

One Energy Place  
Pensacola, Florida 32520

Tel 850.444.6111



July 16, 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. 011605-EI

Enclosed are an original and fifteen copies of Gulf Power Company's Request for Confidential Classification for Staff's First Set of Interrogatories (Nos. 1-23), Item No. 10 and Staff's First Request for Production of Documents (Nos. 1-10), Item No. 1, subparts A, D, E, and F, to be filed in the above docket.

Sincerely,

*Susan D. Ritenour (lw)*

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

lw

Enclosure

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER-DATE  
07442 JUL 17 8  
:FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Review of Investor-Owned Electric  
Utilities' Risk Management Policies and  
Procedures

Docket No.: 011605-EI  
Date: July 17, 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 enter an order protecting from public disclosure the Company's responses to interrogatory number 10 of Staff's First Set of Interrogatories to Gulf Power Company (Nos. 1-23) and request for production of documents number 1 at subpart A, D, E and F of Staff's First Request for Production of Documents to Gulf Power Company (Nos. 1-10). As grounds for this request, the Company states:

1. On June 16, 2002, Gulf submitted its responses to interrogatory number 10 of Staff's First Set of Interrogatories to Gulf Power Company (Nos. 1-23) and request for production of documents number 1 at subpart A, D, E and F of Staff's First Request for Production of Documents to Gulf Power Company (Nos. 1-10) under a Notice of Intent to Request Confidential Classification. This information is entitled to confidential classification pursuant to §366.093(3)(a) and (e), Florida Statutes, as information, the public disclosure of which would cause irreparable harm to the competitive interests of Gulf Power and the ability of Gulf to enter into contracts on terms favorable to it and its ratepayers. The information for which confidential classification is sought is intended to be and is treated by Gulf Power Company as private and is not otherwise publically available.

2. The response to interrogatory number 10 contains proprietary and commercially sensitive information regarding Gulf Power, which if disclosed to the general public would cause irreparable harm to Gulf Power. Specifically, the response is a detailed outline showing information about Gulf's fuel procurement and wholesale power purchases. This information is entitled to confidential classification pursuant to §366.093(3)(a) and (e), Florida Statutes. Gulf and other members of the market in which it competes consider this type of information to be trade secret and competitively sensitive. This information discusses how Gulf manages its fuel procurement and purchase power procurement. In addition, the strategy employed by Gulf or on its behalf in the procurement of fuel and purchased power are discussed in detail. Gulf's competitors are not required to disclose this information or information similar to it such that Gulf could gain the same competitive advantage that its competitors gain from this information. Moreover, fuel suppliers can use this information to Gulf's disadvantage in negotiations for fuel and purchase power which would result in detriment to Gulf's ratepayers. Disclosure of this information would adversely affect Gulf's ability to manage its fuel procurement in a manner that secures the best price and terms for its customers fuel needs.

3. The Company's response to request for production of documents number 1 at subpart A is entitled to confidential classification as proprietary and commercially sensitive information regarding Gulf Power, which if disclosed to the general public would cause irreparable harm to Gulf Power and to its general body of ratepayers. Specifically, the response to subpart A is Gulf's Coal Procurement Procedure. This document contains significant detail regarding Gulf's strategy for procuring coal and how Gulf evaluates coal purchases. This information is entitled to confidential classification pursuant to §366.093(3)(a) and (e), Florida

Statutes. Gulf and other members of the market in which it competes consider this type of information to be trade secret and competitively sensitive. Gulf's competitors are not required to disclose this information or information similar to it such that Gulf could gain the same competitive advantage that its competitors gain from this information. Moreover, fuel suppliers can use this information to Gulf's disadvantage in negotiations for coal. Disclosure of this information would adversely affect Gulf's ability to manage its fuel procurement in a manner that secures the best price and terms for its customers fuel needs. Making this information available to coal suppliers would result in higher costs for coal to Gulf's ratepayers without having any positive impact on this proceeding for any party.

