

**Robert L. McGee, Jr.**  
Regulatory & Pricing Manager  
One Energy Place  
Pensacola, Florida 32520-0780  
Tel 850 444 6530  
Fax 850 444 6026  
RLMCGEE@southernco.com



September 26, 2014

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

Re: Docket No. 140001-EI

Dear Ms. Stauffer:

Attached is the Prehearing Statement of Gulf Power Company to be filed in the above-referenced docket. Pursuant to the Order Establishing Procedure, a copy of this Prehearing Statement prepared using Microsoft Word is being provided to Commission staff and all parties.

Sincerely,

A handwritten signature in black ink that reads "Robert L. McGee, Jr." in a cursive style.

Robert L. McGee, Jr.  
Regulatory and Pricing Manager

md

Attachments

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

CLK note: CD of DN in Word  
received and forwarded to AFD  
9/29/14.  
MHM

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost )  
Recovery Clauses and Generating ) Docket No. 140001-EI  
Performance Incentive Factor ) Date Filed: September 26, 2014

**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-14-0084-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<br>(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, 30, 31                                 |
| 2. | C. S. Boyett<br>(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<br>(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           | Purchase power agreement between Gulf Power and Bay County                 |
| (HRB-3)               | Ball           | Projected vs. Actual Fuel Cost of System Generation Comparison 2004 - 2015 |
| (HRB-4)               | Ball           | Hedging Information Report August – December 2013                          |
| (HRB-5)               | Ball           | Hedging Information Report January – July 2014                             |
| (HRB-6)               | Ball           | Risk Management Plan for Fuel Procurement for 2015                         |
| (RWD-1)               | Boyett         | Calculation of Final True-Up and A-Schedules January 2013 – December 2013  |
| (CSB-1)               | Boyett         | Estimated True-Up January 2014 – December 2014                             |
| (CSB-2)               | Boyett         | Projection January 2015 – December 2015                                    |
| (MAY-1)               | Young          | Gulf Power Company GPIF Results January 2013 – December 2013               |
| (MAY-2)               | Young          | Gulf Power Company GPIF Targets and Ranges January 2015 – December 2015    |

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 2015 through December 2015 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 2014 and August 2014 hedging reports?

**GULF:** Yes. (Ball)

**ISSUE 4B:** Should the Commission approve Gulf's 2015 Risk Management Plan?

**GULF:** Yes. (Ball)

**ISSUE 4C:** Should the Commission approve the amended and restated contract between Gulf Power Company (Gulf) and Bay County, Florida, for purchase of the entire generation of the Bay County Resource Recovery Facility by Gulf?

**GULF:** Yes. (Ball)

**GENERIC FUEL ADJUSTMENT ISSUES**

**ISSUE 6:** What are the appropriate actual benchmark levels for calendar year 2014 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**GULF:** \$392,610. (Ball, Boyett)

**ISSUE 7:** What are the appropriate estimated benchmark levels for calendar year 2015 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**GULF:** \$685,224. (Ball, Boyett)

**ISSUE 8:** What are the appropriate final fuel adjustment true-up amounts for the period January 2013 through December 2013?

**GULF:** Under recovery \$4,954,515. (Ball, Boyett)

**ISSUE 9:** What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2014 through December 2014?

**GULF:** Under recovery \$43,001,980. (Ball, Boyett)

**ISSUE 10:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2015 to December 2015?

**GULF:** Collection of \$47,956,495. (Boyett)

**ISSUE 11:** What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2015 through December 2015?

**GULF:** \$477,064,691 including prior period true-up amounts and revenue taxes. (Boyett)

#### **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 2013 through December 2013 for each investor-owned electric utility subject to the GPIF?

**GULF:** \$2,523,938 reward. (Young)

**ISSUE 17:** What should the GPIF targets/ranges be for the period January 2015 through December 2015 for each investor-owned electric utility subject to the GPIF?

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

| <b>Unit</b>                              | <b>EAF</b> | <b>Heat Rate</b> |
|--|------------|------------------|
| Crist 6                                  | 81.1       | 12,533           |
| Crist 7                                  | 94.9       | 10,890           |
| Daniel 1                                 | 73.3       | 10,366           |
| Daniel 2                                 | 88.7       | 10,196           |
| Smith 3                                  | 92.7       | 6,852            |
| EAF = Equivalent Availability 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 2015 through December 2015?

