533)	(8,637)	(10,461)	(12,216)	(13,818)	(15,197)	(16,494)	(17,766)		
10	Avg Net Investment	218,663	214,794	209,760	204,869	200,170	195,580	191,090	186,506	181,691	176,471		
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	11.00%	45.00%	10,824	10,632	10,383	10,141	9,908	9,681	9,459	9,232	8,994	8,735
14	Income Taxes			6,797	6,677	6,521	6,369	6,223	6,080	5,940	5,798	5,648	5,486
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			40,245	41,992	42,267	41,972	42,496	42,931	42,384	42,513	42,197	42,707
21	Net Present Value Of 10 Years Rate Base Costs Above @ AT Disc Rate	7.59%		294,136									

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 @	
33	Net Present Value Rate Base Minus PPA	

Note: Totals may not add due to rounding.

Gulf Power Company

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

Revision Based on Interrogatory Request #57 (ROE 12%)

	(\$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		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 (IISA 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		218,663	214,794	209,760	204,869	200,170	195,580	191,090	186,506	181,691	176,471
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	12.00% 45.00%	11,808	11,599	11,327	11,063	10,809	10,561	10,319	10,071	9,811	9,529
14 Income Taxes		7,415	7,284	7,113	6,948	6,788	6,633	6,480	6,325	6,162	5,984
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		41,847	43,566	43,804	43,473	43,962	44,364	43,784	43,879	43,528	44,000
21 Net Present Value Of 10 Years Rate Base Costs Above @ AT Disc Rate	8.04%	298,459									

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 @	
33 Net Present Value Rate Base Minus PPA	

Note: Totals may not add due to rounding.

EXHIBIT "C"

Field/Line

Justification

Request 59
Page 2 of 2
Lines 23 - 33

These lines contain information regarding a price or non-price term of a proposed contract between Gulf Power Company and Southern Power Company. 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.

Request 60
Page 2 of 3
Lines 23 - 33

Page 3 of 3
Lines 22 -33

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for rate increase by)
Gulf Power Company)
_____)

Docket No. 010949-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 14th day of February 2002 by U.S. Mail to the following:

Marlene Stern, Esquire
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