4. Request for Production of Documents number 1 at subpart B is already the subject of a pending request for confidential classification filed on June 11, 2002, which is identified as document number 06066-02 in the Commission's records. This information continues to be regarded as confidential for the reasons set forth in the June 11, 2002 filing.

5. The Company's response to request for production of documents number 1 at subpart D is entitled to confidential classification as proprietary and commercially sensitive information regarding Gulf Power, which if disclosed to the general public would cause irreparable harm to Gulf Power and to its general body of ratepayers. Specifically, the response to subpart D are the results of the Utility Fuel Inventory Model Study. This document contains significant detail regarding Gulf's coal needs during current and future periods. Details on the assumptions for coal burn, supply issues, market evaluations and other inputs into the determination of coal needs by Gulf are set forth in great detail. This information is entitled to confidential classification pursuant to §366.093(3)(a) and (e), Florida Statutes. Gulf considers

this type of information to be trade secret and competitively sensitive. Gulf's competitors are not required to disclose this information or information similar to it such that Gulf could gain the same competitive advantage that its competitors gain from this information. Moreover, fuel suppliers can use this information to Gulf's disadvantage in negotiations for coal. Disclosure of this information would adversely affect Gulf's ability to manage its fuel procurement in a manner that secures the best price and terms for its customers fuel needs. Making this information available to coal suppliers would result in higher costs for coal to Gulf's ratepayers without having any positive impact on this proceeding for any party.

6. The Company's responses to request for production of documents number 1 at subpart E and F are entitled to confidential classification as proprietary and commercially sensitive information regarding Gulf Power, which if disclosed to the general public would cause irreparable harm to Gulf Power and to its general body of ratepayers. Specifically, the responses to subpart E and F are Gulf's Long-Term Coal Procurement Strategy and Tactical Plan and Long-Term Coal Transportation Strategy and Tactical plan respectively. These documents contain significant detail regarding Gulf's strategy for procuring coal and securing its transportation. This information is entitled to confidential classification pursuant to §366.093(3)(a) and (e), Florida Statutes. Gulf and other members of the market in which it competes consider this type of information to be trade secret and competitively sensitive. Gulf's competitors are not required to disclose this information or information similar to it such that Gulf could gain the same competitive advantage that its competitors gain from this information. Most importantly, fuel suppliers can use this information to Gulf's disadvantage in negotiations for coal and its transportation. Fuel suppliers would know Gulf's sensitivities to various events and market

conditions as well as Gulf's financial and management positions with regard to coal procurement. This would leave Gulf in a significantly disadvantaged bargaining position. Disclosure of this information would adversely affect Gulf's ability to manage its fuel procurement in a manner that secures the best price and terms for its customers fuel needs. Making this information available to coal suppliers would result in higher costs for coal to Gulf's ratepayers without having any positive impact on this proceeding for any party.

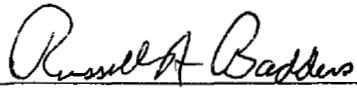
7. The information filed pursuant to this Request is intended to be, and is treated as, confidential by the Gulf and has not been otherwise publicly disclosed.

8. Submitted as Exhibit "A" is a copy of the 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 16<sup>th</sup> day of July 2002,



**JEFFREY A. STONE**

Florida Bar No. 325953

**RUSSELL A. BADDERS**

Florida Bar No. 007455

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**Attorneys for Gulf Power Company**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Review of Investor-Owned Electric  
Utilities' Risk Management Policies and  
Procedures

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Docket No.: 011605-EI  
Date: July 17, 2002

**REQUEST FOR CONFIDENTIAL CLASSIFICATION**

**EXHIBIT "A"**

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



**EXHIBIT "B"**

10. To the extent not already specified in documents provided in response to Staff's Document Request No. 1 in this docket, please respond to the following:
- a. What types of risk has GULF identified in its current risk management plan?
  - b. What are the objectives of GULF's current risk management plan? What policies and procedures has GULF put in place to achieve these objectives? What personnel are in place to achieve these objectives?
  - c. What type of oversight does GULF and its management have with respect to the GULF's current risk management plan?
  - d. What types of checks and balances exist with respect to GULF's current risk management plan? Please describe these checks and balances and explain how they are intended to work.
  - e. How does GULF monitor and measure the risks addressed by its risk management plan? In your response, please identify all reports or reporting procedures employed by GULF to monitor and measure these risks.

