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October 10, 2008

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

Dear Ms. Cole:

RE: Docket No. 080001-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 CD containing the Prehearing Statement in Microsoft Word for Windows format as prepared on a Windows NT based computer.

Sincerely,

COM \_\_\_\_\_

ECR \_\_\_\_\_

GCL 3 *(CD forwarded)*

OPC \_\_\_\_\_

RCP 4

SSC \_\_\_\_\_mv

SGA 1

ADM \_\_\_\_\_ Enclosures

CLK \_\_\_\_\_

cc: Beggs & Lane  
Jeffrey A. Stone, Esq.

*Susan D. Ritenour (lw)*

DOCUMENT NUMBER-DATE

09675 OCT 13 08

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No.: **080001-EI**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of the foregoing was furnished by U. S. mail this 10<sup>th</sup> day of October, 2008, on the following:

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**Attorneys for Gulf Power Company**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost )
Recovery Clauses and Generating ) Docket No. 080001-EI
Performance Incentive Factor ) Date Filed: October 10, 2008
)
)

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-08-0148-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. W. Dodd, and L. S. Noack.

DOCUMENT NUMBER-DATE

09675 OCT 13 08

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C. EXHIBITS:

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
(HRB-1)	Ball	Coal Suppliers, Natural Gas Price Variance, Hedging Effectiveness, and Hedging Transactions January 2007 - December 2007
(HRB-2)	Ball	Projected vs. Actual Fuel Cost of Net Generation December 1999 - December 2009
(HRB-3)	Ball	Hedging Information Report January 2008 – July 2008
(HRB-4)	Ball	Risk Management Plan for Fuel Procurement Document Number 08587-08
(RJM-1)	Martin <sup>1</sup>	Calculation of Final True-Up and A-Schedules January 2007 – December 2007
(RWD-2)	Dodd	Estimated True-Up January 2008 – December 2008
(RWD-3)	Dodd	Projection January 2009 – December 2009
(LSN-1)	Noack	Gulf Power Company GPIF Results January 2007 - December 2007
(LSN-2)	Noack	Gulf Power Company GPIF Targets and Ranges January 2009 - December 2009

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 2009 through December 2009 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 2007 through December 2007?

**GULF:** Under recovery \$13,300,934. (Ball, Dodd)

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<sup>1</sup> To be adopted by Richard W. Dodd

**ISSUE 2:** What are the appropriate fuel adjustment true up amounts for the period January 2008 through December 2008?

**GULF:** Under recovery \$34,672,595. (Ball, Dodd)

**ISSUE 3:** What are the appropriate total fuel adjustment true up amounts to be collected/refunded from January 2009 to December 2009?

**GULF:** Collection of \$47,973,529. (Dodd)

**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 2009 through December 2009?

**GULF:** 1.00072. (Dodd)

**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 2009 through December 2009?

**GULF:** \$683,661,231. (Dodd)

**ISSUE 6:** What are the appropriate levelized fuel cost recovery factors for the period January 2009 through December 2009?

**GULF:** 5.728 cents/kWh. (Dodd)

**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: (Dodd)

<b>Group</b>	<b>Rate Schedules</b>	<b>Line Loss Multipliers</b>
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?

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

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	5.758	6.737	5.351
B	LP, LPT, SBS(2)	0.98890	5.664	6.627	5.264
C	PX, PXT, RTP, SBS(3)	0.98063	5.617	6.572	5.220
D	OSI/II	1.00529	5.699	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?

**GULF:** The new fuel and capacity factors should be effective beginning with the first billing cycle for January 2009 and thereafter through the last billing cycle for December 2009. The first billing cycle may start before January 1, 2009, and the last cycle may be read after December 31, 2009, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Dodd)

**ISSUE 10:** What are the appropriate actual benchmark levels for calendar year 2008 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**GULF:** \$3,340,925. (Dodd, Ball)

**ISSUE 11:** What are the appropriate estimated benchmark levels for calendar year 2009 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**GULF:** \$2,642,498. (Dodd, Ball)

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

**ISSUE 15A:** Should the Commission approve as prudent, GULF's actions to mitigate the volatility of natural gas, residual oil and purchased power prices, as reported in GULF's April 2008 and September 2008 hedging reports?

