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Public Service Commission

April 29, 2009

Jeffery Stone, Esquire
Beggs & Lane Law Firm
P.O. Box 12950
Pensacola, FL 12950

STAFF'S FIRST DATA REQUEST

Re: DOCKET NO. 090169-EI - Petition for approval of purchased power agreement between Gulf Power Company and Shell Energy North America (US), L.P., March 16, 2009.

Dear Mr. Stone:

By this letter, the Commission staff requests that Gulf Power Company (Gulf or utility) provide responses to the following data requests.

1. What is the origin and amount of the "avoided cost" Gulf Power used in evaluating the cost-effectiveness of the PPA?
2. Is there a minimum purchase specified in dollars, capacity (kW), or energy (kWh) by the PPA between Shell Energy and Gulf Power?
3. How will the prices charged under the PPA compare to the cost of the same amount of "as available energy" in the general market over the term of the PPA?
4. Please explain if and how this PPA can be used for meeting capacity needs before 2014?
5. If an RFP had been issued, what types of energy sources would have been anticipated to bid on the contract?
6. If Congress passes a cap and trade bill, does this PPA make ratepayers more or less vulnerable? Please explain the answer.
7. Reference paragraph 12 of the Petition. Why was the PPA between Shell and Gulf made not effective until approved by the Public Service Commission, while a previous agreement between Gulf and Bay County was effective, with energy being delivered and payments being made, prior to Commission approval?
8. Paragraph 14 of the Petition states that the SES IRP process reported in Gulf's 2009 Ten Year Site Plan (TYSP) employs a 15 percent system reserve margin. Please complete the four charts

provided (also available in Excel format) to calculate the reserve margin during each year for the term of the contract (2009 – 2023):

a. With the PPA in effect, summer and winter

b. Without the PPA, indicating the alternate sources of generation to meet load (Resource Plan Changes), summer and winter

Reserve Margin Analysis with PPA

Summer

August of the Year	(1) Resource Plan Changes	(2) Current Projection of Gulf Unit Capability (MW)	(3) Current Projection of Firm Purchases (MW)	(4) Cumulative Generation Additions (MW)	(5) Cumulative Generation Removed (MW)	(6) = (2)+(3) +(4)+(5) Projection of Total Capacity (MW)	(7) Peak Load Forecast (MW)	(8) Summer DSM Forecast (MW)	(9)= (7)-(8) Forecast of Firm Peak (MW)	(10)= (6)-(9) Forecast of Summer Reserves (MW)	(11)= (10)/(9) Forecast of Summer Reserve Margin (%)
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Reserve Margin Analysis with PPA

Winter

January of the Year	(1) Resource Plan Changes	(2) Current Projections of Gulf Unit Capability (MW)	(3) Current Projections of Firm Purchases (MW)	(4) Cumulative Generation Additions (MW)	(5) Cumulative Generation Removed (MW)	(6) = (2)+(3) +(4)+(5) Projection of Total Capacity (MW)	(7) Peak Load Forecast (MW)	(8) Winter DSM Forecast (MW)	(9)=(7)-(8) Forecast of Firm Peak (MW)	(10)=(6)-(9) Forecast of Winter Reserves (MW)	(11)=(10)/(9) Forecast of Winter Reserve Margin (%)
2009											
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Reserve Margin Analysis without PPA

Summer

August of the Year	(1) Resource Plan Changes	(2) Current Projections of Gulf Unit Capability (MW)	(3) Current Projections of Firm Purchases (MW)	(4) Cumulative Generation Additions (MW)	(5) Cumulative Generation Removed (MW)	(6) = (2)+(3) +(4)+(5) Projection of Total Capacity (MW)	(7) Peak Load Forecast (MW)	(8) Summer DSM Forecast (MW)	(9)=(7)-(8) Forecast of Firm Peak (MW)	(10)=(6)-(9) Forecast of Summer Reserves (MW)	(11)=(10)/(9) Forecast of Summer Reserve Margin (%)
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2016											
2017											
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2020											
2021											
2022											
2023											