**ANSWER:**

This information is being provided pursuant to the Notice of Intent to Request Confidential Classification filed with the Florida Public Service Commission.

See pages 2 through 21.

1  
2 **Risk Management Plan Outline for**  
3 **Fuel Procurement and Wholesale Power Purchases**  
4

5 **Organizational Structure**  
6

7 **A. Board of Directors**  
8

- 9 1. Indicate which committees, if any, provide oversight to the utility's risk  
10 management of its fuel procurement and purchased power transactions.  
11

12 **RESPONSE:** [REDACTED]  
13  
14  
15

- 16 2. Indicate what company or division will procure fuel and purchase  
17 wholesale power for the utility and what individual should be contacted  
18 regarding the risk management plan.  
19

20 **RESPONSE:** [REDACTED]  
21  
22  
23  
24

25 **Fossil and purchased power future needs**  
26

27 **A. Coal**  
28

29 How much coal does the utility plan to purchase for years 2002, 2003, and 2004?  
30 List by units and MMBTU for each year.  
31

32 **RESPONSE:** [REDACTED]  
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B. Residual Oil

How much residual oil does the utility plan to purchase for years 2002, 2003, and 2004? List by units and MMBTU for each year.

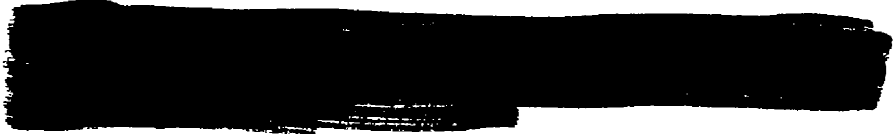
RESPONSE:



C. Distillate Oil

How much distillate oil does the utility plan to purchase for years 2002, 2003, and 2004? List by units and MMBTU for each year.

RESPONSE:



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[REDACTED]

D. Natural Gas

How much natural gas does the utility plan to purchase for years 2002, 2003, and 2004? List by units and MMBTU for each year.

RESPONSE: [REDACTED]

[REDACTED]

[REDACTED]

1 E. Purchased Power  
2

3 How much wholesale power does the utility plan to purchase or sell for years 2002,  
4 2003, and 2004? List by MWH for each year.  
5

6 RESPONSE:  
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13 Fuel Procurement and Purchased Power  
14

15 A. Coal  
16

17 1. Coal Procurement Requirements  
18

- 19 a. How much coal did the utility or utility affiliate, on the utility's behalf,  
20 procure during 2001? Please provide response in tons and million British  
21 thermal units.

22 RESPONSE: [REDACTED]  
23  
24

- 25 b. How much coal did the utility or utility affiliate, on the utility's behalf,  
26 procure during 2001 on the spot market. Please provide response in tons  
27 and million British thermal units.  
28

29 RESPONSE: [REDACTED]  
30  
31

32 2. Coal Inventory  
33

- 34 a. How much coal did the utility have in inventory as of December 31, 2001?  
35 Please provide response in tons, million British thermal units, and days  
36 supply.  
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2 RESPONSE:  
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12 B. Residual Oil

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14 1. Residual Oil Procurement Requirements

- 15  
16 a. How much residual oil did the utility or utility affiliate, on the utility's  
17 behalf, procure during 2001? Please provide response in barrels and  
18 million British thermal units.

19  
20 RESPONSE: [REDACTED]  
21

- 22 b. How much residual oil did the utility or utility affiliate, on the utility's  
23 behalf, procure during 2001 on the spot market? Please provide response  
24 in barrels and million British thermal units.

