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October 5, 2007

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0850

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COMMISSION
CLERK

Dear Ms. Cole:

RE: Docket No. 070001-EI

Enclosed are an original and fifteen 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 Prehearing Statement in Microsoft Word for Windows format as prepared on a Windows NT based computer.

CMP _____ Sincerely,
COM _____ *Susan D. Ritenour*
CTR _____
ECR _____
GCL 2 (CD)
OPC _____
RCA 1 bh
SCR _____ Enclosures
SGA _____ cc: Beggs & Lane
SEC _____ Jeffrey A. Stone, Esq.
OTH _____

DOCUMENT NUMBER-DATE

09187 OCT-88

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clauses and Generating) Docket No. 070001-EI
Performance Incentive Factor) Date Filed: October 8, 2007
)
)

PREHEARING STATEMENT OF GULF POWER COMPANY

Gulf Power Company, ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned attorneys, and pursuant to Order No. PSC-07-0221-PCO-EI establishing the prehearing procedure in this docket, files this prehearing statement, saying:

A. APPEARANCES:

JEFFREY A. STONE, Esquire, RUSSELL A. BADDERS, Esquire, and STEVEN R. GRIFFIN, 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:

Table with 3 columns: Witness, Subject Matter, Issues. Includes entries for H. R. Ball, R. J. Martin, and L. S. Noack.

DOCUMENT NUMBER-DATE
09187 OCT-8 5
FPSC-COMMISSION CLERK

C. EXHIBITS:

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
(HRB-1)	Ball	Coal Suppliers and Hedging Transactions January 2006 - December 2006
(HRB-2)	Ball	Projected vs. Actual Fuel Cost of Net Generation March 1997 - December 2008
(RJM-1)	Martin	Calculation of Final True-Up January 2006 – December 2006
(RJM-2)	Martin	Estimated True-Up January 2007 – December 2007
(RJM-3)	Martin	Projection January 2008 – December 2008
(LSN-1)	Noack	Gulf Power Company GPIF Results January 2006 - December 2006
(LSN-2)	Noack	Gulf Power Company GPIF Targets and Ranges January 2008 - December 2008

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 and capacity cost recovery factors proposed by the Company present the best estimate of Gulf's fuel and capacity expense for the period January 2008 through December 2008 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 fuel adjustment true-up amounts for the period January 2006 through December 2006?

GULF: Under recovery \$30,800,849. (Ball, Martin)

ISSUE 2: What are the appropriate fuel adjustment true-up amounts for the period January 2007 through December 2007?

GULF: Under recovery \$12,525,950. (Ball, Martin)

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2008 to December 2008?

GULF: Collection of \$43,326,799. (Martin)

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 January 2008 through December 2008?

GULF: 1.00072. (Martin)

ISSUE 5: What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factor for the period January 2008 through December 2008?

GULF: \$462,344,509. (Martin)

ISSUE 6: What are the appropriate levelized fuel cost recovery factors for the period January 2008 through December 2008?

GULF: 3.954 cents/kWh. (Martin)

ISSUE 7: 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: (Martin)

Group	Rate Schedules	Line Loss Multipliers
A	RS, RSVP,GS, GSD, GSDT, GSTOU, OSIII, SBS(1)	1.00526
B	LP, LPT, SBS(2)	0.98890
C	PX, PXT, RTP, SBS(3)	0.98063
D	OSI/II	1.00529

- (1) Includes SBS customers with a contract demand in the range of 100 to 499 KW
- (2) Includes SBS customers with a contract demand in the range of 500 to 7,499 KW
- (3) Includes SBS customers with a contract demand over 7,499 KW

ISSUE 8: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

GULE: See table below: (Martin)

Group	Rate Schedules*	Line Loss Multipliers	Fuel Cost Factors ¢/KWH		
			Standard	Time of Use	
				On-Peak	Off-Peak
A	RS, RSVP,GS, GSD, GSDT, GSTOU, OSIII, SBS(1)	1.00526	3.975	4.458	3.777
B	LP, LPT, SBS(2)	0.98890	3.910	4.386	3.716
C	PX, PXT, RTP, SBS(3)	0.98063	3.877	4.349	3.685
D	OSI/II	1.00529	3.952	N/A	N/A

*The recovery factor applicable to customers taking service under Rate Schedule SBS is determined as follows: (1) customers with a contract demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; (2) 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 (3) 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 fuel adjustment charge and capacity cost recovery charge for billing purposes?

GULE: The new fuel and capacity factors should be effective beginning with the first billing cycle for January 2008 and thereafter through the last billing cycle for December 2008. The first billing cycle may start before January 1, 2008, and the last cycle may be read after December 31, 2008, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Martin)

ISSUE 10: What are the appropriate actual benchmark levels for calendar year 2007 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

GULF: \$3,395,987. (Martin, Ball)

ISSUE 11: What are the appropriate estimated benchmark levels for calendar year 2008 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

GULF: \$3,489,256. A correction was made in the calculation of the benchmark level since the filing of Gulf's projection testimony; therefore, this amount is different from the amount reported on page 5 of Ms. Martin's direct testimony filed on September 4, 2007. (Martin, Ball)

Company-Specific Fuel Adjustment Issues

ISSUE 15A: Has Gulf adequately mitigated the price risk for natural gas and purchased power for 2006 through 2008?

