

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. 150001-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

md

Attachments

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost )  
Recovery Clauses and Generating ) Docket No. 150001-EI  
Performance Incentive Factor ) 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-15-0096-PCO-EI issued February 10, 2015 and Order No. PSC-15-0169-PCO-EI issued May 4, 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>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	5A, 5B, 7, 8, 28, 31, 32
2.	C. S. Boyett (Gulf)	Fuel Adjustment, true-up and projections; Capacity, true-up and projections	7, 8, 9, 10, 11, 12, 19, 20, 21, 22, 23, 28, 29, 30, 31, 32, 33, 34, 35, 36
3.	C. L. Nicholson (Gulf)	GPIF reward/penalty and targets and ranges	17, 18

WitnessSubject MatterIssues(Rebuttal)

1. H. R. Ball  
(Gulf)

Hedging Policy

ID, IE

**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 2004 - 2015
(HRB-3)	Ball	Hedging Information Report August – December 2014
(HRB-4)	Ball	Hedging Information Report January – July 2015
(HRB-5)	Ball	Risk Management Plan for Fuel Procurement for 2016
(HRB-6)	Ball	Excerpt from page 6 of Order No. PSC-02-1484-FOF-EI and Gulf's response to Citizens' Interrogatory Item No. 4
(CSB-1)	Boyett	Calculation of Final True-Up and A-Schedules January 2014 – December 2014
(CSB-1)	Boyett	Estimated True-Up January 2015 – December 2015
(CSB-3)	Boyett	Projection January 2016 – December 2016
(CLN-1)	Nicholson	Gulf Power Company GPIF Results January 2014 – December 2014
(CLN-2)	Nicholson	Gulf Power Company GPIF Targets and Ranges January 2016 – December 2016

## 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 2016 through December 2016 including the true-up calculations, GPIF and other adjustments allowed by the Commission.

## E. STATEMENT OF ISSUES AND POSITIONS

### I. FUEL ISSUES

#### **HEDGING ISSUES**

**ISSUE 1A:** Deleted per Order PSC-15-0354-PCO-EI, issued on September 3, 2015.

**ISSUE 1B:** Deleted per Order PSC-15-0354-PCO-EI, issued on September 3, 2015.

**ISSUE 1C:** Deleted per Order PSC-15-0354-PCO-EI, issued on September 3, 2015.

**ISSUE 1D:** Is it in the consumers' best interest for the utilities to continue financial hedging activities?

**GULF:** Yes. Future market price risk and price volatility still exists for natural gas purchases. Changes in the natural gas market have occurred and will continue to occur in the future as gas producers and consumers adapt to both regulatory and market price pressures and uncertainty. Order No. PSC-08-0667-PAA-EI provides the utilities an appropriate fuel risk management tool for use in limiting future natural gas price volatility and should be continued going forward. Gulf has demonstrated that implementation of its risk management plan has accomplished the objective of the hedging order to limit price volatility. (Ball)

**ISSUE 1E:** What changes, if any, should be made to the manner in which electric utilities conduct their financial hedging activities?

**GULF:** As noted in response to Issue 1D, Gulf believes that it is appropriate to continue its financial hedging activities as an appropriate risk management tool. No changes are necessary or appropriate at this time. (Ball)

## COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

**ISSUE 5A:** Should the Commission approve as prudent Gulf's actions to mitigate the volatility of natural gas, residual oil, fuel oil and purchased power prices, as reported in Gulf's April 2015 and August 2015 hedging reports?

