

One Energy Place
Pensacola, Florida 32520

Tel 850 444.6111



October 23, 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. 020001-EI

Enclosed are an original and ten copies of the Prehearing Statement of Gulf Power Company to be filed in the above docket.

Also enclosed is a 3.5 inch double sided, high density diskette containing the Statement in WordPerfect 8 for Windows format as prepared on a Windows NT based computer.

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
J. A. Stone, Esquire

DOCUMENT NUMBER-DATE
11645 OCT 24 8
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clauses and Generating)
Performance Incentive Factor)
)
_____)

Docket No. 020001-EI
Date Filed: October 24, 2002

PREHEARING STATEMENT OF GULF POWER COMPANY

Gulf Power Company, (“Gulf Power”, “Gulf”, or “the Company”), by and through its undersigned attorneys, and pursuant to Rule 25-22.038(3), Florida Administrative Code, files this prehearing statement, saying:

A. APPEARANCES:

JEFFREY A. STONE, Esquire, RUSSELL A. BADDERS,
Esquire, and R. ANDREW KENT, Esquire, of Beggs & Lane,
P.O. Box 12950, Pensacola, FL 32591-2950
On behalf of Gulf Power Company.

B. WITNESSES: All witnesses known at this time, who may be called by Gulf Power

Company, along with the subject matter and issue numbers which will be covered by the witness' testimony, are as follows:

	<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
<u>(Direct)</u>			
1.	M. F. Oaks (Gulf)	Fuel Adjustment, true-up and projections	1, 2, 4, 11
2.	T. A. Davis (Gulf)	Fuel Adjustment, true-up and projections	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 16A, 16C, 24, 25, 26, 27, 28, 29
3.	L. S. Noack (Gulf)	GPIF, reward/penalty and targets and ranges	18, 19
4.	H. Homer Bell, III (Gulf)	Purchased Power -- energy and capacity purchases and sales, projections	1, 2, 4, 9, 10, 16B, 24, 25, 27
<u>(Rebutal)</u>			
1.	S. D. Ritenour (Gulf)	Rebuttal to the testimony of Matthew Brinkley	16C

C. EXHIBITS:

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u> </u> (MFO-1)	Oaks	Coal Suppliers January 2001 - December 2001
<u> </u> (MFO-2)	Oaks	Projected vs. actual fuel cost of generated power March 1993 - December 2003
<u> </u> (TAD-1)	Davis	Calculation of Final True-Up for Fuel and Capacity for the period 1/01 - 12/01
<u> </u> (TAD-2)	Davis	Calculation of Estimated True-Up for Fuel and Capacity for the period 1/02 - 12/02
<u> </u> (TAD-3)	Davis	Calculation of Projected Fuel and Capacity Costs for the period 1/03 - 12/03
<u> </u> (LSN-1)	Noack	Gulf Power Company GPIF Results January 2001- December 2001
<u> </u> (LSN-2)	Noack	Gulf Power Company GPIF Targets and Ranges January 2003 - December 2003
<u> </u> (HHB-1)	Bell	Gulf Power Company Projected Purchased Power Contract Transactions January 2003 - December 2003

D. STATEMENT OF BASIC POSITION:

Gulf Power Company's Statement of Basic Position:

It is the basic position of Gulf Power Company that the fuel factors proposed by the Company present the best estimate of Gulf's fuel expense for the period January 2003 through December 2003 including the true-up calculations, GPIF and other adjustments allowed by the Commission.

E. STATEMENT OF ISSUES AND POSITIONS:

Generic Fuel Adjustment Issues

ISSUE 1: What are the appropriate final fuel adjustment true-up amounts for the period January 2001 through December 2001?

GULF: Under recovery \$12,368,122. (Oaks, Bell, Davis)

ISSUE 2: What are the estimated fuel adjustment true-up amounts for the period January 2002 through December 2002?

GULF: Under recovery \$16,703,076. (Oaks, Bell, Davis)

ISSUE 3: What are the total fuel adjustment true-up amounts to be collected/refunded from January, 2003 to December, 2003?

