

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



October 9, 2015

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

RE: Docket No. 150007-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 blue ink that reads "Robert L. McGee, Jr." The signature is written in a cursive, flowing style.

Robert L. McGee, Jr.
Regulatory and Pricing Manager

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Attachments

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery) Docket No. 150007-EI
Clause) Date Filed: October 9, 2015
)

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-15-0097-PCO-EI, issued February 10, 2015, and Order No. PSC-15-0204-PCO-PU, issued May 21, 2015, 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>(Direct)</u>	<u>Subject Matter</u>	<u>Issues</u>
1. J. O. Vick (Gulf)	Environmental compliance activities (True-Ups and Projection)	1, 2, 3, 11A, 12A
2. C. S. Boyett (Gulf)	Environmental compliance cost recovery calculations (True-Ups and Projection)	1, 2, 3, 4, 5, 6, 7, 8, 11B, 12B, 13

C. EXHIBITS

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
(CSB-1)	Boyett	Calculation of Final True-up 1/14 – 12/14
(CSB-2)	Boyett	Calculation of Estimated True-up 1/15 – 12/15
(CSB-3)	Boyett	Calculation of Projection 1/16 – 12/16
(JOV-1)	Vick	CCR regulation; Draft Plant Scholz NPDES industrial wastewater permit; Proposed ELG regulation

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 2016 through December 2016, 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 2014 through December 2014?

GULF: Under recovery of \$912,783. (Vick, Boyett)

ISSUE 2: What are the estimated/actual environmental cost recovery true-up amounts for the period January 2015 through December 2015?

GULF: Under recovery of \$1,699,128. (Vick, Boyett)

ISSUE 3: What are the projected environmental cost recovery amounts for the period January 2016 through December 2016?

GULF: \$197,765,402. (Vick, Boyett)

ISSUE 4: What are the environmental cost recovery amounts, including true-up amounts, for the period January 2016 through December 2016?

GULF: \$200,521,584. (Boyett)

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 2016 through December 2016?

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. (Boyett)

ISSUE 6: What are the appropriate jurisdictional separation factors for the projected period January 2016 through December 2016?

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. (Boyett)

ISSUE 7: What are the appropriate environmental cost recovery factors for the period January 2016 through December 2016 for each rate group?

GULF: See table below: (Boyett)

RATE CLASS	ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH
RS, RSVP, RSTOU	2.109
GS	1.895
GSD, GSDT, GSTOU	1.678
LP, LPT	1.488
PX, PXT, RTP, SBS	1.417
OS-I/II	0.503
OSIII	1.353

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 2016 and thereafter through the last billing cycle for December 2016. The first billing cycle may start before January 1, 2016, and the last cycle may be read after December 31, 2016, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Boyett)

F. COMPANY-SPECIFIC ISSUES

Gulf Power Company

ISSUE 11A: Should Gulf be allowed to recover, through ECRC, prudently incurred costs associated with its Coal Combustion Residual (CCR) program?

GULF: Yes. Gulf is subject to new requirements governing the disposal of Coal Combustion Residuals at its generating plants. These new regulatory compliance obligations are pursuant to either the new CCR rule adopted earlier this year by the United States Environmental Protection Agency (EPA) or in new National Pollutant Discharge Elimination System (NPDES) permits issued by the Florida Department of Environmental Protection (FDEP) pursuant to authority granted under the Clean Water Act. The EPA's newly promulgated CCR rule includes minimum criteria for active and inactive surface impoundments containing CCR and liquids, lateral expansions of existing units, and active landfills (collectively referred to as "CCR Units"). The new CCR rule will require Gulf to design, operate, and maintain stormwater run-on and run-off systems for Gulf Power's CCR landfill facilities. To meet this new requirement, Gulf will install additional wastewater injection well capacity at Plant Crist, dewater bottom ash and store the dry material in an onsite landfill at Plant Crist, and add wastewater treatment measures at Plant Smith. Gulf's expects to spend approximately \$9.4 million in capital cost in 2016. Gulf will conduct hydrologic and hydraulic capacity studies of the CCR ponds, compile a history of the structural integrity reports and design information for the CCR Units, prepare stormwater management plans, and conduct annual dust control and engineering inspections as well as groundwater monitoring. Gulf expects to spend approximately \$80,000 in 2015 and \$360,000 in 2016 in O&M costs. On August 24, 2015, the FDEP issued a draft renewal NPDES permit for Plant Scholz. This permit has new conditions requiring the closure of the Plant Scholz CCR unit. Gulf expects to spend \$600,000 in 2015 and \$12.2 million in 2016 for the closure activities. The total cost of closure is estimated to be \$30 million and the estimated completion date is 2018.

The Coal Combustion Residuals program meets the criteria for ECRC cost recovery established by Order No. PSC-94-0044-FOF-EI. Gulf should be allowed to recover its incurred costs associated with the project. (Vick)

ISSUE 11B: How should costs associated with Gulf's proposed CCR program be allocated to rate classes?