**GULF:** \$479,588,629 including prior period true-up amounts and revenue taxes. (Boyett)

**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 2015 through December 2015?

**GULF:** 1.00072. (Boyett)

**ISSUE 20:** What are the appropriate levelized fuel cost recovery factors for the period January 2015 through December 2015?

**GULF:** 4.335 cents/kWh. (Boyett)

**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: (Boyett)

| <b>Group</b> | <b>Rate Schedules</b>                                 | <b>Line Loss Multipliers</b> |
|--------------|---|------------------------------|
| A            | RS, RSVP,GS,<br>GSD, GSDT,<br>GSTOU, OSIII,<br>SBS(1) | 1.00773                      |
| B            | LP, LPT, SBS(2)                                       | 0.98353                      |
| C            | PX, PXT, RTP,<br>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: (Boyett)

| 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               | 4.369                   | 5.174       | 4.031    |
| B     | LP, LPT, SBS(2)                              | 0.98353               | 4.264                   | 5.049       | 3.934    |
| C     | PX, PXT, RTP, SBS(3)                         | 0.96591               | 4.187                   | 4.959       | 3.864    |
| D     | OS/II  | 1.00777               | 4.318                   | 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 final true-up amounts for the period January 2013 through December 2013?

**GULF:** Under recovery of \$662,017. (Ball, Boyett)



**ISSUE 28:** What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2014 through December 2014?

**GULF:** Over recovery of \$1,263,407. (Ball, Boyett)

**ISSUE 29:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2015 through December 2015?

**GULF:** Refund of \$601,390. (Boyett)

**ISSUE 30:** What are the appropriate projected total capacity cost recovery amounts for the period January 2015 through December 2015?

**GULF:** \$86,002,133. (Ball, Boyett)

**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 2015 through December 2015?

**GULF:** \$85,462,232 including prior period true-up amounts and revenue taxes. (Ball, Boyett)

**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 2015 through December 2015?

**GULF:** 97.07146%. (Boyett)

**ISSUE 33:** What are the appropriate capacity cost recovery factors for the period January 2015 through December 2015?

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

| <b>RATE CLASS</b> | <b>CAPACITY COST RECOVERY FACTORS<br/>¢/KWH<sup>1</sup></b> |
|-------------------|---|
| RS, RSVP          | 0.916   |
| GS                | 0.810   |
| GSD, GSDT, GSTOU  | 0.703   |
| LP, LPT           | 2.82 (\$/kW)  |
| PX, PXT, RTP, SBS | 0.579   |
| OS-I/II           | 0.122   |
| OSIII             | 0.543   |

### **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 2015 and thereafter through the last billing cycle for December 2015. Billing cycles may start before January 1, 2015 and the last cycle may be read after December 31, 2015, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Boyett)

**ISSUE 35** Should this Docket be closed?

**GULF:** Yes.

### **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

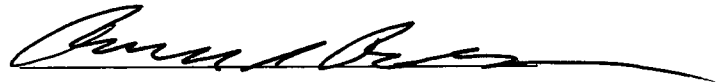
1. Request for confidentiality filed August 25, 2014, relating to Gulf's Form 423 for June, 2014 (DN 04755-14).
2. Request for confidentiality filed August 22, 2014, relating to Schedule CCE-4 of Exhibit CSB-2 to the direct testimony of C. S. Boyett (DN 04684-14).
3. Request for confidentiality filed September 18, 2014, relating to Staff's second set of Interrogatories (DN 05249-14)
4. Request for confidentiality filed September 22, 2014, relating to Gulf's Form 423 for July, 2014 (DN 05326-14).
5. Request for confidentiality filed September 25, 2014, relating to Gulf's Hedging audit work papers Audit Control No. 14-083-1-1 (DN 05392-14).

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 October 22-24, 2014, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 26<sup>th</sup> day of September, 2014.

Respectfully submitted,



**JEFFREY A. STONE**

Florida Bar No. 0325953

**jas@beggslane.com**

**RUSSELL A. BADDERS**

Florida Bar No. 0007455

**rab@beggslane.com**

**STEVEN R. GRIFFIN**

Florida Bar No. 0627569

**srg@beggslane.com**

**Beggs & Lane**

P. O. Box 12950

Pensacola, FL 32591-2950

(850) 432-2451

**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.: **140001-EI**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 26th day of September, 2014 to the following:

Florida Public Utilities Company  
Cheryl M. Martin  
1641 Worthington Road  
Suite 220  
West Palm Beach, FL 33409-6703  
[Cheryl.Martin@fpuc.com](mailto:Cheryl.Martin@fpuc.com)

