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October 4, 2016

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

Re: Docket No. 160001-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: Fuel and Purchased Power Cost)
Recovery Clauses and Generating) Docket No. 160001-EI
Performance Incentive Factor) Date Filed: October 4, 2016

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-16-0109-PCO-EI issued March 17, 2016 (as amended), 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 (Gulf)	Fuel Adjustment, true-up and projections; Purchased Power -- energy and capacity purchases and sales, true-up and projections	1A, 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

	<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
3.	C. L. Nicholson (Gulf)	GPIF reward/penalty and targets and ranges	17, 18

(Rebuttal)

1.	H. R. Ball (Gulf)	Hedging Policy	1A, 1B, 5B
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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 2006 - 2017
(HRB-3)	Ball	Hedging Information Report August – December 2015
(HRB-4)	Ball	Hedging Information Report January – July 2016
(HRB-5)	Ball	Risk Management Plan for Fuel Procurement for 2017
(CSB-1)	Boyett	Calculation of Final True-Up and A-Schedules January 2015 – December 2015
(CSB-2)	Boyett	Estimated True-Up January 2016 – December 2016
(CSB-3)	Boyett	Projection January 2017 – December 2017
(CLN-1)	Nicholson	Gulf Power Company GPIF Results January 2015 – December 2015
(CLN-2)	Nicholson	Gulf Power Company GPIF Targets and Ranges January 2017 – December 2017

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 2017 through December 2017 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: Is it in the consumers best interest for the utilities to continue natural gas financial hedging activities?

GULF: Yes. 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 1B: What changes, if any, should be made to the manner in which electric utilities conduct their natural gas financial hedging activities?

GULF: As noted in response to Issue 1A, Gulf believes that it is appropriate to continue its financial hedging activities as an appropriate risk management tool. Gulf's proposed 2017 Risk Management Plan incorporates changes to reduce targeted hedge volumes and duration without the need to change the Commission's hedging policy. (Ball)

ISSUE 1C: What were the financial results for each IOUs natural gas hedging activities for 2015?

GULF: Gulf does not believe it is necessary or appropriate to include this issue. Gulf will provide a position at or shortly following the prehearing conference if the Prehearing Officer concludes that this issue should be included.

ISSUE 1D: What were the financial results for each IOUs natural gas hedging activities for 2016 as of July 31, 2016?

GULF: Gulf does not believe it is necessary or appropriate to include this issue. Gulf will provide a position at or shortly following the prehearing conference if the Prehearing Officer concludes that this issue should be included.

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 2016 and August 2016 hedging reports?

GULF: Yes. (Ball)

ISSUE 5B: What action should Commission take regarding Gulf's 2017 Risk Management Plan?

GULF: Gulf requests approval of its 2017 Risk Management Plan. (Ball)

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 7: What are the appropriate actual benchmark levels for calendar year 2016 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

GULF: \$703,718. (Ball, Boyett)

ISSUE 8: What are the appropriate estimated benchmark levels for calendar year 2017 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

GULF: \$802,125. (Ball, Boyett)

ISSUE 9: What are the appropriate final fuel adjustment true-up amounts for the period January 2015 through December 2015?

GULF: \$1,324,066 under-recovery. (Boyett)

ISSUE 10: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2016 through December 2016?

GULF: \$27,383,731 over-recovery. (Boyett)

ISSUE 11: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2017 to December 2017?

GULF: \$26,059,665 to be refunded (over-recovery). (Boyett)

ISSUE 12: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2017 through December 2017?

GULF: \$346,008,822 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 2015 through December 2015 for each investor-owned electric utility subject to the GPIF?

GULF: \$45,708 penalty. (Nicholson)

ISSUE 18: What should the GPIF targets/ranges be for the period January 2017 through December 2017 for each investor-owned electric utility subject to the GPIF?

GULF: See table below: (Nicholson)

Unit	EAF	Heat Rate
Crist 7	96.0	10,470
Daniel 1	90.5	10,539
Daniel 2	75.7	10,468
Scherer 3	79.0	10,878
Smith 3	93.1	6,920
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 2017 through December 2017?

