



Robert L. McGee, Jr.
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FPSC - COMMISSION CLERK

April 3, 2017

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

Dear Ms. Stauffer:

Attached is Gulf Power Company's Petition for Approval of a New Standard Offer for Purchase of Firm Capacity and Energy from Renewable Energy Facilities or Small Qualifying Facilities. Also attached for approval are copies of the Revised Tariff Schedule REF-1. This filing is made pursuant to Section 366.91, Florida Statutes, and Rules 25-17.200 through 25-17.310, Florida Administrative Code.

Please return a copy of the approved tariff sheets to my attention.

Sincerely,

A handwritten signature in blue ink that reads "Robert L. McGee, Jr.".

Robert L. McGee, Jr.
Regulatory and Pricing Manager

md

Attachments

cc w/ att: Beggs and Lane
Jeffery A. Stone, Esquire
Florida Public Service Commission
Patti Daniel

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Gulf Power Company
For Approval of a Standard Offer Contract
For Purchase of Firm Capacity and Energy
From Renewable Energy Facilities or Small
Qualifying Facilities and Approval of Tariff
Schedule REF-1

Docket No.:
Filed: April 3, 2017

**GULF POWER COMPANY’S PETITION FOR APPROVAL
OF A NEW STANDARD OFFER FOR PURCHASE OF FIRM CAPACITY
AND ENERGY FROM RENEWABLE ENERGY FACILITIES
OR SMALL QUALIFYING FACILITIES AND APPROVAL OF
TARIFF SCHEDULE REF-1**

Gulf Power Company (“Gulf Power,” or “the Company”), pursuant to section 366.91, Florida Statutes, and Rules 25-17.200 - 25-17.310, Florida Administrative Code, petitions the Florida Public Service Commission (“the Commission”) to approve a Standard Offer Contract for Purchase of Firm Capacity and Energy from Renewable Energy Facilities or Small Qualifying Facilities (“Renewable Standard Offer Contract”) and associated revised tariff schedule REF-1. As grounds therefore, the Company says:

1. The name, address, telephone number and facsimile number of the Petitioner are:

Gulf Power Company
One Energy Place
Pensacola, Florida 32520-0780
(850) 444-6530
(850) 444-6026 (fax)

2. Gulf Power is a public utility subject to the jurisdiction of the Commission under Chapter 366, Florida Statutes.

3. All notices, pleadings and correspondence required to be served on the Petitioner should be directed to:

Jeffrey A. Stone
Russell A. Badders
Steven R. Griffin
Beggs & Lane
501 Commendencia Street
Pensacola, Florida 32502
(850) 432-2451

Robert L. McGee, Jr.
Regulatory and Pricing Manager
Gulf Power Company
One Energy Place
Pensacola, Florida 32520-0780
(850) 444-6530
(850) 444-6026 (fax)

4. On February 22, 2007, the Commission adopted amendments to Rule 25-17.0832, F.A.C. and new Rules 25-17.200 - 25-17.310, F.A.C., relating to renewable generating facilities. The rules require, *inter alia*, that each investor-owned utility file with the Commission, by April 1 of each year, a standard offer contract or contracts for the purchase of firm capacity and energy from renewable generating facilities and small qualifying facilities with a design capacity of 100 kW or less.

5. Rule 25-17.250(1), F.A.C, requires investor-owned utilities to file a separate standard offer contract based on the next avoidable fossil fueled generating unit of each technology type identified in the utility's Ten-Year Site Plan. The rule further provides that "[e]ach investor-owned utility with no planned generating unit identified in its Ten-Year Site Plan shall submit a standard offer based on avoiding or deferring a planned purchase." Rule 25-17.250(1), F.A.C.

6. In Order No. PSC-16-0251-PAA-EQ, the Commission approved Gulf Power Company's Renewable Standard Offer Contract and accompanying rate schedule REF-1 which was filed with the Commission on April 1, 2016, (the "2016 Standard Offer Contract"). As explained in PSC-16-0251-PAA-EQ, and consistent with Gulf Power's 2016 Ten-Year Site Plan, Gulf proposed to use a 654 MW natural gas combustion turbine ("CT") generating facility with a

projected in-service date of June 1, 2023, as the appropriate unit for purposes of calculating energy and capacity payments under the contract. The Commission approved Gulf's proposal.

7. Gulf Power's most recent Ten-Year Site Plan designates the same 654 MW combustion turbine generating facility, consisting of 3 CTs, with revised costs and an in-service date of June 1, 2023, as the Company's next planned generating unit. Consequently, Gulf Power has designated this facility as the appropriate facility to serve as its avoided unit for use in connection with the new Renewable Standard Offer Contract.