**GULF:** Yes. (Ball)

**ISSUE 5B:** Should the Commission approve Gulf's 2016 Risk Management Plan?

**GULF:** Yes. (Ball)

## GENERIC FUEL ADJUSTMENT ISSUES

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

**GULF:** \$677,983. (Ball, Boyett)

**ISSUE 8:** What are the appropriate estimated benchmark levels for calendar year 2016 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**GULF:** \$752,900. (Ball, Boyett)

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

**GULF:** Over-recovery \$8,084,753. (Boyett)

**ISSUE 10:** What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2015 through December 2015?

**GULF:** Over-recovery \$11,285,334. (Boyett)

**ISSUE 11:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2016 to December 2016?

**GULF:** Refund \$19,370,087. (Boyett)

**ISSUE 12:** What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2016 through December 2016?

**GULF:** \$400,060,296 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 17:** What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2014 through December 2014 for each investor-owned electric utility subject to the GPIF?

**GULF:** \$2,648,312 reward. (Nicholson)

**ISSUE 18:** What should the GPIF targets/ranges be for the period January 2016 through December 2016 for each investor-owned electric utility subject to the GPIF?

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

<b>Unit</b>	<b>EAF</b>	<b>Heat Rate</b>
Crist 6	95.7	10,760
Crist 7	82.3	10,449
Daniel 1	92.9	10,698
Daniel 2	95.2	10,605
Smith 3	83.2	6,874
EAF = Equivalent Availability Factor (%)		

**FUEL FACTOR CALCULATION ISSUES**

**ISSUE 19:** 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 2016 through December 2016?

**GULF:** \$402,708,608 including prior period true-up amounts and revenue taxes. (Boyett)

**ISSUE 20:** 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 2016 through December 2016?

**GULF:** 1.00072. (Boyett)

**ISSUE 21:** What are the appropriate levelized fuel cost recovery factors for the period January 2016 through December 2016?

**GULF:** 3.650 cents/kWh. (Boyett)

**ISSUE 22:** 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, RSTOU, 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 23:** 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, RSTOU, GS,GSD, GSDT, GSTOU, OSIII, SBS(1)	1.00773	3.678	4.494	3.342
B	LP, LPT, SBS(2)	0.98353	3.590	4.387	3.261
C	PX, PXT, RTP, SBS(3)	0.96591	3.526	4.308	3.203
D	OSI/II	1.00777	3.631	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**

#### **Gulf Power Company**

NONE RAISED BY GULF POWER COMPANY

### **GENERIC CAPACITY COST RECOVERY FACTOR ISSUES**

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

**GULF:** Under-recovery of \$893,047. (Ball, Boyett)

**ISSUE 29:** What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2015 through December 2015?

**GULF:** Over-recovery of \$910,906. (Boyett)

**ISSUE 30:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2016 through December 2016?

**GULF:** Refund of \$17,859. (Boyett)

**ISSUE 31:** What are the appropriate projected total capacity cost recovery amounts for the period January 2016 through December 2016?

**GULF:** \$85,495,331. (Ball, Boyett)

**ISSUE 32:** What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2016 through December 2016?

**GULF:** \$85,539,016 including prior period true-up amounts and revenue taxes. (Ball, Boyett)

**ISSUE 33:** What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2016 through December 2016?

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

**ISSUE 34:** What are the appropriate capacity cost recovery factors for the period January 2016 through December 2016?

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

<b>RATE CLASS</b>	<b>CAPACITY COST RECOVERY FACTORS ¢/KWH</b>
RS, RSVP, RSTOU	0.919
GS	0.812
GSD, GSDT, GSTOU	0.705
LP, LPT	2.98 (\$/kW)
PX, PXT, RTP, SBS	0.581
OS-I/II	0.123
OSIII	0.544

### **III. EFFECTIVE DATE**

**ISSUE 35:** 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 2016 and thereafter through the last billing cycle for December 2016. Billing cycles 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)

### **IV. TARIFF APPROVAL**

**ISSUE 36:** Should the Commission approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be appropriate in this proceeding?