25  
26 RESPONSE: [REDACTED]  
27

28 2. Residual Oil Inventory

- 29  
30 a. How much residual oil did the utility have in inventory as of December  
31 31, 2001? Please provide response in barrels (or million British thermal  
32 units) and days supply.

33  
34 RESPONSE: [REDACTED]  
35

36 C. Distillate Oil

37  
38 1. Distillate Oil Procurement Requirements

- 39  
40 a. How much distillate oil did the utility or utility affiliate, on the utility's  
41 behalf, procure during 2001? Please provide response in barrels and  
42 million British thermal units.  
43  
44  
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1                   RESPONSE: [REDACTED]  
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- 5                   b.   How much distillate oil did the utility or utility affiliate, on the utility's  
6                   behalf, procure during 2001 on the spot market. Please provide response  
7                   in barrels and million British thermal units.  
8

9                   RESPONSE: [REDACTED]  
10  
11

12                   2. Distillate Oil Inventory

- 13  
14                   a.   How much distillate oil did the utility have in inventory as of December  
15                   31, 2001? Please provide response in barrels (or million British thermal  
16                   units) and days supply.  
17

18                   RESPONSE: [REDACTED]  
19  
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- 24                   b.   What was the minimum amount of the utility's distillate oil inventory during  
25                   2001? Please provide response in barrels (or million British thermal units) and  
26                   days supply.  
27

28                   RESPONSE: [REDACTED]  
29  
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36                   C. Natural Gas

37  
38                   1. Natural Gas Procurement Requirements

- 39  
40                   a.   How much natural gas did the utility or utility affiliate, on the utility's  
41                   behalf, procure during 2001? Please provide response in million British  
42  
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1 thermal units.

2  
3 RESPONSE: [REDACTED]  
4  
5

- 6 b. How much natural gas did the utility or utility affiliate, on the utility's  
7 behalf, procure during 2001 on the spot market. Please provide response  
8 in million British thermal units.

9  
10 RESPONSE: [REDACTED]  
11  
12

13 2. Natural Gas Inventory

- 14 a. How much natural gas did the utility have in inventory as of December 31,  
15 2001? Please provide response in million British thermal units and days  
16 supply.

17  
18 RESPONSE: [REDACTED]  
19  
20

- 21 b. What was the minimum amount of the utility's natural gas inventory  
22 during 2001? Please provide response in million British thermal units and  
23 days supply.

24  
25 RESPONSE: [REDACTED]  
26  
27  
28

29 E. Purchased Power

- 30  
31 1. How much wholesale power did the utility or utility affiliate, on the utilities  
32 behalf, purchase or sell during 2001? Please provide the response in MWH.

33  
34 RESPONSE:  
35  
36 [REDACTED]  
37 [REDACTED]  
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IV. Risk Management Strategy

A. Risk Identification

1. Identify each type of risk that the utility encounters when procuring:

a. Coal

RESPONSE:



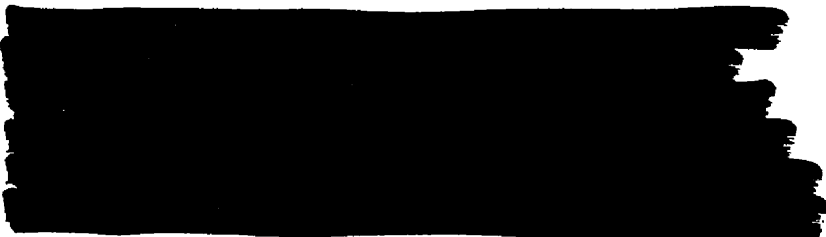
b. Residual Oil

RESPONSE:



c. Distillate Oil

RESPONSE:



d. Natural Gas

RESPONSE:



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e. Purchased Power

RESPONSE:

[REDACTED]

2. Separately identify the utility's goal(s) in managing the recognized risks associated with each fuel or power purchases.