8. Attached to this Petition as Composite Exhibit "A" are clean copies of Revised Sheets 9.85 and 9.103. Attached to this Petition as Composite Exhibit "B" are copies of the same documents in legislative format. Attached to this Petition as Composite Exhibit "C" are the economic/financial assumptions associated with the CT capacity proposed as the basis for Gulf's new Renewable Standard Offer Contract. The revisions included in Composite Exhibit "A" reflect current economic and financial assumptions for the avoided unit. The proposed revisions conform to all of the Commission's rules governing standard offers and tariffs including Rules 25-17.200 - 25-17.310, F.A.C. The revisions included in Composite Exhibit "A," along with Original Sheets numbered 9.81, 9.82, 9.83, 9.84, 9.86, 9.87, 9.88, 9.89, 9.90, 9.91, 9.92, 9.93, 9.94, 9.95, 9.96, 9.97, 9.98, 9.99, 9.100, 9.101, 9.102, 9.104, 9.105, 9.106, 9.107, 9.108, 9.109, 9.110, 9.111, 9.112, 9.113, and 9.114, constitute Gulf Power's new Renewable Standard Offer Contract and rate schedule REF-1.

9. According to Rule 25-17.290, F.A.C., "[a]n investor-owned utility shall not impose any imputed debt equivalent adjustments (equity adjustments) to reduce the avoided costs paid to a renewable generating facility unless the utility has demonstrated the need for the adjustment and obtained the prior approval of the Commission." Gulf Power continues to

believe equity adjustments are necessary and appropriate in some instances. Gulf Power is not seeking approval of an equity adjustment at this time. In the event that Gulf Power determines an equity adjustment is necessary in the future, Gulf will return to the Commission for approval pursuant to Rule 25-17.290.

10. Gulf Power is not aware of any disputed issues of material fact relative to the subject matter of this petition.

WHEREFORE, Gulf Power respectfully requests that the Commission grant this Petition for Approval of its Renewable Standard Offer Contract and rate schedule REF-1.

Respectfully submitted this 3rd day of April, 2017.



JEFFREY A. STONE

Florida Bar No.: 325953

RUSSELL A. BADDERS

Florida Bar No.: 007455

STEVEN R. GRIFFIN

Florida Bar No.: 0627569

Beggs & Lane

P.O. Box 12950

Pensacola, Florida 32591

(850) 432-2451

Attorneys for Gulf Power Company

EXHIBIT A

Tariff Sheets



Section No. IX
 Tenth Revised Sheet No. 9.85
 Canceling Ninth Revised Sheet No. 9.85

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(Continued from Schedule REF-1, Sheet No. 9.84)

capacity payments made to the Facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the Facility had such payments been made pursuant to Option 1.

All capacity payments made by the Company prior to the anticipated in-service date of the Company's Avoided Unit or Resource are considered "Early Payments". The owner, owner's representative, or operator of the Facility, as designated by the Company, shall secure its obligation to repay, with interest, the accumulated amount of Early Payments to the extent that the cumulative present value of the capacity payments made to the Facility over the term of the contract exceeds the cumulative present value of the capacity payments which would have been made to the Facility had such payments been made pursuant to Option 1, or to the extent that annual firm capacity payments made to the Facility in any year exceed that year's annual value of deferring the Company's Avoided Unit or Resource in the event the Facility defaults under the terms of its Renewable Standard Offer Contract with the Company. The Company will provide to the Facility monthly summaries of the total outstanding balance of such security obligations. A summary of the types of security instruments which are generally acceptable to the Company is set forth in Paragraph C of the SPECIAL PROVISIONS Section below.

**MONTHLY CAPACITY PAYMENT RATE (MCR)
 BASED ON GULF'S CURRENTLY SPECIFIED
 AVOIDED UNIT OR RESOURCE**

<u>June - May</u> <u>Contract Period</u>	Option 1 Normal <u>\$/KW-MO</u>	Option 2 Early <u>\$/KW-MO</u>	Option 3 Levelized <u>\$/KW-MO</u>	Option 4 Early Levelized <u>\$/KW-MO</u>
2017 to 2018	0.00	2.16	0.00	2.44
2018 to 2019	0.00	2.22	0.00	2.46
2019 to 2020	0.00	2.28	0.00	2.48
2020 to 2021	0.00	2.34	0.00	2.50
2021 to 2022	0.00	2.41	0.00	2.52
2022 to 2023	0.00	2.48	0.00	2.54
2023 to 2024	4.55	2.54	4.90	2.57
2024 to 2025	4.67	2.61	4.94	2.59
2025 to 2026	4.80	2.69	4.98	2.62
2026 to 2027	4.93	2.76	5.03	2.64
2027 to 2028	5.07	2.84	5.08	2.67
2028 to 2029	5.21	2.91	5.13	2.69
2029 to 2030	5.35	2.99	5.17	2.72
2030 to 2031	5.50	3.08	5.23	2.75
2031 to 2032	5.65	3.16	5.28	2.78
2032 to 2033	5.80	3.25	5.33	2.81

