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Public Service Commission

March 3, 2015

STAFF DATA REQUEST

Steven R. Griffin
Beggs & Lane Law Firm
P.O. Box 12950
Pensacola, FL 32591-2950

RE: Docket No. 150049-EI – Petition for approval of energy purchase agreement between Gulf Power Corporation and Morgan Stanley Capital Group Incorporated.

Dear Mr. Griffin

By this letter, the Commission staff requests that Gulf Power Company (Gulf) provide responses to the following data requests.

1. At page 7 of its petition, Gulf states the Agreement was analyzed assuming the Company's 2014 and 2015 energy budget. Please complete the table below summarizing the financial assumptions associated with the two budgets.

	2014 Energy Budget	2015 Energy Budget
Discount Rate		
Capital Structure		
Debt		
Equity		
Weighted Average Cost of Capital		

2. Please identify and discuss major differences between Gulf's 2014 and 2015 energy budget.

3. Please complete the table below assuming approval of the agreement. Please provide this information assuming Gulf's 2014 energy budget and Gulf's 2015 energy budget. Please provide this information in MS Excel format.

Year	Annual Total Revenue Requirements w/ agreement ($millions, 2015 $)	Annual Total Revenue Requirements w/o agreement ($millions, 2015 $)	Differential in Annual Total Revenue Requirements ($millions, 2015 $)	Differential in Customer Bill of 1,000 kwh ($)
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				

4. At page 8 of its petition, Gulf states its evaluations do not assign value for capacity. Does Gulf project that approval of the agreement will defer the construction of future facilities? If yes, please identify the future facility or facilities that may be deferred. Please include the technology type, capacity (MW), and in-service date.

5. Please complete the table below assuming approval of the agreement. Please provide this information in MS Excel format.

Year	Avoided Natural Gas (MMBtu)	Avoided Coal (Tons)
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		

6. Please complete the table below assuming approval of the agreement. Please provide this information in MS Excel format.

Year	Avoided CO2 (Tons)	Avoided NOX and SO2 (Tons)
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		

7. Please complete the table below assuming approval of the agreement.

Energy Generation by Fuel Type (%)					
	Natural Gas	Oil	Coal	Renewable	Other
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					

8. Please complete the table below without the agreement.

Energy Generation by Fuel Type (%)					
	Natural Gas	Oil	Coal	Renewable	Other
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					

9. Please identify terms within the proposed agreement that are intended to ensure the adequacy and reliability of electric service will not be adversely affected by the wind farm associated with the proposed agreement.

The following questions relate to Gulf's renewable attributes/credits received by Gulf from the proposed agreement.

10. At page 5 of its petition, Gulf states the sale of renewable attributes will be credited to Gulf's customers through the Fuel and Purchased Power Cost Recovery Clause. Please complete the table below projecting anticipated proceeds that may result from the sale of renewable attributes. Please provide this information in MS Excel format.

Year	Credit from the Sale of Renewable Attributes ($millions, 2015 $)	Impact on Customer Bill of 1,000 kwh ($)
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		

11. How many renewable energy credits (RECs) will be associated with the Morgan Stanley Agreement?

12. Gulf states, in paragraph 11 of its petition, "Green-e wind renewable energy credits are selling on the voluntary market for approximately $0.85 per credit." Please identify what information Gulf relied on when making this statement.

13. In its petition at page 5, Gulf states that it will receive all environmental attributes. Please define or describe "environmental attributes." Please include an explanation of how the value of these items is determined, and how these interests are bought and sold.

14. In its petition at page 5, Gulf asserts that if it sells renewable attributes, the proceeds from such sales would be credited to Gulf's retail customers in the form of credits to the Fuel Clause. Identify the specific A and E schedule(s) where such adjustments would be recorded.

15. Did Gulf include the value of renewable energy credits in its economic evaluations? Please explain why or why not.

16. What are the strategic benefits, if any, for Gulf having renewable energy credits? Please explain.

17. What are the strategic benefits, if any, for the Southern Company having renewable energy credits? Please explain.

The following questions (18-20) relate to how Gulf will account for the RECs, associated with the energy purchase agreement in the instant docket, on its books.

18. If applicable, please identify what Gulf's journal entries will be, including all account names and numbers, to record the RECs initially on its books.

19. Please identify what Gulf's journal entries will be, including all account names and numbers, to record any subsequent sale of the RECs to another entity.

