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Sent: Tuesday, October 11, 2011 10:58 AM
To: Filings@psc.state.fl.us
Cc: Badders, Russell A. (Beggs & Lane); Griffin, Steven R. (Beggs & Lane); 'Jeffrey Stone'
Subject: Gulf Power Company's Prehearing Statement
Attachments: Gulf Power Company Prehearing Statement.pdf; Docket 110001-EI Gulf Power Company Prehearing Statement Final.docx

- A. s/Susan D. Ritenour
Gulf Power Company
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- B. Docket No. 110001-EI
- C. Gulf Power Company
- D. Document consists of 14 pages
- E. The attached document is Gulf Power Company's Prehearing Statement

10/11/2011

DOCUMENT NUMBER DATE

07430 OCT 11 =

FPSC-COMMISSION CLERK

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October 11, 2011

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

Re: Docket No. 110001-EI

Dear Ms. Cole:

Enclosed is the Prehearing Statement of Gulf Power Company to be filed in the above docket. A copy of this Prehearing Statement as prepared in Microsoft Word was included as an attachment to Gulf's electronic filing.

Sincerely,

Susan D. Ritenour

mw

Enclosures

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

DOCUMENT NUMBER-DATE
07430 OCT 11 =
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clauses and Generating) Docket No. 110001-EI
Performance Incentive Factor) Date Filed: October 11, 2011
)
)

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-11-0132-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>
(Direct)			
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	6, 7, 8, 9, 10, 11, 18, 19, 20, 21, 22, 27, 28, 29, 30, 31, 32, 33, 34
3.	M. A. Young (Gulf)	GPIF reward/penalty and targets and ranges	16, 17

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 2010 - December 2010
(HRB-2)	Ball	Projected vs. Actual Fuel Cost of Net Generation December 2001 - December 2010
(HRB-3)	Ball	Hedging Information Report January 2011 - July 2011
(HRB-4)	Ball	Risk Management Plan for Fuel Procurement for 2012
(RWD-1)	Dodd	Calculation of Final True-Up and A-Schedules January 2010 - December 2010
(RWD-2)	Dodd	Estimated True-Up January 2011 - December 2011
(RWD-3)	Dodd	Projection January 2012 - December 2012
(RWD-4)	Dodd	Revised CCE-4 January 2011 - December 2011
(MAY-1)	Young	Gulf Power Company GPIF Results January 2010 - December 2010
(MAY-2)	Young	Gulf Power Company GPIF Targets and Ranges January 2012 - December 2012

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 2012 through December 2012 including the true-up calculations, GPIF and other adjustments allowed by the Commission.

E. STATEMENT OF ISSUES AND POSITIONS:

I. FUEL ISSUES

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 2011 and August 2011 hedging reports?

GULF: Yes. (Ball)

ISSUE 4B: Should the Commission approve Gulf's 2012 Risk Management Plan?

GULF: Yes. (Ball)

ISSUE 4C: Was Gulf Power Company prudent in commencing and continuing litigation against Coalsales II, LLC for breach of contract?

GULF: Yes. Gulf Power prudently initiated and pursued litigation against Coalsales II, LLC (Coalsales) to remedy Coalsales' default under the coal supply agreement with Gulf based on the reasonable expectation that this litigation would result in reduced fuel costs for Gulf's retail customers. The Commission has a long standing policy of encouraging all reasonable litigation that can reasonably be expected to result in reduced fuel costs for retail customers. (See e.g., Order No. 18136 issued in Docket No. 870001-EI on September 10, 1987 at page 8). The litigation costs associated with the litigation against Coalsales are appropriate for cost recovery in this docket. (Ball)

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 6: What are the appropriate actual benchmark levels for calendar year 2011 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

GULF: \$1,004,362. (Dodd, Ball)

ISSUE 7: What are the appropriate estimated benchmark levels for calendar year 2012 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

GULF: \$868,270. (Dodd, Ball)

ISSUE 8: What are the appropriate fuel adjustment true-up amounts for the period January 2010 through December 2010?

GULF: Under recovery \$3,609,728. (Ball, Dodd)

ISSUE 9: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2011 through December 2011?

GULF: Under recovery \$8,441,457. (Ball, Dodd)

ISSUE 10: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2012 to December 2012?

GULF: Collection of \$12,051,185. (Dodd)

ISSUE 11: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2012 through December 2012?

GULF: \$581,090,001 including prior period true-up amounts and revenue taxes. (Dodd)

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

NONE RAISED BY GULF POWER COMPANY

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 16: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2010 through December 2010 for each investor-owned electric utility subject to the GPIF?

GULF: \$645,511 reward. (Young)

ISSUE 17: What should the GPIF targets/ranges be for the period January 2012 through December 2012 for each investor-owned electric utility subject to the GPIF?

GULF: See table below: (Young)

Unit	EAF	POF	EUOF	Heat Rate
Crist 4	97.7	0.0	2.3	11,479
Crist 5	97.9	0.0	2.1	11,471
Crist 6	74.8	19.7	5.6	11,457
Crist 7	72.6	21.6	5.9	10,683
Smith 1	93.6	0.0	6.4	10,628
Smith 2	87.7	6.3	6.0	10,533
Daniel 1	84.1	10.1	5.8	10,703
Daniel 2	93.4	0.0	6.6	10,630
EAF = Equivalent Availability Factor (%) POF = Planned Outage Factor (%) EUOF = Equivalent Unplanned Outage Factor (%)				

FUEL FACTOR CALCULATION ISSUES

ISSUE 18: 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 2012 through December 2012?

