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090001-EI

From: Rogers, Mallory [MAROGER@SOUTHERNCO.COM]
Sent: Tuesday, October 06, 2009 3:36 PM
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Subject: E-filing

Attachments: 10-06-09 Gulf's PreHearing Statement.pdf



10-06-0
REHEAR

**A. Susan D. Ritenour
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B. Docket No. 090001-EI

C. Gulf Power Company

D. Document consists of 13 pages.

E. The attached document is Gulf's Pre-Hearing Statement.

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October 6, 2009

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

Dear Ms. Cole:

RE: Docket No. 090001-EI

Enclosed is the Prehearing Statement of Gulf Power Company to be filed in the above docket.

Sincerely,

Susan D Ritenour (lw)

mr

Enclosures

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

DOCUMENT NUMBER-DATE

10329 OCT-6 09

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.: 090001-EI

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by U. S. mail this 10th day of October, 2009, on the following:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clauses and Generating)
Performance Incentive Factor)
)
)

Docket No. 090001-EI
Date Filed: October 6, 2009

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-09-0142-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:

	<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
	<u>(Direct)</u>		
1.	H. R. Ball (Gulf)	Fuel Adjustment, true-up and projections; Purchased Power -- energy and capacity purchases and sales, true-up and projections	4A, 4B, 4C, 6, 7, 8, 9, 27, 28, 31
2.	R. W. Dodd (Gulf)	Fuel Adjustment, true-up and projections; Capacity, true-up and projections	4C, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 27, 28, 30, 31, 32, 33
3.	M.A. Young (Gulf)	GPIF reward/penalty and targets and ranges	21, 22

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 August 2008 - December 2008
(HRB-2)	Ball	Projected vs. Actual Fuel Cost of Net Generation December 1999 - December 2008
(HRB-3)	Ball	Hedging Information Report January 2009 - July 2009
(HRB-4)	Ball	Risk Management Plan for Fuel Procurement for 2010
(HRB-5)	Ball	Perdido Landfill Gas to Energy Project Description
(RWD-1)	Dodd	Calculation of Final True-Up and A-Schedules January 2008 - December 2008
(RWD-2)	Dodd	Estimated True-Up January 2009 - December 2009
(RWD-3)	Dodd	Projection January 2010 - December 2010
(MAY-1)	Young	Gulf Power Company GPIF Results January 2008 - December 2008
(MAY-2)	Young	Gulf Power Company GPIF Targets and Ranges January 2010 - December 2010

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 2010 through December 2010 including the true-up calculations, GPIF and other adjustments allowed by the Commission.

E. STATEMENT OF ISSUES AND POSITIONS:

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

ISSUE 4A: 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 2009 and August 2009 hedging reports?

GULF: Yes. (Ball)

ISSUE 4B: Should the Commission approve Gulf's 2010 Risk Management Plan?

GULF: Yes. (Ball)

ISSUE 4C: Should the Commission approve GULF's proposal to include the costs associated with construction and operation of the Perdido landfill Gas to Energy Facility in the fuel clause?

GULF: Yes. The Florida Legislature, Office of the Governor and the Florida Public Service Commission have recognized that promoting the development of renewable energy resources and increasing fuel diversity through reliance on renewable generation in Florida is in the public interest and that development of renewable generation resources should be encouraged. Gulf Power views the Perdido project as an opportunity to further this public interest while at the same time benefiting the community and providing a reliable and economic source of generation for Gulf's customers. Gulf Power is seeking cost recovery for this project through the fuel clause based on the precedent set forth in PSC Order Number 14546 issued in Docket 850001-EI-B. In Order Number 14546, the Commission set forth its policy concerning the types of costs appropriately recovered through the fuel clause. The Commission expressly retained the flexibility to allow for recovery through the fuel clause of expenses normally recovered through base rates when the utility is in a position to take advantage of a cost-effective transaction, the costs of which were not recognized or anticipated in the level of costs used to establish the utility's base rates. Gulf Power anticipates that the Perdido project will produce fuel savings to its customers, reduce volatility of fuel costs, promote renewable generation and provide fuel diversity in the form of reduced dependence on coal and natural gas. For these reasons, Gulf is seeking the Commission's determination that the costs associated with construction and operation of the Perdido project are appropriate for recovery through the fuel clause. (Ball, Dodd)

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 6: What are the appropriate actual benchmark levels for calendar year 2009 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

GULF: \$2,416,709. (Dodd, Ball)

ISSUE 7: What are the appropriate estimated benchmark levels for calendar year 2010 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

GULF: \$1,542,406. (Dodd, Ball)

ISSUE 8: What are the appropriate fuel adjustment true-up amounts for the period January 2008 through December 2008?

GULF: Under recovery \$48,757,977. (Ball, Dodd)

ISSUE 9: What are the appropriate fuel adjustment true-up amounts for the period January 2009 through December 2009?

GULF: Over recovery \$36,414,908. (Ball, Dodd)

ISSUE 10: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2010 to December 2010?

GULF: Collection of \$12,343,069. (Dodd)

ISSUE 11: 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 2010 through December 2010?

GULF: 1.00072. (Dodd)

ISSUE 12: What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2010 through December 2010?