RESPONSE:

[REDACTED]

[REDACTED]

[REDACTED]

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Staff's First Set of Interrogatories  
Docket No. 011605-EI  
GULF POWER COMPANY  
June 27, 2002  
Item No. 10  
Page 12 of 21

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3. Describe how the utility decides what an acceptable level of risk is when associated with fuel procurement and purchased power transactions.

RESPONSE:

1 B. Describe your fossil fuel procurement and wholesale purchased power plans  
2 separately for 2002. Please include:

3  
4 1. General

5  
6 a. Types of fuel used and power purchased or sold

7  
8 RESPONSE:

9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]

19 b. Quantities and mix and by percent

20  
21 Based on the information currently available, Gulf's best estimate is that the  
22 following amounts of fuel and purchased power will be purchased for the  
23 years specified.

24  
25 RESPONSE:

26 [REDACTED]  
27 [REDACTED]  
28 [REDACTED]  
29 [REDACTED]  
30 [REDACTED]  
31 [REDACTED]  
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[REDACTED]

c. How purchased and by percent

RESPONSE:

[REDACTED]

[REDACTED]

[REDACTED]

d. Justify all purchasing strategies in items 1-3.

RESPONSE:

[REDACTED]



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[REDACTED]

[REDACTED]

[REDACTED]

2. Specific

a. What derivatives will be used and how

RESPONSE: [REDACTED]

b. What will be hedged and how

RESPONSE: [REDACTED]

1  
2  
3 c. Savings (net of expenses) anticipated and why

4 RESPONSE:

5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]

20  
21 3. SWOT

22 a. Describe the strengths of the plan

23 RESPONSE:

24 [REDACTED]  
25 [REDACTED]  
26 [REDACTED]  
27 [REDACTED]  
28 [REDACTED]  
29 [REDACTED]  
30 [REDACTED]  
31 [REDACTED]  
32 [REDACTED]  
33 [REDACTED]  
34 [REDACTED]  
35 [REDACTED]  
36 [REDACTED]  
37 [REDACTED]

38  
39 b. Describe the weaknesses of the plan

40 RESPONSE:

41 [REDACTED]  
42 [REDACTED]  
43 [REDACTED]  
44 [REDACTED]  
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[REDACTED]

c. Describe the opportunities within the plan

RESPONSE:

[REDACTED]

d. Describe the threats and possible countermeasures

RESPONSE:

[REDACTED]

1 [REDACTED] e.  
2

3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]

8 C. Audits  
9

- 10 1. Internal Auditor – describe the level of audit oversight that the utility’s internal  
11 auditor provides to the utility’s risk management efforts.  
12

13 RESPONSE: [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19

20 2. Outside Auditors

- 21 a. Indicate which outside auditors, if any, provide oversight to the utility’s risk  
22 management efforts.  
23

24 RESPONSE: [REDACTED]  
25 [REDACTED]  
26 [REDACTED]

- 27 b. Describe the level of audit oversight that these outside auditors provide to  
28 the utility’s risk management efforts.  
29

30 RESPONSE: [REDACTED]  
31 [REDACTED]  
32 [REDACTED]

3 V. Income Statement – Discuss the impact on the utility’s income statement for the  
4 following transactions:  
5

- 6 A. Opening an exchange-traded futures contract  
7 B. Closing an exchange-traded futures contract  
8 C. Opening an exchange-traded options contract  
9 D. Closing an exchange-traded options contract

10 RESPONSE: [REDACTED]  
11 [REDACTED]  
12 [REDACTED]

1 VI. Regulatory Treatment

2  
3 A. Base Rates

- 4  
5 1. Identify the types of cash inflows associated within risk management for fuel  
6 procurement and purchased power transactions that the utility currently recovers  
7 through its base rates.

8 RESPONSE: [REDACTED]

- 9  
10  
11 2. Identify the types of cash outflows associated within risk management for fuel  
12 procurement and purchased power transactions that the utility currently recovers  
13 through its base rates.

