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November 5, 2008

Mr. Keino Young, Senior Attorney  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0850

Dear Mr. Young:

RE: Docket No. 080612-EI

Enclosed are Gulf Power Company's responses to Staff's Data Request dated October 29, 2008 in the above referenced docket.

Sincerely,

*Susan D. Ritenour (lw)*

mv

Enclosures

Cc: Beggs & Lane  
Jeffrey A. Stone

1. Paragraph 9 of the Negotiated Contract for Purchase of Renewable Energy discusses Environmental Interests, ending with the statement, "Details regarding the delivery of such interests to the Company will be mutually agreed upon by the Parties." Please respond to the following:

- a. Does Gulf anticipate some monetary value being assigned to the "interests" that Gulf would receive?

RESPONSE:

No. Gulf did not assign any monetary value to the Renewable Energy Certificates, Green Tags, carbon credits or allowances, or other tradable environmental interests which result from electrical energy generated at the Bay County Facility during the term of the Agreement. Under the Agreement, Gulf is entitled to receive, without remuneration, 100% of all Renewable Energy Certificates, Green Tags, carbon credits or allowances, or other tradable environmental interests which result from electrical energy generated at the Facility during the term of the Agreement.

- b. Please provide an estimate of the monetary value, if any, of the Renewable Energy Credits (RECs) that Gulf would receive.

RESPONSE:

Please see response to Item 1 a.

- c. Does Gulf foresee the cost of RECs plus negotiated fixed price for energy exceeding full avoided cost of energy?

RESPONSE:

No. Please see response to Item 1 a.

- d. Please provide a chart, similar to Exhibit B of the Petition, showing the total cost of energy and estimated cost of purchased RECs for the 6-year life of the contract compared to the As-Available Energy Cost.

RESPONSE:

<b>GULF POWER COMPANY</b>						
<b>Price Comparison</b>						
<b>\$/MWh</b>						
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
<b>(A) Territorial Energy <sup>(1)</sup></b>	<b>78.23</b>	<b>79.47</b>	<b>74.81</b>	<b>74.42</b>	<b>75.47</b>	<b>82.25</b>
<b>(B) Negotiated Contract Energy</b>	<b>72.50</b>	<b>72.50</b>	<b>72.50</b>	<b>72.50</b>	<b>75.00</b>	<b>75.00</b>
<b>(C) RECs</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Difference (A - B)</b>	<b>5.73</b>	<b>6.97</b>	<b>2.31</b>	<b>1.92</b>	<b>0.47</b>	<b>7.25</b>

(1) Gulf's Average Hourly Projected Territorial Energy Prices (As-Available Prices) of August 2008

2. The Negotiated Contract for Purchase of Renewable Energy includes, as Appendix A, an Interconnection Agreement between Gulf and Bay County that appears to have been in place since 1987. The chart responding to Question 7 of Staff's first data request, however, says no prior contract existed for the energy from the Bay County Resource Recovery Facility. In addition, Gulf's response to Staff's Question 2 discusses energy delivered between 2000 and 2007. Please respond to the following:
- a. Does Staff correctly understand that an interconnection with Gulf's system has existed since 1987, but no contract existed until 2008 for delivery of the energy generated by the Bay County Facility?

RESPONSE:

Staff correctly understands that the Facility has been interconnected to Gulf's system since 1987. The only contract that existed between Gulf and the Facility was a transmission service agreement. The Interconnection Agreement, included as Appendix A to the Negotiated Contract for Purchase of Renewable Energy, was originally executed to enable the provision of transmission service for the delivery of the Facility's generated energy to Progress Energy Florida (formerly Florida Power Corporation). Under terms of the transmission service agreement, Gulf only purchased, at its As-Available COG - 1 rate, the energy that exceeded the hourly amounts scheduled by the Facility for delivery to Progress Energy.

- b. Who received energy generated by the Facility delivered between the time the interconnection facility was completed and 2008?

RESPONSE:

Progress Energy received energy generated and scheduled by the Facility through 2006. In 2007, Gulf began to purchase energy generated by the Facility at its As-Available COG - 1 energy rates following the expiration of the Bay County/Progress Energy power purchase contract at the end of 2006.

3. Please provide historic energy generation and projected power purchases, in MWh per month, beginning in 2002 till the end of the contract's term.