**GULF:** Yes. (Ball)

**ISSUE 15B:** Should the Commission approve GULF's 2009 Risk Management Plan?

**GULF:** Yes. (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 2007 through December 2007?

**GULF:** \$433,685 penalty. (Noack)



**ISSUE 18:** What should the GPIF targets/ranges be for the period January 2009 through December 2009?

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

<b>Unit</b>	<b>EAF</b>	<b>POF</b>	<b>EUOF</b>	<b>Heat Rate</b>
Crist 4	98.0	0.0	2.0	10,810
Crist 5	96.4	0.0	3.6	10,594
Crist 6	81.8	10.7	7.5	10,530
Crist 7	68.7	22.2	9.2	10,496
Smith 1	89.7	6.3	4.0	10,310
Smith 2	95.9	0.0	4.1	10,349
Daniel 1	81.2	15.3	3.5	10,096
Daniel 2	89.7	5.8	4.6	9,870

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 2007 through December 2007?

**GULF:** Under recovery of \$92,592. (Ball, Dodd)

**ISSUE 24:** What are the appropriate capacity cost recovery true-up amounts for the period January 2008 through December 2008?

**GULF:** Under recovery of \$274,796. (Ball, Dodd)

**ISSUE 25:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2009 through December 2009?

**GULF:** Collection of \$367,388. (Dodd)

**ISSUE 26:** What are the appropriate projected net purchased power capacity cost amounts to be included in the recovery factor for the period January 2009 through December 2009?

**GULF:** \$34,063,542. (Ball, Dodd)

**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 2009 through December 2009?

**GULF:** 96.42160%. (Ball, Dodd)

**ISSUE 28:** What are the appropriate capacity cost recovery factors for the period January 2009 through December 2009?

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

<b>RATE CLASS</b>	<b>CAPACITY COST RECOVERY FACTORS ¢/KWH</b>
RS, RSVP	0.335
GS	0.307
GSD, GSDT, GSTOU	0.262
LP, LPT	0.227
PX, PXT, RTP, SBS	0.190
OS-I/II	0.079
OSIII	0.204

**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 April 4, 2007, relating to Gulf Power's Risk Management Plan for Fuel Procurement.
2. Request for confidentiality dated July 18, 2007, relating to items 1, 2, 4 and 5 of Staff's First Interrogatories.
3. Request for confidentiality dated November 12, 2007, relating to certain documents produced to Commission Staff in connection with Fuel Adjustment Clause Audit 07-022-1-1.
4. Request for extended confidentiality dated January 14, 2008, relating to Gulf Power's Risk Management Plan for Fuel Procurement.
5. Request for confidentiality dated February 29, 2008, relating to Schedule CCA-4 of Exhibit RJM-1 to the Direct Testimony of Rhonda J. Martin dated March 1, 2008.
6. Request for confidentiality dated February 29, 2008, relating to Schedule 2 and 5 of Exhibit HRB-1 to the Direct Testimony of Herbert R. Ball dated March 1, 2008.
7. Request for confidentiality dated March 19, 2008, relating to items 1, 2, 5 and 6 of Staff's First Interrogatories.
8. Request for confidentiality dated March 19, 2008, relating to items 2 and 4 of Staff's First Request for Production.
9. Request for confidentiality dated April 14, 2008, relating to item 2 of Staff's First Data Request.

10. Request for confidentiality dated May 27, 2008, relating to certain items produced by Commission Staff and Gulf in connection with 2007 Fuel Price Hedging Audit 07-353-1-1.
11. Request for confidentiality dated July 28, 2008, relating to items 9 and 10 of Staff's Second Request for Production.
12. Request for confidentiality dated July 28, 2008, relating to item 13 of Staff's Third Midcourse Data Request.
13. Request for confidentiality dated August 1, 2008, relating to Schedule CCE-4 of Exhibit RWD-2 to the Direct Testimony of Richard W. Dodd dated August 4, 2008.
14. Request for confidentiality dated August 14, 2008, relating to Gulf Power's Hedging Information Report.
15. Request for confidentiality dated August 21, 2008, relating items 11 and 12 of Staff's Third Request for Production.
16. Request for confidentiality dated September 12, 2008, relating to Gulf Power's Risk Management Plan for Fuel Procurement of Exhibit HRB-4 to the Direct Testimony of Herbert R. Ball dated September 2, 2008.
17. Request for confidentiality dated August 29, 2008, relating to Schedule CCE-4 of Exhibit RWD-3 to the Direct Testimony of Richard W. Dodd dated September 2, 2008.

**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 4-6, 2008, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 10<sup>th</sup> day of October, 2008.

Respectfully submitted,



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