14 RESPONSE: [REDACTED]

15  
16  
17 B. Fuel & Purchased Power Cost Recovery Clause

- 18  
19 1. Identify the types of cash inflows associated within risk management for fuel  
20 procurement and purchased power transactions that the utility currently recovers  
21 through its fuel and purchased power cost recovery clause.

22 RESPONSE: [REDACTED]

- 23  
24  
25  
26 2. Identify the types of cash outflows associated within risk management for fuel  
27 procurement and purchased power transactions that the utility currently recovers  
28 through its fuel and purchased power cost recovery clause.

29  
30 RESPONSE: [REDACTED]

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## Coal Procurement Procedure

Request for Production of Documents number 1 at subpart A at pages 1 - 36 in their entirety including all graphs, diagrams, charts and appendix.

## **Utility Fuel Inventory Model Study Results**

**Request for Production of Documents number 1 at subpart D at pages 1 - 78 in their entirety including all graphs, diagrams, charts and appendix.**



## Long-Term Coal Procurement Strategy and Tactical Plan

Request for Production of Documents number 1 at Subpart E at pages 1 - 12 and attachment A in their entirety including all graphs, diagrams, charts and appendix.

## **Long-Term Coal Transportation Strategy and Tactical Plan**

**Request for Production of Documents number 1 at Subpart F at pages 1 - 7 in their entirety including all graphs, diagrams, charts and appendix.**

EXHIBIT C

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

<b><u>Line(s)/Field(s)</u></b>	<b><u>Justification</u></b>
Interrogatory Numbers 10 Page 2, lines 12-14, 20-24, 33-35 Page 3, lines 1-16, 24-25, 31-34 Page 4, lines 1-16, 22-41 Page 5, lines 8-12, 22-24, 29-31 Page 6, lines 3-11, 20-21, 26-26, 33-35 Page 7, lines 1-3, 9-10, 19-23, 30-35 Page 8, lines 3-4, 10-11, 19-20, 25-28, 36-38 Page 9, lines 9-17, 20-21, 24-30, 33-40 Page 10, lines 3-8, 13-43 Pages 11 and 12, lines 1-43 Page 13, lines 6-35 Page 14, lines 8-17, 27-36 Page 15, lines 1-8, 13-36, 39-43 Page 16, lines 1-43 Page 17, lines 1-12, 18-20, 24-39 Page 18, lines 3-19, 24-37, 41-42 Page 19, lines 1-21, 25-31, 34-43 Page 20, lines 1-6, 13-18, 25-26, 30-32, 41-43 Page 21, lines 9, 15-16, 24-25, 31-32	This information is entitled to confidential classification pursuant to §366.093(3)(a) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 2.
Request for Production of Documents number 1 at subpart A Pages 1 - 36 in their entirety including all graphs, diagrams, charts and appendix	This information is entitled to confidential classification pursuant to §366.093(3)(a) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 3.
Request for Production of Documents number 1 at subpart D Pages 1 - 78 in their entirety including all graphs, diagrams, charts and appendix	This information is entitled to confidential classification pursuant to §366.093(3)(a) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 5.

Request for Production of Documents number 1  
at subparts E and F

Subpart E at pages 1 - 12 and attachment A in  
their entirety including all graphs, diagrams,  
charts and appendix

Subpart F at pages 1 - 7 in their entirety including  
all graphs, diagrams, charts and appendix

This information is entitled to confidential  
classification pursuant to §366.093(3)(a)  
and (e), Florida Statutes. The basis for  
this information being designated as  
confidential is more fully set forth in  
paragraph 6.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Review of investor-owned electric )  
utilities' risk management policies and )  
procedures )  
\_\_\_\_\_ )

Docket No. 011605-EI

Certificate of Service

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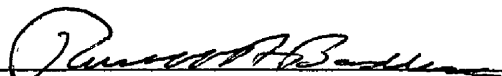
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