20. How will Gulf report and record RECs on A and E schedules? Please explain each change or new entry.

21. Please provide the following documents in MS Excel format (with formulae intact):

    a. Gulf's 2014 fuel price forecasts (system-wide and in nominal $/MMBtu) for the years 2014-2043, shown as commodity, transportation, and delivered fuel prices;

    b. Gulf's 2015 fuel price forecasts (system-wide and in nominal $/MMBtu) for the years 2015-2043, shown as commodity, transportation, and delivered fuel prices;

    c. The Gulf's actual annual fuel prices (system-wide and in nominal $/MMBtu) for the years 2008-2014, shown as commodity, transportation, and delivered prices;

    d. The relevant portion of Gulf's 2014 energy budget that was used in evaluating the cost-effectiveness of the proposed Agreement with the interpretation of the information provided;

    e. The relevant portion of the Gulf's 2015 energy budget that was used in evaluating the cost-effectiveness of the proposed Agreement with the interpretation of the information provided;

    f. Each alternative fuel price forecast (in nominal $/MMBtu) sourced from third party forecasting entities, not specifically prepared by SES or Gulf's third party forecasting consultant, which Gulf used to compare to it's 2014 and 2015 fuel price forecasts, respectively, as a test for reasonableness.

    g. In your response to 21.f. above, please include, if available, an alternative coal price forecast (commodity) sourced from third party forecasting entities, not specifically prepared by SES or the company's forecasting consultant, to compare to Gulf's 2014 and 2015 coal price forecasts as a test for reasonableness. If alternative coal price forecasts are not available, please explain why not.

22. Please explain how each of the fuel price forecasts included in Gulf's referenced 2014 and 2015 energy budgets were developed.

23. For each of Gulf's 2014 and 2015 fuel price forecasts used to support the proposed energy purchase agreement, please identify the sources and the dates of the forecast inputs and assumptions.

24. Please identify all third party consultants relied upon in developing Gulf's 2014 and 2015 fuel price forecast.

25. Did Gulf consider different scenarios (e.g. high, medium, and low) in developing its 2014 and 2015 fuel price forecasts? Please explain

26. If the response to data request 25 is affirmative, please specify which fuel pricing scenario[s] were selected in developing the energy budget to evaluate the economics of the proposed agreement, and provide the rationale for the selection. If the response is negative, please explain why not.

27. If Gulf has developed a range of fuel price scenario forecasts for the 2014 and 2015 Southern Electric System (SES) planning process, please provide the range of natural gas and coal price scenario forecasts developed for the 2014 and 2015 SES planning process and, for each such forecast, the related views of market drivers, environmental regulations, and other factors used to develop the forecasts.

28. Please identify the probability associated with each of the fuel price scenario forecasts produced using Gulf's process. Please explain how these probabilities were determined.

29. If, in its response to 28, Gulf indicates that the range of the possible outcomes of each factor which produces the range of forecasts have equal likelihood, please explain, and

quantify any differences in the likelihood of the outcomes of each factor to the extent such differences exist.

30. Are the likelihood estimates of Gulf's factors used to produce the forecasts and the likelihood of the forecasts provided in part or in whole by the Company's third party forecasting consultant? Please explain.

31. Please complete the table below assuming approval of the agreement, but exclusive of REC sales.

Net Present Value of Savings ($millions, 2015$)		
Fuel Forecast Scenario	**2014 Budget**	**2015 Budget**
Low (Question 14.c.)		
Base		
High (Question 14.c.)		

32. Refer to Gulf's Petition, Paragraph 16, Page 8. Please explain why fuel price projections used in the 2015 energy budget are lower than the fuel price projections used in the 2014 energy budget?

33. Please identify when Gulf completed its 2014 and 2015 fuel price forecasts used in the economic analysis of this Petition?

34. Please list the differences in the methodology and results of the fuel price forecasts used in this docket compared to the fuel price forecasts provided to the Commission in the Company's latest rate case, used in support Gulf's 2014 Ten Year Site Plan, and Gulf's petition filed in Docket No. 150035-EI.

35. In light of Gulf's latest available actual 2014 fuel prices, how accurate are the Company's 2014 fuel price forecasts? Please provide work papers (in MS Excel format with formula intact) to support your response.

36. Please identify and explain any deviations Gulf employed in its forecasting process used to develop its 2015 fuel price forecast relative to the forecasting process identified on pages 46 and 47 of Gulf's 2014 Ten Year Site Plan.

37. Please refer to Data Request 21.f. Describe the conclusions Gulf may have drawn from each such test of reasonableness.

