

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 2, 2017

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: Takira T. Thompson, ^{TT PoE} Engineering Specialist, Division of Engineering

RE: Docket No. 20170227-EI - Petition for approval of the Waiver and Scheduling Agreement between Gulf Power Company and Morgan Stanley Capital Group Inc.

Please file the attached document provided by the Utility in response to Staff's First Data Request in the above-referenced docket file.

Thank you



Rhonda J. Alexander
Manager
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November 1, 2017

Ms. Takira Thompson
Division of Engineering
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

RE: Docket No. 20170227-EI - Petition of Gulf Power Company for approval of the Company's Waiver and Scheduling Agreement with Morgan Stanley Capital Group, Incorporated

Dear Ms. Thompson:

Attached is Gulf Power Company's response to Staff's First Data request (Nos. 1-3) in the above-referenced docket.

Sincerely,

A handwritten signature in blue ink that reads "Rhonda J. Alexander".

Rhonda J. Alexander
Regulatory, Forecasting and Pricing Manager

md

Attachments

cc w att.: Gulf Power Company
Jeffrey A. Stone, Esq., General Counsel
Beggs & Lane
Russell Badders, Esq.

1. Please provide an estimate of the total annual net present value savings to customers from the Waiver and Scheduling Agreement as opposed to the existing Kingfisher I Energy Purchase Agreement.

RESPONSE:

The estimated total net present value savings to customers for the waiver from 2019-2035 is \$17,164,000.

2. Referring to paragraph 11 of the petition, please explain how the Utility determined that Tier 1 Hourly Energy was not necessary for reliability or other purposes.

RESPONSE:

As described in Gulf's petition in this docket, Gulf maintains two Energy Purchase Agreements with Morgan Stanley Capital Group, Inc. Gulf began receiving energy deliveries under the first Energy Purchase Agreement, referenced in the petition as the "Kingfisher I EPA," on January 1, 2016. Gulf began receiving energy deliveries under the second Energy Purchase Agreement, referenced in the petition as the "Kingfisher II EPA," on February 1, 2017. As further described in the petition, the primary difference between the two Energy Purchase Agreements is that the Kingfisher I EPA requires a portion of the energy to be delivered using a dedicated "Tier 1" transmission path, whereas there is no such requirement under the Kingfisher II EPA. If approved, the Waiver and Scheduling Agreement will result in all energy deliveries under the Kingfisher I EPA being made in essentially the same manner as they are currently being made under the Kingfisher II EPA.

At the time Gulf Power negotiated the Kingfisher I EPA, Gulf had no prior experience with energy products of the type contemplated by the EPA. Consequently, in an abundance of caution and in an attempt to facilitate efficient scheduling of energy deliveries, Gulf and Morgan Stanley agreed that a portion of the energy deliveries would be made using the Tier 1 path. Gulf has been receiving energy (both Tier 1 and Tier 2) under the Kingfisher I EPA for over 22 months and energy under the Kingfisher II EPA for over 9 months. Morgan Stanley has reliably met its energy delivery commitments under both contracts throughout this period of time. Moreover, Gulf Power has had no difficulty scheduling or facilitating energy deliveries under either contract. This experience has led Gulf Power to conclude that Tier 1 Hourly Energy under the Kingfisher I EPA is not necessary for reliability or other purposes.

3. Please describe any risks that the Utility's ratepayers may be exposed to without using the dedicated transmission pathway utilized in Tier 1 Hourly Energy that they would not otherwise be impacted by.

RESPONSE:

As explained in response to Item No. 2 above, Gulf's experience with Tier 2 energy deliveries under the Kingfisher I EPA and all energy deliveries under the Kingfisher II EPA suggests that the dedicated transmission pathway utilized to deliver Tier 1 Hourly Energy is not necessary for reliability or other purposes. The total amounts of energy to be delivered under the Kingfisher I EPA (defined in the EPA as "Total Hourly Energy") are not changed or reduced as a result of the Waiver and Scheduling Agreement, and Morgan Stanley continues to bear all risks and responsibilities associated with transmitting energy to the Southern Companies Transmission System. Moreover, Morgan Stanley remains obligated to pay cover costs to Gulf Power for energy which is not delivered in accordance with the terms of the contract. In view of the foregoing, Gulf Power does not perceive any material risks to its customers, either in increased costs or a loss of energy, associated with elimination of the Tier 1 delivery obligation.