ISSUED BY: S. W. Connally, Jr.

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(Continued from Standard Offer Contract, Sheet No. 9.102)

4.2.2 Actual Committed Capacity. The capacity committed by the Facility (Committed Capacity or CC) for the purposes of this Agreement is _____ kilowatts beginning _____, _____. The Seller is committing this amount of capacity based on its agreement and commitment that this capacity will maintain an Equivalent Availability Factor (EAF) of 95%. The EAF will be based on the economic operation of a combustion turbine generating facility (Avoided Unit) that Gulf has designated as the Avoided Unit for purposes of the Standard Offer. The Seller elects to receive, and the Company agrees to commence calculating, capacity payments in accordance with this Agreement starting with the first billing month following the date specified in this paragraph as the date on which capacity sales under this Agreement will begin.

4.2.3 Capacity Payments. The Seller chooses to receive capacity payments from the Company under Option _____ or _____ a customized payment stream as described in the Company's Schedule REF-1 of the Company Tariff for Retail Electric Service as it exists at the time this Agreement is properly submitted by the Seller to the Company as tendered acceptance of the Company Standard Offer. If the customized payment option is chosen by the Seller as the preferred capacity payment option, the details underlying the derivation of such payment stream will be described in an exhibit to this Standard Offer Contract.

The Capacity Payments to be made by the Company to the Seller are based upon the Avoided Unit that the Company has designated for purposes of the Standard Offer. The Capacity Payments to the Seller are based on an avoided gas-fired Combustion Turbine generating facility with the following economic assumptions:

Size: 654 MW total	Installed Costs (2023): \$564/kW
Discount Rate: 6.34%	AFUDC Rate: 7.25%
Annual Inflation: 2.72%	K-factor: 1.3782
Annual Capacity Factor: 12.9%	Fixed O & M: \$18.57/kW-yr
Equivalent Availability: 95%	Unit Life: 40 years

Legislative Format



Section No. IX
~~Ninth~~Tenth Revised Sheet No. 9.85
 Canceling ~~Eighth~~Ninth Revised Sheet No. 9.85

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(Continued from Schedule REF-1, Sheet No. 9.84)

capacity payments made to the Facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the Facility had such payments been made pursuant to Option 1.

All capacity payments made by the Company prior to the anticipated in-service date of the Company's Avoided Unit or Resource are considered "Early Payments". The owner, owner's representative, or operator of the Facility, as designated by the Company, shall secure its obligation to repay, with interest, the accumulated amount of Early Payments to the extent that the cumulative present value of the capacity payments made to the Facility over the term of the contract exceeds the cumulative present value of the capacity payments which would have been made to the Facility had such payments been made pursuant to Option 1, or to the extent that annual firm capacity payments made to the Facility in any year exceed that year's annual value of deferring the Company's Avoided Unit or Resource in the event the Facility defaults under the terms of its Renewable Standard Offer Contract with the Company. The Company will provide to the Facility monthly summaries of the total outstanding balance of such security obligations. A summary of the types of security instruments which are generally acceptable to the Company is set forth in Paragraph C of the SPECIAL PROVISIONS Section below.