Reserve Margin Analysis without PPA

Winter

January of the Year	(1) Resource Plan Changes	(2) Current Projections of Gulf Unit Capability (MW)	(3) Current Projections of Firm Purchases (MW)	(4) Cumulative Generation Additions (MW)	(5) Cumulative Generation Removed (MW)	(6) = (2)+(3) +(4)+(5) Projection of Total Capacity (MW)	(7) Peak Load Forecast (MW)	(8) Winter DSM Forecast (MW)	(9)=(7)-(8) Forecast of Firm Peak (MW)	(10)=(6)-(9) Forecast of Winter Reserves (MW)	(11)=(10)/(9) Forecast of Winter Reserve Margin (%)
2009											
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9. Paragraph 15 of the Petition shows Gulf will need additional capacity to meet its projected load beginning with a 51 MW shortfall in 2010. The narrative, however, states that additional generation of 976 MW is not needed until 2014. How will Gulf meet its projected demand from 2010 until 2014?

10. Paragraph 17 of the Petition states that the PPA "likely will result in net benefits to Gulf's customers over the contract years 2009-2013." Please quantify the monetary benefit to customers and show how this amount was calculated.

11. Section VII of the Petition discusses transmission costs associated with the PPA. Attachment A to the Petition shows the transmission costs for a new Crist generator alone, and a new Crist generator plus the PPA. Why are transmission costs greater for building only a generation plant at the existing Crist facility compared to building the Crist facility plus transmission costs for the PPA over 200 miles from Gulf's service area?

12. Paragraph 27 of the Petition states firm transmission service for the generating plant is needed no later than June 1, 2014. Several necessary improvements are also discussed. Please explain how, without the improvements, energy will be delivered from the plant to Gulf's service territory between 2009 and 2014.

13. Attachments A and B to the Petition use the term "Central Alabama PPA." Please confirm that this term is synonymous with the Power Purchase Agreement between Shell and Gulf Power.

14. Please provide a revision to the chart on page 1, Attachment A to the Petition that addresses the term of the PPA, 2009 to 2023.

15. Attachment A to the Petition lists "Energy Savings" on pages 2 and 3.
    a. Please explain how the energy savings listed were calculated.
    b. Please provide copies of the worksheets used in the calculation, in hard copy and electronic (Excel) format.

16. Attachment A to the Petition lists "Equity Cost" on pages 2 and 3.
    a. Please explain how the equity costs listed were calculated.
    b. Please provide copies of the worksheets used in the calculation, in hard copy and electronic (Excel) format.

17. Attachment B to the Petition shows no transmission costs for the purchased power from 2009 to 2013. Does staff understand correctly that transmission service will be provided at no charge for more than 4 years over the 200 miles to Gulf's service territory? Please explain.

18. What will be Gulf's generation fuel mix, including fuel to produce purchased power, with and without the PPA, in 2008 (before the PPA), in 2009, 2014, and 2023?

19. Paragraph 1.1 of the PPA, page 14, "Energy Point of Delivery" defines the point at which Gulf Power receives the generated energy. In that regard, please respond to the following:
    a. Please discuss line loss amounts and considerations between the Energy Point of Delivery and Gulf's service territory.

b. What will be the annual retail value of the energy lost in transmission between the Energy Point of Delivery and Gulf's service territory?

20. Please illustrate sensitivity to cost-effectiveness of the PPA by completing the attached worksheets (also available in Excel format) for projections of low, mid, and high priced fuel, with and without the PPA.

a. Scenario 1.1 - Mid-level Fuel Costs, with Purchased Power Agreement

b. Scenario 1.2 - Low-level Fuel Costs, with Purchased Power Agreement

c. Scenario 1.3 - High-level Fuel Costs, with Purchased Power Agreement

d. Scenario 2.1 - Mid-level Fuel Costs, without Purchased Power Agreement

e. Scenario 2.2 - Low-level Fuel Costs, without Purchased Power Agreement

f. Scenario 2.3 - High-level Fuel Costs, without Purchased Power Agreement

Scenario 1.1 - Mid-level Fuel Costs

With Purchased Power Agreement

($000, 2009$)

Year	Present Worth of Capitol Costs	Present Worth of Environmental Costs	Present Worth of Fuel Costs	Present Worth of Purchased Power (Energy)	Present Worth of Transmission Costs	Present Worth of Equity Costs	Present Worth of Other Costs	Present Worth of Total Costs	Cumulative Present Worth of Total Costs	Customer Bill Impact @ 1,200 kWh/Mo.
2009										
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Year	Present Worth of Capitol Costs	Present Worth of Environmental Costs	Present Worth of Fuel Costs	Present Worth of Purchased Power (Energy)	Present Worth of Transmission Costs	Present Worth of Equity Costs	Present Worth of Other Costs	Present Worth of Total Costs	Cumulative Present Worth of Total Costs	Customer Bill Impact @ 1,200 kWh/Mo.
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Scenario 1.2 - Low-level Fuel Costs