GULF: Collect \$29,071,198. (Davis)

ISSUE 4: What are the appropriate levelized fuel cost recovery factors for the period January, 2003 to December, 2003?

GULF: 2.348¢/KWH. (Oaks, Bell, Davis)

ISSUE 5: What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

GULF: The factors should be effective beginning with the specified billing cycle and thereafter for the period January 2003 through December 2003. Billing cycles may start before January 1, 2003 and the last cycle may be read after December 31, 2003 so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Davis)

ISSUE 6: What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class?

GULF: See table below: (Davis)

Group	Rate Schedules	Line Loss Multipliers
A	RS, RSVP, GS, GSD, SBS, OSIII, OSIV	1.00482
B	LP, LPT, SBS	0.98404
C	PX, PXT, RTP, SBS,	0.97453
D	OS-I/II	1.00469

ISSUE 7: What are the appropriate Fuel Cost Recovery Factors for each rate class/delivery voltage level class adjusted for line losses?

GULF: See table below: (Davis)

Group	Rate Schedules*	Fuel Cost Factors ¢/KWH		
		Standard	Time of Use	
			On-Peak	Off-Peak
A	RS, RSVP, GS, GSD, SBS, OSIII, OSIV	2.359	2.749	2.193
B	LP, LPT, SBS	2.311	2.692	2.148
C	PX, PXT, RTP, SBS	2.288	2.666	2.127
D	OS-I/II	2.333	N/A	N/A

*The recovery factor applicable to customers taking service under Rate Schedule SBS is determined as follows: customers with a Contract Demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; customers with a Contract Demand in the range of 500 to 7,499 KW will use the recovery factor applicable to Rate Schedule LP; and customers with a Contract Demand over 7,499 KW will use the recovery factor applicable to Rate Schedule PX.

ISSUE 8: What is the appropriate revenue tax factor to be applied in calculating each company's levelized fuel factor for the projection period of January, 2003 to December, 2003?

Gulf: 1.00072. (Davis)

ISSUE 9: What is the appropriate benchmark level for calendar year 2002 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

GULF: \$1,197,565. (Davis, Bell)

ISSUE 10: What is the appropriate estimated benchmark level for calendar year 2003 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

GULF: \$1,174,292. (Davis, Bell)

ISSUE 11: Should the Commission authorize each utility to recover voluntary payments of the Gas Research Institute (GRI) surcharge through the fuel and purchased power cost recovery clause?

GULF: The GRI surcharge paid by Gulf is not a voluntary charge. This surcharge is included in the transportation costs associated with Gulf's gas purchases. All natural gas transportation costs, including the GRI surcharge, should be recoverable by the utility in the Commission's fuel and purchased power cost recovery clause. (Oaks)

ISSUE 12: Should the Commission require recovery of incremental security costs incurred in response to the terrorist acts committed on and after September 11, 2001, through base rates beginning January 1, 2006, or the effective date of a final order from each utility's next base rate proceeding, whichever comes first?

GULF: Gulf has not requested recovery of incremental security costs incurred in response to the terrorist acts committed on and after September 11, 2001 through the fuel cost recovery clause and therefore takes no position at this time on this issue.

Company-Specific Fuel Adjustment Issues

ISSUE 16A: Did Gulf Power correctly calculate its one-time adjustment of \$73,471 concerning Gulf Power's revenue sharing plan per Order No. PSC-99-2131-S-EI, in Docket No. 990250-EI, issued October 28, 1999?

GULF: Yes. The revenue sharing refund related to 2001 was calculated to be \$1,529,875 pursuant to PSC-99-2131-S-EI. Of this amount, \$1,458,200 was credited to

customers through a line item adjustment on their bills. The difference of \$71,675 plus interest of \$1,796 was credited to customers in the May 2002 over/under-recovery calculation of the fuel clause. This information was audited by the FPSC staff. The fuel audit reflected no exceptions or disclosures. (Davis)

ISSUE 16B: Will the two additional agreements for the sale of wholesale firm capacity and associated energy described on pages 5-6 of H. Homer Bell's direct testimony, prefiled September 20, 2002, produce ratepayer benefits?

