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COMMISSION  
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October 4, 2013

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

RE: Docket No. 130007-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 CD containing the Prehearing Statement prepared using Microsoft Word.

Sincerely,

Robert L. McGee, Jr.  
Regulatory and Pricing Manager

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Enclosures

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

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery ) Docket No. 130007-EI  
Clause ) Date Filed: October 7, 2013  
)

**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-13-0070-PCO-EI, issued February 4, 2013, 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> (Direct)	<u>Subject Matter</u>	<u>Issues</u>
1. J. O. Vick (Gulf)	Environmental compliance activities (True-Ups and Projection)	1, 2, 3, 16, 17
2. M. T. O'Sheasy (Gulf)	Environmental compliance cost allocation methodology (Projection)	17
3. R. W. Dodd (Gulf)	Environmental compliance cost recovery calculations (True-Ups and Projection)	1, 2, 3, 4, 5, 6, 7, 8, 17

C. EXHIBITS:

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
(RWD-1)	Dodd	Calculation of Final True-up 1/12 – 12/12
(RWD-2)	Dodd	Calculation of Estimated True-up 1/13 – 12/13
(RWD-3)	Dodd	Calculation of Projection 1/14 - 12/14
(RWD-4)	Dodd	Comparison of Typical Bills between Allocation Methodologies

D. STATEMENT OF BASIC POSITION

**Gulf Power Company's Statement of Basic Position:**

It is the basic position of Gulf Power Company that the environmental cost recovery factors proposed by the Company present the best estimate of Gulf's environmental compliance costs recoverable through the Environmental Cost Recovery Clause (ECRC) for the period January 2014 through December 2014 including the true-up calculations and other adjustments allowed by the Commission.

E. STATEMENT OF ISSUES AND POSITIONS

**Generic Environmental Cost Recovery Issues**

**ISSUE 1:** What are the final environmental cost recovery true-up amounts for the period January 2012 through December 2012?

**GULF:** Under recovery of \$3,704,022. (Vick, Dodd)

**ISSUE 2:** What are the estimated/actual environmental cost recovery true-up amounts for the period January 2013 through December 2013?

**GULF:** Under recovery of \$4,084,856. (Vick, Dodd)

**ISSUE 3:** What are the projected environmental cost recovery amounts for the period January 2014 through December 2014?

**GULF:** \$142,486,731. (Vick, Dodd)

**ISSUE 4:** What are the environmental cost recovery amounts, including true-up amounts, for the period January 2014 through December 2014?

**GULF:** Recovery of \$150,383,807. (Dodd)

**ISSUE 5:** What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2014 through December 2014?

**GULF:** The depreciation rates used to calculate the depreciation expense should be the rates that are in effect during the period the allowed capital investment is in service. (Dodd)

**ISSUE 6:** What are the appropriate jurisdictional separation factors for the projected period January 2014 through December 2014?

**GULF:** The demand jurisdictional separation factor is 97.07146%. Energy jurisdictional separation factors are calculated each month based on retail KWH sales as a percentage of projected total territorial KWH sales. (Dodd)

**ISSUE 7:** What are the appropriate environmental cost recovery factors for the period January 2014 through December 2014 for each rate group?

**GULF:** See table below: (Dodd)

<b>RATE CLASS</b>	<b>ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH</b>
RS, RSVP	1.554
GS	1.402
GSD, GSDT, GSTOU	1.249
LP, LPT	1.114
PX, PXT, RTP, SBS	1.062
OS-I/II	0.419
OSIII	1.020

**ISSUE 8:** What should be the effective date of the new environmental cost recovery factors for billing purposes?

**GULF:** The new environmental cost recovery factors should be effective beginning with the first billing cycle for January 2014 and thereafter through the last billing cycle for December 2014. The first billing cycle may start before

January 1, 2014, and the last cycle may be read after December 31, 2014, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Dodd)

## F. COMPANY-SPECIFIC ISSUES

### Gulf Power Company

**ISSUE 16:** Should the Commission approve Gulf's Environmental Compliance Program Update as reasonable?

**GULF:** Yes. On April 1, 2013, Gulf Power filed its annual environmental Compliance Program Update with the Commission. This document is an update of Gulf's original Compliance Plan set forth in the stipulation between OPC, FIPUG, and Gulf which was approved by the Commission in Order No. PSC-07-0721-S-EI. The update reflects all of the changes to Gulf's Compliance Plan since the initial plan was approved.

In the update, Gulf outlines ongoing compliance projects as well as new MATS compliance projects selected for Plant Crist, Plant Daniel, and Plant Smith. Gulf's Compliance Program has been updated to include the Plant Daniel Bromine and Activated Carbon Injection (ACI) Project, the Plant Crist Transmission Upgrades Project, and the Smith Transmission Upgrades Project that will be required for compliance with the MATS rule. (Vick)

**ISSUE 17:** Should Gulf's proposal to allocate costs associated with the Clean Air Act Amendments of 1990 (CAAA) and other air quality capital costs to the rate classes on a 12 Coincident Peak (CP) and 1/13 energy basis be approved?

**GULF:** Yes. The 12-MCP and 1/13<sup>th</sup> energy basis is a more appropriate cost allocation for the investment-related (fixed) costs incurred to comply with CAAA and other air quality environmental regulations. Allocating these costs to the various rate classes based on their cost causation provides for derivation of a cost recovery factor that best represents the cost incurred for each class. (Vick, O'Sheasy, Dodd)

## G. 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.

H. PENDING MOTIONS:

**GULF:** NONE.

I. PENDING CONFIDENTIALITY REQUEST:

1. Request for confidentiality filed May 29, 2013, relating to a portion of Staff's audit work papers (ACN 13-015-1-1) (DN 02551-13).

J. 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 4-6, 2013, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 4th day of October, 2013.

Respectfully submitted,



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Environmental Cost** )  
**Recovery Clause** )

Docket No.: 130007-EI

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of the foregoing was furnished by U.S. mail this 4th day of October, 2013 to the following:

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