GULF: \$581,735,512 including prior period true-up amounts and revenue taxes. (Dodd)

ISSUE 19: 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 2012 through December 2012?

GULF: 1.00072. (Dodd)

ISSUE 20: What are the appropriate levelized fuel cost recovery factors for the period January 2012 through December 2012?

GULF: 4.943 cents/kWh. (Dodd)

ISSUE 21:

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)	1.00525921
B	LP, LPT, SBS(2)	0.98890061
C	PX, PXT, RTP, SBS(3)	0.98062822
D	OSI/II	1.00529485

(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 22:

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)	1.00525921	4.969	5.828	4.612
B	LP, LPT, SBS(2)	0.98890061	4.888	5.733	4.537
C	PX, PXT, RTP, SBS(3)	0.98062822	4.847	5.685	4.499
D	OSI/II	1.00529485	4.917	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.

II. CAPACITY ISSUES

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 2010 through December 2010?

GULF: Over recovery of \$1,217,382. (Ball, Dodd)

ISSUE 28: What are the appropriate capacity cost recovery true-up amounts for the period January 2011 through December 2011?

GULF: Over recovery of \$7,179,724. (Ball, Dodd)

ISSUE 29: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2012 through December 2012?

GULF: Refund of \$8,397,106. (Dodd)

ISSUE 30: What are the appropriate projected total capacity cost recovery amounts for the period January 2012 through December 2012?

GULF: \$46,396,792. (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 2012 through December 2012?

GULF: \$38,027,046 including prior period true-up amounts and revenue taxes. (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 2012 through December 2012?

GULF: 96.44582%. (Dodd)

ISSUE 33: What are the appropriate capacity cost recovery factors for the period January 2012 through December 2012?

GULF: See table below: (Dodd)

RATE CLASS	CAPACITY COST RECOVERY FACTORS ¢/KWH
RS, RSVP	0.378
GS	0.345
GSD, GSDT, GSTOU	0.298
LP, LPT	0.260
PX, PXT, RTP, SBS	0.232
OS-I/II	0.138
OSIII	0.224

III. EFFECTIVE DATE

ISSUE 34: What should be the effective date of the fuel adjustment factors and capacity cost recovery factors for billing purposes?

GULF: The factors should be effective beginning with the specified environmental cost recovery cycle and thereafter for the period January 2012 through December 2012. Billing cycles may start before January 1, 2012 and the last cycle may be read after December 31, 2012, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Dodd)

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 filed March 1, 2011, relating to Schedule CCA-4 of Exhibit RWD-1 to the direct testimony of R. W. Dodd (DN 01344-11).
2. Requests for confidentiality filed March 1, 2011, relating to Schedule 2 of Exhibit HRB-1 to the direct testimony of H. R. Ball (DN 01346-11).

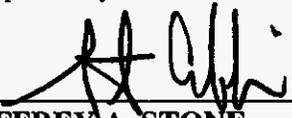
3. Request for confidentiality filed April 1, 2011, relating to Gulf's Hedging Activity True-up Report (DN 02196-11).
4. Request for confidentiality filed April 1, 2011, relating to Gulf's Form 423 for January, 2011 (DN 02194-11).
5. Request for confidentiality filed April 25, 2011, relating to Gulf's Form 423 for February, 2011 (DN 02813-11).
6. Request for confidentiality filed May 26, 2011, relating to Gulf's Form 423 for March, 2011 (DN 03701-11).
7. Request for confidentiality filed June 27, 2011, relating to Gulf's responses to Staff's Third Set of Interrogatories (DN 04416-11).
8. Request for confidentiality filed June 29, 2011, relating to Gulf's Form 423 for April, 2011 (DN 04473-11).
9. Request for confidentiality filed June 29, 2011, relating to documents produced in connection with review of 2010 Fuel and Capacity Expenditures (DN 04475-11).
10. Request for confidentiality filed July 28, 2011, relating to Gulf's Form 423 for May, 2011 (DN 05249-11).
11. Request for confidentiality filed August 1, 2011, relating to Schedule CCE-4 of Exhibit RWD-2 to the direct testimony of R. W. Dodd (DN 05352-11).
12. Request for confidentiality filed August 1, 2011, relating to Gulf Power's Risk Management Plan for Fuel Procurement for 2012 (DN 05354-11).
13. Request for confidentiality filed August 15, 2011, relating to Gulf's Hedging Information Report (DN 05772-11).
14. Request for confidentiality filed August 24, 2011, relating to Gulf's Form 423 for June, 2011 (DN 06091-11).
15. Request for confidentiality filed September 1, 2011, relating to Schedule CCE-4 of Exhibit RWD-3 and RWD-4 to the direct testimony of R. W. Dodd (DN 06303-11).
16. Request for confidentiality filed September 28, 2011, relating to Gulf's Form 423 for July, 2011 (DN 07022-11).
17. Request for confidentiality filed September 29, 2011, relating to Gulf's responses to Staff's Fifth Set of Interrogatories (DN 07077-11).

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 1-3, 2011, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 11th day of October, 2011.

Respectfully submitted,



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Attorneys for Gulf Power Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No.: **110001-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 11th day of October, 2011, on the following:

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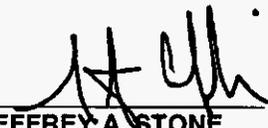
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