**GULF:** Yes. The Commission should approve revised tariffs reflecting the fuel adjustment factors and capacity 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)

**ISSUE 37:** 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 March 3, 2015, relating to schedule 2 of exhibit HRB-1 to the direct testimony of Herbert R. Ball (DN 01246-15).
2. Request for confidentiality filed on March 3, 2015, relating to schedule CCE-4 of exhibit CSB-1 to the direct testimony of C. Shane Boyett (DN 01248-15).
3. Request for confidentiality filed on April 7, 2015, relating to hedging information report (DN 01912-15).
4. Request for confidentiality filed on April 30, 2015, relating to form 423 reports for 12/14, 1/15, 2/15, and 3/15 (DN 02436-15).
5. Request for confidentiality filed on May 8, 2015, relating to certain documents produced in connection with a review of 2014 fuel and purchased power transactions (Audit Control No. 15-023-1-1) (DN 03153-15).
6. Request for extended confidential classification filed on June 12, 2015, relating to DNs 03957-11, 03959-11, and 04475-11, [Audit Control Nos. 11-006-1-1 and 11-006-1-2] (DN 03615-15).
7. Request for confidentiality filed on July 23, 2015, relating to certain documents and information documents and information produced in response to Citizens' 2nd set of interrogatories (Nos. 14-36) and 1st request for PODs (Nos. 1-4) (DN 04608-15).
8. Request for confidentiality filed on July 31, 2015, relating to form 423 reports for 4/15, 5/15 and 6/15 (DN 04831-15).
9. Request for confidentiality filed on August 4, 2015, relating to Schedule CCE-4 of exhibit CSB-2 to direct testimony of C. Shane Boyett (DN 04908-15).
10. Request for confidentiality filed on August 4, 2015, relating to portions of 2016 Risk Management Plan for fuel procurement (DN 04906-15).
11. Request for confidentiality filed on August 14, 2015, relating to portions of hedging information report for 1/15 through 7/15 (DN 05102-15).
12. Request for confidentiality filed on September 1, 2015, relating to schedule CCE-4 of exhibit CSB-3 to direct testimony of C. Shane Boyett (DN 05462-15).
13. Request for confidentiality filed on September 14, 2015, relating to certain information in response to Staff's 5<sup>th</sup> set of interrogatories (Nos. 18-31) (DN 05703-15) (x-ref. DN 05987-15).
14. Request for confidentiality filed on October 2, 2015, relating to certain documents produced in connection with a review of 2014 hedging transactions (Audit Control No. 15-051-1-1) (DN 06232-15).

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 2-5, 2015, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 9<sup>th</sup> 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: **Fuel and Purchased Power Cost** )  
**Recovery Clause with Generating** )  
**Performance Incentive Factor** )

Docket No.: **150001-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:

Florida Public Utilities Company  
Florida Division of Chesapeake  
Utilities Corp  
Mike Cassel, Director  
Regulatory and Governmental Affairs  
1750 SW 14<sup>th</sup> Street, Suite 200  
Fernandina Beach, FL 32034  
[mcassel@fpuc.com](mailto:mcassel@fpuc.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](mailto:jbrew@smxblaw.com)  
[oik@smxblaw.com](mailto:oik@smxblaw.com)  
[laura.wynn@bbrslaw.com](mailto:laura.wynn@bbrslaw.com)

Duke Energy Florida  
John T. Burnett  
Dianne M. Triplett  
299 First Avenue North  
St. Petersburg, FL 33701  
[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. Jeffry 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)  
[jwahlen@ausley.com](mailto:jwahlen@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  
Patricia A. Christensen  
Associate Public Counsel  
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  
Cameron Cooper  
106 East College Avenue,  
Suite 800  
Tallahassee, FL 32301-7740  
[Matthew.bernier@duke-energy.com](mailto:Matthew.bernier@duke-energy.com)  
[Cameron.Cooper@duke-energy.com](mailto:Cameron.Cooper@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, Manager  
Regulatory Coordination  
P. O. Box 111  
Tampa, FL 33601-0111  
[Regdept@tecoenergy.com](mailto:Regdept@tecoenergy.com)

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



**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**