GULF: \$345,963,114 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 2017 through December 2017?

GULF: 1.00072. (Boyett)

ISSUE 21: What are the appropriate levelized fuel cost recovery factors for the period January 2017 through December 2017?

GULF: 3.139 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)

Group	Rate Schedules	Line Loss Multipliers
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	3.163	3.806	2.897
B	LP, LPT, SBS(2)	0.98353	3.087	3.715	2.828
C	PX, PXT, RTP, SBS(3)	0.96591	3.032	3.648	2.777
D	OSI/II	1.00777	3.125	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 2015 through December 2015?

GULF: \$965,767 under-recovery. (Ball, Boyett)

ISSUE 29: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2016 through December 2016?

GULF: \$149,231 over-recovery. (Boyett)

ISSUE 30: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2017 through December 2017?

GULF: \$816,536 to be collected (under-recovery). (Boyett)

ISSUE 31: What are the appropriate projected total capacity cost recovery amounts for the period January 2017 through December 2017?

GULF: \$83,530,252. (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 2017 through December 2017?

GULF: \$84,407,518 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 2017 through December 2017?

GULF: 97.21125%. (Boyett)

ISSUE 34: What are the appropriate capacity cost recovery factors for the period January 2017 through December 2017?

GULF: See table below: (Boyett)

RATE CLASS	CAPACITY COST RECOVERY FACTORS ¢/KWH
RS, RSVP, RSTOU	0.888
GS	0.811
GSD, GSDT, GSTOU	0.708
LP, LPT	2.97 (\$/kW)
PX, PXT, RTP, SBS	0.585
OS-I/II	0.174
OSIII	0.537

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 2017 and thereafter through the last billing cycle for December 2017. Billing cycles may start before January 1, 2017 and the last cycle may be read after December 31, 2017, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Boyett)

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 on April 6, 2016, relating to hedging information report (DN 01825-16).
2. Request for confidentiality filed on May 19, 2016, relating to certain documents produced in connection with a review of 2015 fuel and purchased power transactions (Audit Control No. 16-020-1-1) (DN 03026-16).
3. Request for confidentiality filed on May 19, 2016, relating to certain documents produced in connection with a review of 2015 fuel and purchased power transactions (Audit Control No. 16-020-1-2) (DN 03028-16).
4. Request for confidentiality filed on August 22, 2016, relating to certain documents and information produced in response to Citizens' 2nd set of interrogatories (Nos. 11-18) (DN 06918-16).
5. Request for confidentiality filed on August 4, 2016, relating to Schedule CCE-4 of exhibit CSB-2 to direct testimony of C. Shane Boyett (DN 05868-16).
6. Request for confidentiality filed on August 4, 2016, relating to portions of 2017 Risk Management Plan for fuel procurement (DN 05870-16).
7. Request for confidentiality filed on August 18, 2016, relating to portions of hedging information report for 1/16 through 7/16 (DN 06819-16).
8. Request for confidentiality filed on September 1, 2016, relating to schedule CCE-4 of exhibit CSB-3 to direct testimony of C. Shane Boyett (DN 07227-16).
9. Request for confidentiality filed on May 20, 2016, relating to certain information in response to Citizens' First Set of Interrogatories (No. 7) (DN 03099-16)
10. Request for confidentiality filed on September 26, 2016, relating to certain documents produced in connection with a review of 2016 hedging transactions (Audit Control No. 16-068-1-1) [x-ref DN 07535-16] (DN 07792-16).
11. Request for extended confidential classification in connection with review of hedging settlements in Docket 140001[(Audit Control No. 14-083-1-1)] (DN 01797-16).
12. Request for extended confidential classification [of DN 02411-1] [(Audit Control No. 14-027-1-1)] (DN 01310-16).
13. Request for extended confidential classification [of DN 02415-1] [(Audit Control No. 14-027-1-2)] (DN 01311-16).

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 2-4, 2016, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 4th day of October, 2016.

Respectfully submitted,



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Fuel and Purchased Power Cost**)
Recovery Clause with Generating)
Performance Incentive Factor)

Docket No.: **160001-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 4th, day of October, 2016 to the following:

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