PCS Phosphate – White Springs  
c/o Brickfield Law Firm  
James W. Brew/F. Alvin Taylor  
Eighth Floor, West Tower  
1025 Thomas Jefferson St, NW  
Washington, DC 20007  
[jbrew@bbrslaw.com](mailto:jbrew@bbrslaw.com)

Duke Energy Florida  
John T. Burnett  
Dianne M. Triplett  
Post Office Box 14042  
St. Petersburg, FL 33733  
[Dianne.triplett@duke-energy.com](mailto:Dianne.triplett@duke-energy.com)  
[John.burnett@duke-energy.com](mailto:John.burnett@duke-energy.com)

Florida Power & Light Company  
John T. Butler  
700 Universe Boulevard (LAW/JB)  
Juno Beach, FL 33408-0420  
[John.Butler@fpl.com](mailto:John.Butler@fpl.com)

Florida Power & Light Company  
Kenneth Hoffman  
215 South Monroe Street,  
Suite 810  
Tallahassee, FL 32301-1858  
[Ken.Hoffman@fpl.com](mailto:Ken.Hoffman@fpl.com)

Ausley Law Firm  
James D. Beasley  
J. Jeffrey Wahlen  
Ashley M. Daniels  
Post Office Box 391  
Tallahassee, FL 32302  
[jbeasley@ausley.com](mailto:jbeasley@ausley.com)  
[adaniels@ausley.com](mailto:adaniels@ausley.com)

Gunster Law Firm  
Beth Keating  
215 South Monroe Street, Suite 601  
Tallahassee, FL 32301-1839  
[bkeating@gunster.com](mailto:bkeating@gunster.com)

Office of Public Counsel  
J. Kelly  
P. Christensen  
C. Rehwinkel  
c/o The Florida Legislature  
111 W. Madison Street, Room 812  
Tallahassee, FL 32399-1400  
[Christensen.patty@leg.state.fl.us](mailto:Christensen.patty@leg.state.fl.us)

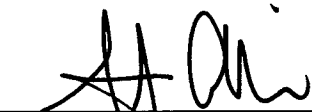
Duke Energy Florida, Inc.  
Matthew R. Bernier  
Paul Lewis, Jr.  
106 East College Avenue,  
Suite 800  
Tallahassee, FL 32301-7740  
[Paul.lewisjr@duke-energy.com](mailto:Paul.lewisjr@duke-energy.com)  
[Matthew.bernier@duke-energy.com](mailto:Matthew.bernier@duke-energy.com)

Florida Industrial Power Users Group  
c/o Moyle Law Firm  
Jon C. Moyle, Jr.  
118 North Gadsden Street  
Tallahassee, FL 32301  
[jmoyle@moylelaw.com](mailto:jmoyle@moylelaw.com)

Tampa Electric Company  
Ms. Paula K. Brown  
Regulatory Affairs  
P. O. Box 111  
Tampa, FL 33601-0111  
[Regdept@tecoenergy.com](mailto:Regdept@tecoenergy.com)

Office of the General Counsel  
Martha Barrera  
2540 Shumard Oak Blvd  
Tallahassee, FL 32399-0850  
[mbarrera@psc.state.fl.us](mailto:mbarrera@psc.state.fl.us)  
[igilcher@psc.state.fl.us](mailto:igilcher@psc.state.fl.us)  
[tefarley@psc.state.fl.us](mailto:tefarley@psc.state.fl.us)

Florida Retail Federation  
Robert Scheffel Wright  
John T. LaVia  
c/o Gardner Law Firm  
1300 Thomaswood Drive  
Tallahassee, FL 32308  
[schef@gbwlegal.com](mailto:schef@gbwlegal.com)  
[jlavia@gbwlegal.com](mailto:jlavia@gbwlegal.com)



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**JEFFREY A. STONE**  
Florida Bar No. 325953  
[jas@beggslane.com](mailto:jas@beggslane.com)  
**RUSSELL A. BADDERS**  
Florida Bar No. 007455  
[rab@beggslane.com](mailto:rab@beggslane.com)  
**STEVEN R. GRIFFIN**  
Florida Bar No. 0627569  
[srg@beggslane.com](mailto:srg@beggslane.com)  
**BEGGS & LANE**  
P. O. Box 12950  
Pensacola FL 32591-2950  
(850) 432-2451  
**Attorneys for Gulf Power**