With Purchased Power Agreement

($000, 2009$)

Year	Present Worth of Capitol Costs	Present Worth of Environmental Costs	Present Worth of Fuel Costs	Present Worth of Purchased Power (Energy)	Present Worth of Transmission Costs	Present Worth of Equity Costs	Present Worth of Other Costs	Present Worth of Total Costs	Cumulative Present Worth of Total Costs	Customer Bill Impact @ 1,200 kWh/Mo.
2009										
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Year	Present Worth of Capitol Costs	Present Worth of Environmental Costs	Present Worth of Fuel Costs	Present Worth of Purchased Power (Energy)	Present Worth of Transmission Costs	Present Worth of Equity Costs	Present Worth of Other Costs	Present Worth of Total Costs	Cumulative Present Worth of Total Costs	Customer Bill Impact @ 1,200 kWh/Mo.
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Scenario 1.3 - High-level Fuel Costs

With Purchased Power Agreement

($000, 2009$)

Year	Present Worth of Capitol Costs	Present Worth of Environmental Costs	Present Worth of Fuel Costs	Present Worth of Purchased Power (Energy)	Present Worth of Transmission Costs	Present Worth of Equity Costs	Present Worth of Other Costs	Present Worth of Total Costs	Cumulative Present Worth of Total Costs	Customer Bill Impact @ 1,200 kWh/Mo.
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Year	Present Worth of Capitol Costs	Present Worth of Environmental Costs	Present Worth of Fuel Costs	Present Worth of Purchased Power (Energy)	Present Worth of Transmission Costs	Present Worth of Equity Costs	Present Worth of Other Costs	Present Worth of Total Costs	Cumulative Present Worth of Total Costs	Customer Bill Impact @ 1,200 kWh/Mo.
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Scenario 2.1 - Mid-level Fuel Costs
Without Purchased Power Agreement
($000, 2009$)

Year	Present Worth of Capitol Costs	Present Worth of Environmental Costs	Present Worth of Fuel Costs	Present Worth of Purchased Power (Energy)	Present Worth of Transmission Costs	Present Worth of Equity Costs	Present Worth of Other Costs	Present Worth of Total Costs	Cumulative Present Worth of Total Costs	Customer Bill Impact @ 1,200 kWh/Mo.
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Year	Present Worth of Capitol Costs	Present Worth of Environmental Costs	Present Worth of Fuel Costs	Present Worth of Purchased Power (Energy)	Present Worth of Transmission Costs	Present Worth of Equity Costs	Present Worth of Other Costs	Present Worth of Total Costs	Cumulative Present Worth of Total Costs	Customer Bill Impact @ 1,200 kWh/Mo.
2039										
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Scenario 2.2 - Low-level Fuel Costs
Without Purchased Power Agreement
($000, 2009$)

Year	Present Worth of Capitol Costs	Present Worth of Environmental Costs	Present Worth of Fuel Costs	Present Worth of Purchased Power (Energy)	Present Worth of Transmission Costs	Present Worth of Equity Costs	Present Worth of Other Costs	Present Worth of Total Costs	Cumulative Present Worth of Total Costs	Customer Bill Impact @ 1,200 kWh/Mo.
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Year	Present Worth of Capitol Costs	Present Worth of Environmental Costs	Present Worth of Fuel Costs	Present Worth of Purchased Power (Energy)	Present Worth of Transmission Costs	Present Worth of Equity Costs	Present Worth of Other Costs	Present Worth of Total Costs	Cumulative Present Worth of Total Costs	Customer Bill Impact @ 1,200 kWh/Mo.
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Scenario 2.3 - High-level Fuel Costs
Without Purchased Power Agreement
($000, 2009$)