**MONTHLY CAPACITY PAYMENT RATE (MCR)
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 AVOIDED UNIT OR RESOURCE**

<u>June - May Contract Period</u>	<u>Option 1 Normal \$/KW-MO</u>	<u>Option 2 Early \$/KW-MO</u>	<u>Option 3 Levelized \$/KW-MO</u>	<u>Option 4 Early Levelized \$/KW-MO</u>
2016 to 2017	0.00	1.86	0.00	2.14
2017 to 2018	0.00	1.922.16	0.00	2.162.44
2018 to 2019	0.00	1.972.22	0.00	2.172.46
2019 to 2020	0.00	2.022.28	0.00	2.192.48
2020 to 2021	0.00	2.082.34	0.00	2.202.50
2021 to 2022	0.00	2.142.41	0.00	2.222.52
2022 to 2023	0.00	2.192.48	0.00	2.232.54
2023 to 2024	4.364.55	2.262.54	4.744.90	2.252.57
2024 to 2025	4.484.67	2.322.61	4.774.94	2.272.59
2025 to 2026	4.614.80	2.382.69	4.804.98	2.282.62
2026 to 2027	4.734.93	2.452.76	4.845.03	2.302.64
2027 to 2028	4.865.07	2.512.84	4.875.08	2.322.67
2028 to 2029	5.005.21	2.582.91	4.945.13	2.342.69
2029 to 2030	5.145.35	2.652.99	4.955.17	2.362.72
2030 to 2031	5.285.50	2.733.08	4.995.23	2.382.75
2031 to 2032	5.425.65	2.803.16	5.035.28	2.402.78
2032 to 2033	5.575.80	2.883.25	5.075.33	2.422.81

ISSUED BY: S. W. Connally, Jr.



Section No. IX
~~Ninth~~^{Tenth} Revised Sheet No. 9.103
Canceling ~~Eighth~~^{Ninth} Revised Sheet No. 9.103

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(Continued from Standard Offer Contract, Sheet No. 9.102)

4.2.2 Actual Committed Capacity. The capacity committed by the Facility (Committed Capacity or CC) for the purposes of this Agreement is _____ kilowatts beginning _____, _____. The Seller is committing this amount of capacity based on its agreement and commitment that this capacity will maintain an Equivalent Availability Factor (EAF) of 95%. The EAF will be based on the economic operation of a combustion turbine generating facility (Avoided Unit) that Gulf has designated as the Avoided Unit for purposes of the Standard Offer. The Seller elects to receive, and the Company agrees to commence calculating, capacity payments in accordance with this Agreement starting with the first billing month following the date specified in this paragraph as the date on which capacity sales under this Agreement will begin.

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The Capacity Payments to be made by the Company to the Seller are based upon the Avoided Unit that the Company has designated for purposes of the Standard Offer. The Capacity Payments to the Seller are based on an avoided gas-fired Combustion Turbine generating facility with the following economic assumptions:

Size: 654 MW total	Installed Costs (2023): \$ 598 ⁵⁶⁴ /kW
Discount Rate: 6.34%	AFUDC Rate: 7.25%
Annual Inflation: 2.72%	K-factor: 1.3775 ^{1.3782}
Annual Capacity Factor: 9.7 ^{12.9} %	Fixed O & M: \$ 14.42 ^{18.57} /kW-yr
Equivalent Availability: 95%	Unit Life: 40 years

ISSUED BY: S. W. Connally, Jr.

ECONOMIC / FINANCIAL ASSUMPTIONS

And K-FACTOR

GULF POWER COMPANY
RENEWABLE STANDARD OFFER CONTRACT
ECONOMIC ASSUMPTIONS

Financial Assumptions
Base Case

AFUDC RATE 7.25 %

CAPITALIZATION RATIOS:

DEBT 50.0 %
PREFERRED 5.0 %
EQUITY 45.0 %

RATE OF RETURN

DEBT 4.70 %
PREFERRED 5.70 %
EQUITY 10.25 %

INCOME TAX RATE:

STATE 5.5 %
FEDERAL 35.0 %
EFFECTIVE 38.575 %

OTHER TAX RATE Ad Valorem 0.705 %

DISCOUNT RATE: 6.34 %

TAX

DEPRECIATION RATE: See adjacent table %

Tax Depreciation Rates

Year	CT
1	5.000%
2	9.500%
3	8.550%
4	7.695%
5	6.926%
6	6.233%
7	5.905%
8	5.905%
9	5.905%
10	5.905%
11	5.905%
12	5.905%
13	5.905%
14	5.904%
15	5.905%
16	2.952%

GULF POWER COMPANY
RENEWABLE STANDARD OFFER CONTRACT
UNIT INFORMATION

PLANT TYPE:	F5 Dual-Fuel Simple Cycle Combustion Turbines
NET CAPACITY:	654 MW
BOOK LIFE (Years):	40
IN-SERVICE YEAR:	2023
TOTAL INSTALLED COST ('23 \$/kW):	564
DIRECT CONSTRUCTION COST ('17 \$/kW):	447
AFUDC AMOUNT (\$/kW):	59
ESCALATION (\$/kW):	58
FIXED O&M ('23 \$/kW - Yr):	18.57
VARIABLE O&M ('23 \$/MWh):	5.08
K FACTOR:	1.3782