GULF: The agreements that are described in Mr. Bell's direct testimony provide for the sale of non-firm capacity and energy rather than firm capacity and energy as stated in Staff's preliminary position. These non-firm agreements will benefit Gulf's customers by providing an opportunity for Gulf and the Southern electric system to more fully utilize existing power supply resources. The capacity revenue that Gulf receives from these agreements will be included in its capacity cost recovery clause, and will reduce Gulf's recoverable capacity costs during the 2003 recovery period. Any energy sold under these agreements in 2003 will be priced to produce revenue that is higher than the estimated incremental cost to produce this energy. The customers will benefit through the fuel clause by a credit that includes both that portion of the revenue calculated to cover the incremental fuel clause related costs associated with the sale and the associated markup. (Bell)

ISSUE 16C: Is Gulf Power's expenditure of \$79,240 for incremental 2003 operation and maintenance expenses associated with its hedging program prudent?

GULF: Yes. In Docket No. 011605-EI, the Commission voted to allow the Gulf and the other electric utilities to engage in gas hedging activities in order to achieve fuel-related benefits for our customers. Gulf is requesting the recovery of the incremental costs of implementing a hedging program through the fuel clause. In calculating the amount of such expenses appropriate for fuel cost recovery, Gulf has evaluated whether there will be any offsetting base rate expense reductions and whether there are any such costs already reflected in its base rates. Gulf's projected test year upon which its new base rates were recently set included no hedging activities; therefore the amount included in the projected test year related to hedging activities is \$0. In addition, Gulf does not anticipate any reductions in base rate expenses as a result of engaging in hedging activities. (Davis, Ritenour)

Generic Generating Performance Incentive Factor Issues

ISSUE 18: What is the appropriate GPIF reward or penalty for performance achieved by Gulf Power Company during the period January, 2001 through December, 2001?

GULF: \$369,498 penalty. (Noack)

ISSUE 19: What should the GPIF targets/ranges be for the period January, 2003 through December, 2003?

GULF: See table below: (Noack)

Unit	EAF	POF	EUOF	Heat Rate
Crist 4	91.2	6.3	2.5	10,591
Crist 5	89.8	6.3	3.9	10,418
Crist 6	84.3	8.2	7.5	10,501
Crist 7	79.5	8.2	12.3	10,150
Smith 1	86.8	11.0	2.2	10,029
Smith 2	67.8	27.9	4.3	10,113
Daniel 1	70.1	23.0	6.9	10,042
Daniel 2	83.0	8.2	8.8	9,789

EAF = Equivalent Availability Factor
POF = Planned Outage Factor
EUOF = Equivalent Unplanned Outage Factor

Company-Specific GPIF Issues

NONE RAISED AS TO GULF POWER COMPANY

Generic Capacity Cost Recovery Factor Issues

ISSUE 24: What is the final purchased power capacity cost recovery true-up amount for the period January, 2001 through December, 2001?

GULF: Under recovery of \$819,509. (Bell, Davis)

ISSUE 25: What is the estimated purchased power capacity cost recovery true-up amount for the period January, 2002 through December, 2002?

GULF: Over recovery of \$353,333. (Bell, Davis)

ISSUE 26: What is the total capacity cost recovery true-up amount to be collected/refunded during the period January, 2003 through December, 2003?

GULF: Collect \$466,176. (Davis)

ISSUE 27: What is the appropriate projected net purchased power capacity cost amount to be included in the recovery factor for the period January, 2003 through December, 2003?

GULF: \$8,395,872.¹ (Bell, Davis)

ISSUE 28: What is the appropriate jurisdictional separation factor for capacity revenues and costs to be included in the recovery factor for the period January, 2003 through December, 2003?

GULF: 96.50187 %. (Davis)

¹This amount is reflected in the amended direct testimonies of H. Homer Bell and Terry A. Davis filed contemporaneously with this prehearing statement. The amended direct testimonies were filed in order to incorporate new budget data for Intercompany Interchange Contract (IIC) transactions that was not available at the time the original direct testimony was filed on September 20, 2002.