GULF: Yes. Gulf had adequate natural gas financial hedges in place for 2006 to mitigate price risk. Gulf currently has gas and purchased power financial hedges in place for 2007 and 2008 and continues to look for opportunities to enter into financial hedges that we believe will be beneficial to the customer. Since the inception of the natural gas hedging program at Gulf in 2003, through August 31, 2007, the gas hedging program has accomplished its goal of reducing gas price volatility and protecting the customer from very large unanticipated increases in gas prices. The natural gas hedging program has also reduced recoverable fuel cost by \$9,242,872 for this same period. The strategic plan for gas hedging can be found in Gulf's "Risk Management Plan for Fuel Procurement" filed April 4, 2007 in this docket. Gulf hedging activities have adhered to its filed risk management plan in each of the years 2006 through 2008. (Ball)

Generic Generating Performance Incentive Factor Issues

ISSUE 17: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2006 through December 2006?

GULF: \$205,097 penalty. (Noack)

ISSUE 18: What should the GPIF targets/ranges be for the period January 2008 through December 2008?

GULF: See table below: (Noack)

Unit	EAF	POF	EUOF	Heat Rate
Crist 4	78.9	19.7	1.4	10,696
Crist 5	89.0	8.2	2.8	10,552
Crist 6	84.9	8.2	6.9	10,365
Crist 7	82.1	8.2	9.7	10,375
Smith 1	97.0	0.0	3.0	10,238
Smith 2	83.9	8.2	7.9	10,314
Daniel 1	93.8	2.5	3.8	10,132
Daniel 2	77.6	19.1	3.2	10,016

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 23: What are the appropriate capacity cost recovery true-up amounts for the period January 2006 through December 2006?

GULF: Over recovery of \$458,084. (Ball, Martin)

ISSUE 24: What are the appropriate capacity cost recovery true-up amounts for the period January 2007 through December 2007?

GULF: Over recovery of \$1,635,509. (Ball, Martin)

ISSUE 25: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2008 through December 2008?

GULF: Refund of \$2,093,593. (Martin)

ISSUE 26: What are the appropriate projected net purchased power capacity cost amounts to be included in the recovery factor for the period January 2008 through December 2008?

GULF: \$26,894,321. (Ball, Martin)

ISSUE 27: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2008 through December 2008?

GULF: 96.42160%. (Ball, Martin)

ISSUE 28: What are the appropriate capacity cost recovery factors for the period January 2008 through December 2008?

GULF: See table below: (Martin)

RATE CLASS	CAPACITY COST RECOVERY FACTORS ¢/KWH
RS, RSVP	0.271
GS	0.248
GSD, GSDT, GSTOU	0.212
LP, LPT	0.183
PX, PXT, RTP, SBS	0.154
OS-I/II	0.063
OSIII	0.165

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. PENDING CONFIDENTIALITY REQUESTS

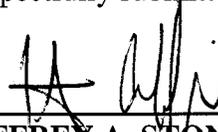
1. Request for confidentiality dated September 11, 2006, relating to certain documents produced to Commission Staff in connection with Fuel Adjustment Clause Audit 06-046-1-1.
2. Request for confidentiality dated February 28, 2007, relating to Schedule 2 of Exhibit HRB-1 to the Direct Testimony of Herbert R. Ball dated March 1, 2007.
3. Request for confidentiality dated February 28, 2007, relating to Schedule CCA-4 of Exhibit RJM-1 to the Direct Testimony of Rhonda J. Martin dated March 1, 2007.
4. Request for confidentiality dated April 4, 2007, relating to Gulf Power's Risk Management Plan for Fuel Procurement.
5. Request for extended confidentiality dated May 1, 2007, relating to Gulf Power's responses to items numbered 5, 7, 8 and 12 of Staff's First Request for Production dated October 6, 2005.
6. Request for Temporary Protective Order dated May 14, 2007, relating to journal voucher documents produced to Commission Staff and to the Office of Public Counsel.
7. Request for confidentiality dated July 18, 2007, relating to items 1, 2, 4 and 5 of Staff's First Interrogatories and items 2 and 4 of Staff's First Request for Production.
8. Request for confidentiality dated August 3, 2007, relating to Schedule CCE-4 of Exhibit RJM-2 to the Direct Testimony of Rhonda J. Martin dated August 6, 2007.
9. Request for confidentiality dated August 31, 2007, relating to Schedule CCE-4 of Exhibit RJM-3 to the Direct Testimony of Rhonda J. Martin dated September 4, 2007.

I. 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 6-8, 2007, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 5th day of October, 2007.

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.: **070001-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by U. S. mail this 5TH day of October, 2007, on the following:

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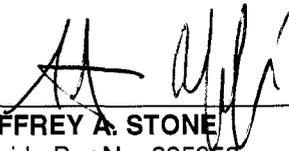
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