RESPONSE:

	Generation Mwh						
	2002	2003	2004	2005	2006	2007	2008
Jan	7,459	6,773	6,248	7,110	6,786	4,675	4,947
Feb	6,404	6,225	5,435	5,979	6,554	4,236	4,364
Mar	7,079	7,203	7,704	6,136	6,449	5,534	2,334
Apr	6,292	6,571	6,034	6,173	6,642	4,763	4,966
May	7,682	7,513	6,991	6,895	6,920	4,415	4,490
Jun	7,081	6,550	6,553	6,630	5,762	3,915	1,227
Jul	7,563	6,629	6,638	6,115	6,259	4,615	2,006
Aug	7,241	6,811	7,230	6,203	6,344	3,548	1,861
Sep	6,232	7,509	5,815	6,776	5,702	3,505	999
Oct	5,594	3,553	4,771	4,742	2,548	3,315	0
Nov	6,997	6,891	7,430	6,524	7,974	4,413	0
Dec	6,687	6,327	5,544	3,707	6,130	4,880	0

Projected Purchases (1) Mwh					
2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
73,900	73,900	73,900	73,900	73,900	73,900

(1) Gulf does not have a monthly projection of purchases, but proposes that the historical annual average as previously provided in response to Item No. 2 of Staff's 1<sup>st</sup> Data Request is a reasonable estimate of projected purchases.

4. Does Gulf have any security provisions with regards to on-peak or off-peak power production by the Bay County Facility?

RESPONSE:

No.

5. Are energy payments reduced if Bay County fails to deliver sufficient energy to meet any specific capacity factor or other metric?

**RESPONSE:**

No. The purchase of energy is on an “as available” basis. Past performance of the Facility was taken into consideration prior to the agreement.

6. What is the estimate of total savings to Gulf’s ratepayers through the energy contract with Bay County as compared to purchase of “As-Available” energy?

**RESPONSE:**

Using the \$/MWh differences shown on Exhibit B of the Petition and the projected annual energy purchases from Gulf’s response to Item No. 3 above, the following annual savings are estimated.

<b>GULF POWER COMPANY Estimated Savings</b>						
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
<b>Difference (\$/MWh)</b>	<b>5.73</b>	<b>6.97</b>	<b>2.31</b>	<b>1.92</b>	<b>0.47</b>	<b>7.25</b>
<b>Projected Purchases (MWh)</b>	<b>73,900</b>	<b>73,900</b>	<b>73,900</b>	<b>73,900</b>	<b>73,900</b>	<b>73,900</b>
<b>Annual Savings (\$)</b>	<b>423,584</b>	<b>515,416</b>	<b>170,974</b>	<b>141,581</b>	<b>35,026</b>	<b>535,700</b>



7. Reference Attachment A of Gulf’s response to Staff’s first data request. Staff has noted that simple averaging of the monthly rates do not provide the averages shown on the chart. Please provide a detailed explanation of the calculations used to determine the annual average territorial (as-available) rate.

RESPONSE:

See the following formulas used to calculate the annual averages. Because each annual contract period runs from July 23 through July 22, Gulf weighted each July value as shown in the formulas below.

GULF POWER COMPANY  
 Average Territorial Lambda Formulas

Annual Contract Period	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Average Lambdas	78.23	79.47	74.81	74.42	75.47	82.25

Formulas:

- [ [July08 value \* (9/31)]+Sum(Aug08..Jun09 values)+[July09 value \* (22/31)] ] / 12 = 78.23
- [ [July09 value \* (9/31)]+Sum(Aug09..Jun10 values)+[July10 value \* (22/31)] ] / 12 = 79.47
- [ [July10 value \* (9/31)]+Sum(Aug10..Jun11 values)+[July11 value \* (22/31)] ] / 12 = 74.81
- [ [July11 value \* (9/31)]+Sum(Aug11..Jun12 values)+[July12 value \* (22/31)] ] / 12 = 74.42
- [ [July12 value \* (9/31)]+Sum(Aug12..Jun13 values)+[July13 value \* (22/31)] ] / 12 = 75.47
- [ [July13 value \* (9/31)]+Sum(Aug13..Jun14 values)+[July14 value \* (22/31)] ] / 12 = 82.25