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October 5, 2012

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

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COMMISSION
CLERK

RE: Docket No. 120001-EI

Dear Ms. Cole:

Enclosed is the Prehearing Statement of Gulf Power Company to be filed in the above referenced docket. Also enclosed is a Compact Disk containing the Prehearing Statement in Microsoft Word.

Sincerely,

Robert L. McGee, Jr.
Regulatory and Pricing Manager

wb

Enclosures

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

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clauses and Generating) Docket No. 120001-EI
Performance Incentive Factor) Date Filed: October 8, 2012

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-12-0061-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, 6, 7, 8, 9, 27, 28, 30, 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
(HRB-2)	Ball	Projected vs. Actual Fuel Cost of System Generation Comparison 2002-2013
(HRB-3)	Ball	Hedging Information Report August – December 2011
(HRB-4)	Ball	Hedging Information Report January – July 2012
(HRB-5)	Ball	Risk Management Plan for Fuel Procurement for 2013
(RWD-1)	Dodd	Calculation of Final True-Up and A-Schedules January 2011 - December 2011
(RWD-2)	Dodd	Estimated True-Up January 2012 - December 2012
(RWD-3)	Dodd	Projection January 2013 - December 2013
(MAY-1)	Young	Gulf Power Company GPIF Results January 2011 - December 2011
(MAY-2)	Young	Gulf Power Company GPIF Targets and Ranges January 2013 - December 2013

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 2013 through December 2013 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 2012 and August 2012 hedging reports?

GULF: Yes. (Ball)

ISSUE 4B: Should the Commission approve Gulf's 2013 Risk Management Plan?

GULF: Yes. (Ball)

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 6: What are the appropriate actual benchmark levels for calendar year 2012 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

GULF: \$749,310. (Ball, Dodd)

ISSUE 7: What are the appropriate estimated benchmark levels for calendar year 2013 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

GULF: \$626,203. (Ball, Dodd)

ISSUE 8: What are the appropriate fuel adjustment true-up amounts for the period January 2011 through December 2011?

GULF: Over recovery \$13,538,423. (Ball, Dodd)

ISSUE 9: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2012 through December 2012?

GULF: Over recovery \$26,425,418. (Ball, Dodd)

ISSUE 10: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2013 to December 2013?

GULF: Refund of \$26,425,418. The net final true-up for the period ending December 2011 has already been included in rates in 2012. Therefore, the proposed fuel cost recovery factors reflect only the refund of the estimated fuel cost true-up amount, \$26,425,418, during the period of January 2013 through December 2013. (Dodd)

ISSUE 11: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2013 through December 2013?

GULF: \$428,996,843 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 2011 through December 2011 for each investor-owned electric utility subject to the GPIF?

GULF: \$1,040,660 reward. (Young)

ISSUE 17: What should the GPIF targets/ranges be for the period January 2013 through December 2013 for each investor-owned electric utility subject to the GPIF?

GULF: See table below: (Young)

Unit	EAF	POF	EUOF	Heat Rate
Crist 6	81.2	15.9	2.9	12,243
Crist 7	94.0	0.0	6.0	11,178
Smith 3	91.1	6.6	2.3	6,842
Daniel 1	94.7	0.0	5.3	10,591
Daniel 2	97.1	0.0	2.9	10,611
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 2013 through December 2013?

GULF: \$430,037,503 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 2013 through December 2013?

GULF: 1.00072. (Dodd)

ISSUE 20: What are the appropriate levelized fuel cost recovery factors for the period January 2013 through December 2013?

GULF: 3.803 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)	1.00773
B	LP, LPT, SBS(2)	0.98353
C	PX, PXT, RTP, SBS(3)	0.96591
D	OSI/II	1.00777

(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)	1.00773	3.832	4.768	3.446
B	LP, LPT, SBS(2)	0.98353	3.740	4.654	3.363
C	PX, PXT, RTP, SBS(3)	0.96591	3.673	4.570	3.303
D	OSI/II	1.00777	3.776	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 2011 through December 2011?

GULF: Under recovery of \$353,030. (Ball, Dodd)

ISSUE 28: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2012 through December 2012?

GULF: Under recovery of \$592,654. (Ball, Dodd)

ISSUE 29: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2013 through December 2013?

GULF: Collection of \$945,684. (Dodd)

ISSUE 30: What are the appropriate projected total capacity cost recovery amounts for the period January 2013 through December 2013?

GULF: \$43,921,106. (Ball, 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 2013 through December 2013?

GULF: \$44,899,094 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 2013 through December 2013?

GULF: 96.57346%. (Dodd)

ISSUE 33: What are the appropriate capacity cost recovery factors for the period January 2012 through December 2013?

GULF: See table below: (Dodd)

RATE CLASS	CAPACITY COST RECOVERY FACTORS ¢/KWH
RS, RSVP	0.467
GS	0.426
GSD, GSDT, GSTOU	0.369
LP, LPT	0.317
PX, PXT, RTP, SBS	0.280
OS-I/II	0.171
OSIII	0.277

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 new fuel and capacity factors should be effective beginning with the first billing cycle for January 2013 and thereafter through the last billing cycle for December 2013. Billing cycles may start before January 1, 2013 and the last cycle may be read after December 31, 2013, 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

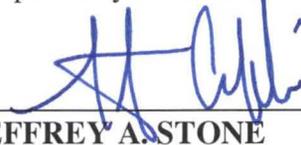
1. Request for confidentiality filed August 1, 2012, relating to Schedule CCE-4 of Exhibit RWD-2 to the direct testimony of R. W. Dodd (DN 05199-12).
2. Request for confidentiality filed August 27, 2012, relating to Gulf's Form 423 for June, 2012 (DN 05819-12).
3. Request for confidentiality filed August 31, 2012, relating to Schedule CCE-4 of Exhibit RWD-3 to the direct testimony of R. W. Dodd (DN 05937-12).
4. Request for confidentiality filed September 28, 2012, relating to Gulf's Form 423 for July, 2012 (DN 06519-12).

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 5-7, 2012, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 5th day of October, 2012.

Respectfully submitted,



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No.: 120001-EI

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by U. S. mail this 27th day of September, 2012 on the following:

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