38. What are the appropriate discount factors to apply to the nominal forecasts provided in response to this data request that convert Gulf's fuel price forecasts to 2012 dollars? Please explain the derivation of each.

39. For each natural gas price forecast provided in response to these data requests, please explain how Gulf accounted for the basis differential in its forecast and identify the basis for each forecast year.

40. Please provide a detailed description of how Gulf's fuel price forecasts were used in developing the Company's energy budgets for the corresponding years.

41. Refer to your response to question Nos. 5 and 21. In Gulf's cost analysis for the wind project, is the avoided fuel coal? If the response to this question is affirmative, please provide detailed information regarding the analysis. If the response is negative, please explain why not.

42. Gulf Power Company indicates that (see page 7 of the Petition):

> The Agreement was analyzed, negotiated and executed under Gulf Power's 2014 energy budget which included 2014 fuel price forecasts. [...] Following the negotiation and execution of the Agreement, the Company's 2015 energy budget was released. For informational purposes, Gulf performed a second economic evaluation based in the 2015 forecasts.

a. Please explain the purpose of Gulf's annual energy budgets, which data is included in the budget, and the number of years of the projected data.

b. Please explain in greater detail how each of Gulf's 2014 and 2015 energy budget was used in evaluating the cost-effectiveness of the proposed Agreement for each year of the Agreement.

43. Please explain in greater detail whether and how the proposed energy purchase agreement is cost-effective under Gulf's 2014 energy budget and through out the 20 year contract life. Please provide supporting workpapers (in MS Excel format with formula intact).

44. Please explain in greater detail how the proposed energy purchase agreement is cost effective, under Gulf's 2015 energy budget, through out the 20 year contract life. Please provide supporting workpapers (in MS Excel format with formulae intact).

45. How will Gulf report and record the purchased power from this project for fuel cost recovery? Please explain how this will be reported by line item on the A and E schedules including A1, A2, A3, A7, A8, A9 and corresponding E schedules. Please explain each change or new entry.

46. Will any of the costs of this purchased power and associated costs from this project be recovered through any cost recovery clauses besides the fuel clause? Please explain.

47. Will any of the costs of this purchased power and associated costs from this project be recovered through base rates? Please explain.

48. How will Gulf project the cost to be recovered in the fuel clause? Please explain the response, and state all assumptions and inputs.

49. Please explain how Gulf assessed the financial creditworthiness of the counterparty. What were the results of this assessment?

50. Article 9.2 of the Agreement states, in part, that "each Party shall pay all amounts due from such Party pursuant to the other provisions of this Agreement." Identify with specificity all "other provisions of this Agreement" that Article 9.2 is referencing.

51. Please explain how the "Energy Price" as shown on Appendix B, Page 1 of 2, was developed or determined. If the "Energy Price" was a product of negotiation, what were the considerations in negotiating the price?

52. Did Gulf include CO2 costs in its analysis of the proposed agreement?

    a. If no, please explain why not.

    b. If yes, please explain the basis for the CO2 costs assumed.

    c. If yes, please complete the table below summarizing the Net Present Value savings of the proposed agreement assuming no CO2 costs.

Net Present Value Savings ($millions, 2015 $) w/o CO2 Costs	
2014 Budget	2015 Budget

53. At page 4 of its petition, Gulf states that Morgan Stanley's energy delivery commitment is shaped to match the projected hourly and monthly output of a 178 megawatt portion of a wind electric generation facility. Please provide documentation to support this assertion.

54. At page 4 of its petition, Gulf states that the Agreement obligates Morgan Stanley to deliver to Gulf a fixed number of megawatt hours ("MWh") in each hour of each month of each year throughout the term of the Agreement. Does Gulf believe that the obligation of energy delivery is characteristic of a contract that would additionally contain capacity payments?

    a. If yes, please quantify what the avoided capacity payments would be.

b. If no, please explain why not?

55. At page 4 of its petition, Gulf states it is only required to pay for energy which is received on the Southern Companies Transmission System. Please explain how Gulf customers will benefit from energy received on Southern Company Transmission Systems.

Please file the original and five copies of the requested information by Monday, March 16, 2015, with Carlotta Stauffer, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6187 if you have any questions.

Sincerely,

Leslie Ames

Leslie Ames
Office of the General Counsel

LAA/dml

cc: Office of Commission Clerk (Docket No. 150049-EI)
Division of Engineering (Graves)
Division of Economics (McNulty, Wu)
Division of Accounting & Finance (Barrett, Lester, Trueblood)