GULF: Capital costs for the CCR program should be allocated to the rate classes on an average 12-MCP demand and 1/13th energy basis. O&M cost for the program should be allocated to the rate classes on a demand basis. (Boyett)

ISSUE 12A: Should Gulf be allowed to recover, through the ECRC, prudently incurred costs associated with its Steam Electric Power Effluent Limitations Guidelines (ELG) program?

GULF: Yes. Title 40 Code of Federal Regulations Part 423, which was promulgated under the authority of the Clean Water Act, limits the discharge of pollutants into navigable waters and into publicly owned treatment works by existing and new sources of steam electric power plants. These limits are found in the Steam Electric Power Effluent Limitations Guidelines, which were signed by the EPA Administrator on September 30, 2015. The EPA issued a copy of the ELG rule on September 30, 2015, and has submitted the rule for publication in the Federal Register. These new rules require the installation of additional controls such as wastewater treatment systems and/or dry ash handling systems at Gulf's generating facilities. In 2016, Gulf expects to spend approximately \$175,000 for the preliminary engineering studies to evaluate ways to minimize discharges from wastewater units that are subject to the ELG rule.

The proposed Effluent Limitations Guidelines program meets the criteria for ECRC cost recovery established by Order No. PSC-94-0044-FOF-EI. Gulf should be allowed to recover its incurred costs associated with the project. (Vick)

ISSUE 12B How should cost associated with Gulf's proposed ELG program be allocated to rate classes?

GULF Capital cost for the ELG program should be allocated to the rate classes on an average 12-MCP demand and 1/13th energy basis. O&M cost for the program should be allocated to the rate classes on demand basis. (Boyett)

G. TARIFF APPROVAL

ISSUE 13: Should the Commission approve revised tariffs reflecting the environmental cost recovery amounts and environmental cost recovery factors determined to be appropriate in this proceeding?

GULF: Yes. The Commission should approve revised tariffs reflecting the environmental cost recovery amounts and environmental cost recovery factors determined to be appropriate in this proceeding. The Commission should direct staff to verify that the revised tariffs are consistent with the Commission's decision. (Boyett)

H. 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.

I. PENDING MOTIONS

GULF: NONE.

J. PENDING CONFIDENTIALITY REQUEST

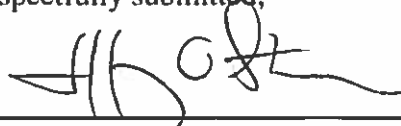
1. Request for confidentiality filed on April 1, 2015, relating to the portions of the Compliance Program (DN 01768-15)
2. Request for confidentiality filed on June 29, 2015, relating to certain items in response to Staff's first request for Production of Documents (POD) (No.1) (DN 03999-15)
3. Request for extended confidential classification on 8/27/2015 relating to [certain information produced in connection with a review of environmental expenditures in Docket 110007-EI (DN 04035-11) (Audit Control No. 11-005-1-2)]. [x-ref. DN 03567-11] (DN 05376-15)
4. Request for extended confidential classification filed on 9/1/2015 relating to [certain information produced in connection with a review of 2011 environmental cost recovery expenditures (Audit Control No. 12-019-1-1)]. [DN 03797-12 x-ref. 03204-12] (DN 05466-15)

K. 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 , Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 9th day of October, 2015.

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: **Environmental Cost**)
Recovery Clause)

Docket No.: 150007-EI

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 9th day of October, 2015 to the following:

Ausley Law Firm
James D. Beasley
J. Jeffrey Wahlen
Ashley M. Daniels
Post Office Box 391
Tallahassee, FL 32302
jbeasley@ausley.com
adaniels@ausley.com
jwahlen@ausley.com

PCS Phosphate – White Springs
c/o Stone Law Firm
James W. Brew/Owen J. Kopon
Laura A. Wynn
Eighth Floor, West Tower
1025 Thomas Jefferson St, NW
Washington, DC 20007
jbrew@smxblaw.com
ojk@smxblaw.com
laura.wynn@bbrslaw.com

Florida Power & Light Company
Kenneth Hoffman
215 South Monroe Street, Suite 810
Tallahassee, FL 32301-1858
Ken.Hoffman@fpl.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

Florida Power & Light Company
John T. Butler
700 Universe Boulevard
Juno Beach, FL 33408-0420
John.Butler@fpl.com

Hopping Green & Sams
Gary V. Perko
P. O. Box 6526
Tallahassee, FL 32314
gperko@hqslaw.com

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

Duke Energy Florida, Inc.
Matthew R. Bernier
Cameron Cooper
106 East College Avenue, Suite 800
Tallahassee, FL 32301
Matthew.bernier@duke-energy.com
Cameron.Cooper@duke-energy.com

Duke Energy Florida, Inc.
John T. Burnett
Dianne M. Triplett
299 First Avenue North
St. Petersburg, FL 33701
Dianne.triplett@duke-energy.com
John.burnett@duke-energy.com

Tampa Electric Company
Ms. Paula K. Brown, Manager
Regulatory Coordination
P. O. Box 111
Tampa, FL 33601-0111
Regdept@tecoenergy.com

Office of the General Counsel
Charles Murphy
2540 Shumard Oak Blvd
Tallahassee, FL 32399-0850
cmurphy@psc.state.fl.us
DLynn@psc.state.fl.us



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