Year	Present Worth of Capitol Costs	Present Worth of Environmental Costs	Present Worth of Fuel Costs	Present Worth of Purchased Power (Energy)	Present Worth of Transmission Costs	Present Worth of Equity Costs	Present Worth of Other Costs	Present Worth of Total Costs	Cumulative Present Worth of Total Costs	Customer Bill Impact @ 1,200 kWh/Mo.
2009										
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Year	Present Worth of Capitol Costs	Present Worth of Environmental Costs	Present Worth of Fuel Costs	Present Worth of Purchased Power (Energy)	Present Worth of Transmission Costs	Present Worth of Equity Costs	Present Worth of Other Costs	Present Worth of Total Costs	Cumulative Present Worth of Total Costs	Customer Bill Impact @ 1,200 kWh/Mo.
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21. Please explain the rationale for the variations in the confidential Capacity Reservation Rate Per Month, for 2009 through May 2014, shown in the PPA, Exhibit 4.1.

22. Please confirm that the confidential Capacity Reservation Rate Per Month, for June 2014 and each Month thereafter, shown in the PPA, Exhibit 4.1, is not a typographical error.

23. Please explain the rationale for Gulf Power being responsible for providing the natural gas to operate the generating unit rather than the generating unit owner/operator.

24. Please prepare a chart similar to the one in the PPA, Exhibit 4.1, that shows the Variable Energy Rate if the owner/operator of the generating unit provided the natural gas for operation.

25. Referencing Gulf Power's Ten Year Site Plan, 2009-2018, Schedule 9, please confirm that the proposed generating facility shown is the Crist combined cycle plant mentioned several times in the Petition.

26. Again referencing Gulf Power's Ten Year Site Plan, 2009-2018, Schedule 9, please confirm that the following cost projections for the facility indicated are still as accurate as possible:

    a. Total installed cost (In-service year $/kW): $1,132.00

    b. Fixed O&M ('14 $/kWh): $ 8.11

    c. Variable O&M ('14 $/MWH) 1.71

27. Should the two plants referenced in Question 25 not be one in the same, please provide the cost projections shown in Question 26 for the Crist combined cycle plant.

28. Paragraph 5.2 of the PPA discusses Requests for Energy by Gulf. Under what circumstances would Gulf not request the full energy output of approximately 880 MW?

29. Paragraph 5.7 of the PPA discusses actions to be taken when Shell is unable to meet Gulf's Request for Energy. For each year of the PPA term, please provide a projection of the cost to Gulf of "as-available" energy to replace the shortfall if Shell is unable to provide the energy in Gulf's Request for Energy compared to any payments to Gulf by Shell resulting from an unscheduled outage, as specified in paragraph 5.7.

30. Reference Article 10 of the PPA. What are the current S&P/Fitch and Moody's credit ratings for:

    a. Shell Energy North America (US), L.P.; and

    b. Gulf Power Company?

31. Reference Article 10 of the PPA. If Shell were to default on the PPA for failure to deliver the expected capacity and energy, what would Gulf have to pay for replacement of that capacity and energy from another source during the following periods:

    a. Effective date through May 31, 2013;

    b. June 1, 2013 through May 31, 2018;

    c. June 1, 2019 through May 31, 2021; and

    d. June 1, 2021 through May 31, 2023?

32. Reference Table 10.1. Please explain the rationale for how the listed confidential amounts were determined.

33. Reference PPA paragraphs 10.1 and 10.2. Please provide the following information about the Eligible Collateral Amount for each party, Gulf and Shell:
    a. What is the form of asset being used as collateral, i.e. cash, bond, letter of credit, secured or unsecured note, etc.;
    b. If a debt instrument, who is the lender, what are the terms, and when does the instrument mature?
    c. If a letter of credit, who is the issuing financial institution, and what is the collateral for the letter of credit?
    d. Who will hold the Eligible Collateral Amounts provided by each party?
34. Please answer the following general questions about the Tenaska generating plant:
    a. Who previously purchased the capacity and energy from the Tenaska generating plant?
    b. What was the duration of the last purchasing agreement?
    c. Why did the previous purchaser quit?
    d. Was Shell a part of the previous purchasing agreement?

Please file the original and five copies of the requested information by Wednesday, May 13, 2009, with Ms. Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6076 if you have any questions.

Sincerely,

Anna R. Williams
Staff Counsel

ARW:th

cc: Office of Commission Clerk
Office of Strategic Analysis & Governmental Affairs
Docket No. 090169-EI (Parties)