ISSUE 29: What are the appropriate capacity cost recovery factors for the period January, 2003 through December, 2003?

GULF: See table below:² (Davis)

RATE CLASS	CAPACITY COST RECOVERY FACTORS ¢/KWH
RS, RSVP	.095
GS, GSTOU	.092
GSD, GSDT	.077
LP, LPT	.066
PX, PXT, RTP, SBS	.058
OS-I/II	.028
OSIII	.060
OSIV	.027

Company-Specific Capacity Cost Recovery Issues

NONE RAISED AS TO GULF POWER COMPANY

F. STIPULATED ISSUES

GULF: Yet to be determined. Gulf is willing to stipulate that the testimony of all witnesses whom no one wishes to cross examine be inserted into the record as though read, cross examination be waived, and the witness's attendance at the hearing be excused.

²This amount is reflected in the amended direct testimonies of H. Homer Bell and Terry A. Davis filed contemporaneously with this prehearing statement. The amended direct testimonies were filed in order to incorporate new budget data for Intercompany Interchange Contract (IIC) transactions that was not available at the time the original direct testimony was filed on September 20, 2002.

G. PENDING MOTIONS:

GULF: Request for Confidential Classification filed October 18, 2002 as response to staff's 1st set of interrogatories, No. 6.

Request for Confidential Classification filed October 14, 2002 as responses to interrogatories No. 30 and 40 of staff's 2nd set of interrogatories.

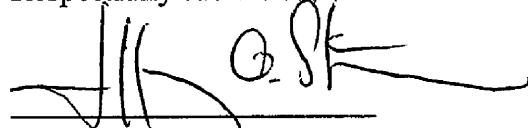
Request for confidential classification filed October 10, 2002 for DN 10999-02.

H. OTHER MATTERS:

GULF: To the best knowledge of counsel, Gulf has complied with all requirements set forth in the orders on procedure and/or the Commission rules governing this prehearing statement. If other issues are raised for determination at the hearings set for November 20-22, 2002, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 23rd day of October, 2002.

Respectfully submitted,



JEFFREY A. STONE

Florida Bar No. 325953

RUSSELL A. BADDERS

Florida Bar No. 007455

R. ANDREW KENT

Florida Bar No. 342830

Beggs & Lane

P. O. Box 12950

Pensacola, FL 32591-2950

(850) 432-2451

Attorneys for Gulf Power Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clause with Generating)
Performance Incentive Factor)
_____)

Docket No. 020001-EI

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 23rd day of October 2002 on the following:

Wm. Cochran Keating, Esquire
FL Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0863

Vicki G. Kaufman, Esq.
McWhirter Reeves
117 S. Gadsden Street
Tallahassee FL 32301

John Roger Howe, Esquire
Office of Public Counsel
111 W. Madison St., Suite 812
Tallahassee FL 32399-1400

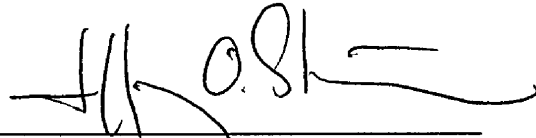
Lee L. Willis, Esquire
James D. Beasley, Esquire
Ausley & McMullen
P. O. Box 391
Tallahassee FL 32302

James McGee, Esquire
Florida Power Corporation
P. O. Box 14042
St. Petersburg FL 33733-4042

John W. McWhirter, Jr., Esq.
McWhirter Reeves
400 N Tampa St Suite 2450
Tampa FL 33602

John T. Butler, Esquire
Steel, Hector & Davis LLP
200 S. Biscayne Blvd, Ste 4000
Miami FL 33131-2398

Norman H. Horton, Jr., Esquire
Messer, Caparello & Self, P.A.
P. O. Box 1876
Tallahassee FL 32302-1876



JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 0007455
BEGGS & LANE
P. O. Box 12950
Pensacola FL 32591-2950
(850) 432-2451
Attorneys for Gulf Power Company