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October 14, 2003

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. 030001-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 Microsoft Word for Windows format as prepared on a Windows NT based computer.

Sincerely,

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

lw

Enclosure

cc: Beggs and Lane  
J. A. Stone, Esquire

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost )  
Recovery Clauses and Generating ) Docket No. 030001-EI  
Performance Incentive Factor ) Date Filed: October 15, 2003  
)  
)

**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, and RUSSELL A. BADDERS,  
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.	H. R. Ball (Gulf)	Fuel Adjustment, true-up and projections	1, 2, 12, 16A, 16B
2.	T. A. Davis (Gulf)	Fuel Adjustment, true-up and projections	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 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, 10, 11, 24, 25, 27,

**C. EXHIBITS:**

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
(HRB-1)	Ball	Coal Suppliers January 2002 - December 2002
(HRB-2)	Ball	Projected vs. actual fuel cost of generated power March 1994 - December 2004
(TAD-1)	Davis	Calculation of Final True-Up 1/02 - 12/02
(TAD-2)	Davis	Estimated true-up 01/03 – 12/03. Schedules E-1A, E-1B, E-1B-1, CCE-1a,CCE-1b
(TAD-3)	Davis	Projection 01/04 – 12/04. Schedules E-1through E- 11, E-1A, E-1B, E-1B-1, E-1C, E-1D, E-1E, H1, CCE-1,CCE-1A, CCE-1b,CCE-2
(LSN-1)	Noack	Gulf Power Company GPIF Results January 2002- December 2002
(LSN-2)	Noack	Gulf Power Company GPIF Targets and Ranges January 2004 - December 2004
(HHB-1)	Bell	Gulf Power Company Projected Purchased Power Contract Transactions January 2004 - December 2004

**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 2004 through December 2004 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 2002 through December 2002?

**GULF:** Over recovery \$1,056,921. (Ball, Bell, Davis)

**ISSUE 2:** What are the appropriate estimated fuel adjustment true-up amounts for the period January 2003 through December 2003?

**GULF:** Under recovery \$23,923,505. (Ball, Bell, Davis)

**ISSUE 3:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded during the period January, 2004 through December, 2004?

**GULF:** Under recovery \$22,866,584. (Davis)

**ISSUE 4:** What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility's levelized fuel factor for the projection period of January, 2004 through December 2004?

**GULF:** 1.00072. (Davis)

**ISSUE 5:** What are the projected net fuel and purchased power cost recovery amounts to be included in the recovery factor for the projection period of January, 2004 through December 2004?

**GULF:** \$259,212,752. (Davis)

**ISSUE 6:** What are the appropriate levelized fuel cost recovery factors for the period January 2004 through December 2004?

**GULF:** 2.459. (Davis)

**ISSUE 7:**

What are the appropriate fuel recovery loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class?

**GULF:**

See table below: (Davis)

<b>Group</b>	<b>Rate Schedules</b>	<b>Line Loss Multipliers</b>
A	RS, GS, GSD, SBS, OSIII, OSIV	1.00526
B	LP, LPT, SBS	0.98890
C	PX, PXT, RTP, SBS	0.98063
D	OSI/II	1.00529

**ISSUE 8:** What are the appropriate Fuel Cost Recovery Factors for each rate group 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, GS, GSD, SBS, OSIII, OSIV	2.472	2.866	2.304
B	LP, LPT, SBS	2.432	2.820	2.267
C	PX, PXT, RTP, SBS	2.411	2.796	2.248
D	OSI/II	2.449	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 9:** What should be the effective date of the new fuel adjustment charge, oil backout charge and capacity cost recovery charge for billing purposes?

The new fuel factors should be effective beginning with the first billing cycle for January 2004 and thereafter through the last billing cycle for December 2004. The first billing cycle may start before January 1, 2004, and the last cycle may be read after December 31, 2004, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Davis)

**ISSUE 10:** What are the appropriate actual benchmark levels 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:** What are the appropriate estimated benchmark levels for calendar year 2004 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**GULF:** \$2,016,185. (Davis, Bell)

**ISSUE 12:** What is the appropriate base level for operation and maintenance expenses for non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility?

**GULF:** \$0. (Davis, Ball)

#### **Company-Specific Fuel Adjustment Issues**

**ISSUE 16A:** Were Gulf's actions through July 31, 2003, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?

**GULF:** Yes. (Ball)

**ISSUE 16B:** Are Gulf Power's actual and projected operation and maintenance expenses for 2002 through 2004 for its non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility reasonable for cost recovery purposes?

**GULF:** Yes. (Ball)

**Generic Generating Performance Incentive Factor Issues**

**ISSUE 18:** What is the appropriate GPIF reward or penalty for performance achieved during the period January, 2002 through December, 2002?

**GULE:** \$431,920 reward. (Noack)

**ISSUE 19:** What should the GPIF targets/ranges be for the period January 2004 through December 2004?

**GULE:** See table below: (Noack)

<b>Unit</b>	<b>EAF</b>	<b>POF</b>	<b>EUOF</b>	<b>Heat Rate</b>
Crist 4	97.9	0.0	2.1	10,388
Crist 5	96.8	0.0	3.2	10,232
Crist 6	86.7	6.3	7.0	10,501
Crist 7	70.1	21.6	8.3	10,223
Smith 1	90.1	8.2	1.7	10,114
Smith 2	82.8	8.2	9.0	10,024
Daniel 1	69.6	24.9	5.5	9,994
Daniel 2	81.1	12.0	6.9	9,828

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



**Company-Specific GPIF Issues**

NONE RAISED BY GULF POWER COMPANY

**Generic Capacity Cost Recovery Issues**

**ISSUE 24:** What is the appropriate final purchased power capacity cost recovery true-up amount for the period January, 2002 through December, 2002?

**GULF:** Over recovery of \$193,696. (Bell, Davis)

**ISSUE 25:** What is the estimated purchased power capacity cost recovery true-up amount for the period January, 2003 through December, 2003?

**GULF:** Over recovery of \$1,058,876. (Bell, Davis)

**ISSUE 26:** What is the appropriate total capacity cost recovery true-up amount to be collected/refunded during the period January, 2004 through December, 2004?

**GULF:** \$1,252,572 refund. (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, 2004 through December, 2004?

**GULF:** \$17,619,376. (Bell, Davis)

**ISSUE 28:** What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January, 2004 through December, 2004?

**GULF:** 96.50187%. (Davis)

**ISSUE 29:** What are the appropriate capacity cost recovery factors for the period January, 2004 through December, 2004?

**GULF:** See table below: (Davis)

<b>RATE CLASS</b>	<b>CAPACITY COST RECOVERY FACTORS ¢/KWH</b>
RS, RSVP	.194
GS	.188
GSD, GSDT, GSTOU	.157
LP, LPT	.135
PX, PXT, RTP, SBS	.118
OSI/II	.057
OSIII	.122
OSIV	.056

**ISSUE 30:** What is the appropriate methodology for determining the incremental costs of security measures implemented as a result of terrorist attacks committed on or since September 11, 2001?

**GULF:** Gulf believes that it is appropriate for such costs to be recoverable through an appropriate cost recovery factor outside of base rates, but takes no position at this time regarding the appropriate methodology.

**Company-Specific Capacity Cost Recovery Issues**

NONE RAISED BY 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.

**G. PENDING MOTIONS:**

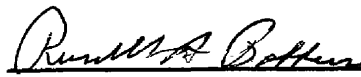
NONE

**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 12-14, 2003, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 14th day of October, 2003.

Respectfully submitted,



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 030001-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 14<sup>th</sup> day of October 2003 on the following:

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