GULF: \$601,137,405. (Dodd)

ISSUE 13: What are the appropriate levelized fuel cost recovery factors for the period January 2010 through December 2010?

GULF: 5.348 cents/kWh. (Dodd)

ISSUE 14: 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)

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 15: 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	5.376	5.878	4.998
B	LP, LPT, SBS(2)	0.98890	5.289	5.782	4.917
C	PX, PXT, RTP, SBS(3)	0.98063	5.244	5.734	4.876
D	OSI/II	1.00529	5.219	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 16: 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 2010 and thereafter through the last billing cycle for December 2010. The first billing cycle may start before January 1, 2010, and the last cycle may be read after December 31, 2010, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Dodd)

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

NONE RAISED BY GULF POWER COMPANY

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 21: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2008 through December 2008 for each investor-owned electric utility subject to the GPIF?

GULF: \$113,177 reward. (Young)

ISSUE 22: What should the GPIF targets/ranges be for the period January 2010 through December 2010 for each investor-owned electric utility subject to the GPIF?

GULF: See table below: (Young)

Unit	EAF	POF	EUOF	Heat Rate
Crist 4	89.4	8.2	2.4	10,837
Crist 5	96.3	0.0	3.7	10,777
Crist 6	92.5	0.0	7.5	10,910
Crist 7	87.6	0.0	12.4	10,656
Smith 1	95.8	0.0	4.2	10,300
Smith 2	89.9	6.3	3.8	10,345
Daniel 1	77.7	17.2	5.0	10,415 ⁽¹⁾
Daniel 2	87.8	5.8	6.4	10,231

(1) Gulf has revised the target heat rate for Daniel 1 to reflect the appropriate level of rounding precision. Note: the value contained in Gulf's petition was 10,414.

EAF = Equivalent Availability Factor (%)
 POF = Planned Outage Factor (%)
 EUOF = Equivalent Unplanned Outage Factor (%)

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

NONE RAISED BY GULF POWER COMPANY

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 27: What are the appropriate capacity cost recovery true-up amounts for the period January 2008 through December 2008?

GULF: Over recovery of \$680,158. (Ball, Dodd)

ISSUE 28: What are the appropriate capacity cost recovery true-up amounts for the period January 2009 through December 2009?

GULF: Under recovery of \$1,787,568. (Ball, Dodd)

ISSUE 30: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2010 through December 2010?

GULF: Collection of \$1,107,410. (Dodd)

ISSUE 31: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2010 through December 2010?

GULF: \$48,127,856. (Ball, Dodd)

ISSUE 32: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2010 through December 2010?

GULF: 96.42160%. (Dodd)

ISSUE 33: What are the appropriate capacity cost recovery factors for the period January 2010 through December 2010?

GULF: See table below: (Dodd)

RATE CLASS	CAPACITY COST RECOVERY FACTORS ¢/KWH
RS, RSVP	0.502
GS	0.460
GSD, GSDT, GSTOU	0.392
LP, LPT	0.339
PX, PXT, RTP, SBS	0.284
OS-I/II	0.118
OSIII	0.306

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 extended confidentiality dated January 14, 2008, relating to Gulf Power's Risk Management Plan for Fuel Procurement (DN 00359-08).
2. Request for confidentiality dated July 28, 2008, relating to items 9 and 10 of Staff's Second Request for Production (DN 06641-08).
3. Request for confidentiality dated July 28, 2008, relating to item 13 of Staff's Third Midcourse Data Request (DN 06645-08).


4. Request for confidentiality dated March 9, 2009, relating to Schedules 2 and 5 of Exhibit HRB-1 the direct testimony of H. R. Ball (DN 01886-09).
5. Request for confidentiality dated March 9, 2009, relating to Schedule CCA-4 of Exhibit RWD-1 the direct testimony of R. W. Dodd (DN 01891-09).
6. Request for confidentiality dated March 25, 2009, relating to Nos. 1-4 of Gulf's responses to Staff's First Set of Interrogatories (DN 02682-09).
7. Request for confidentiality dated March 25, 2009, relating to Nos. 2 and 4 of Gulf's responses to Staff's First Request for Production of Documents (DN 02685-09).
8. Request for extended confidentiality dated May 7, 2009, relating to Gulf Power's Risk Management Plan for Fuel Procurement (DN 04423-09).
9. Request for confidentiality dated August 4, 2009, relating to Schedule CCE-4 of Exhibit RWD-2 the direct testimony of R. W. Dodd (DN 07967-09).
10. Request for confidentiality dated August 4, 2009, relating to Gulf Power's Risk Management Plan for Fuel Procurement (DN 07969-09).
11. Request for confidentiality dated August 13, 2009, relating to Gulf's Hedging Information Report (DN 08486-09).
12. Request for confidentiality dated September 1, 2009, relating to Schedule CCA-4 of Exhibit RWD-3 the direct testimony of R. W. Dodd (DN 09061-09).
13. Request for confidentiality dated September 4, 2009, relating to No. 8A of Gulf's responses to Staff's Second Set of Interrogatories (DN 09273-09).

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 2-4, 2009, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 6th day of October, 2009.

Respectfully submitted,



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