

Gulf's Responses to Staff's Second Set of
Interrogatories No. 10.

10. For the purpose of this interrogatory, please refer Gulf's Response to Staff's First Set of Interrogatories, item number 8(a). The response states that Gulf is including a 12-month adjustment of (\$177,883) to its 2016 Actual / Estimated fuel expenses in the December A-Schedule filing. Please show how the adjustment amount was calculated.

ANSWER:

Page 3 of Gulf's response presents the mechanics of the calculations of the actual adjustment to the Fuel Clause in 2016 to reflect accounting for Plant Scherer Unit 3 (Scherer 3) fuel expense using actual fuel cost data for the unit.

Calculation of Scherer 3 Fuel Expense

Gulf starts with the booked actual fuel expense for Scherer 3 and removes the fuel amount assigned to Gulf's wholesale power sales customers on an energy allocation basis. The remaining fuel expense represents the fuel cost of energy that was available to serve Gulf's territorial customers. The amount of \$20,910,887 was added to the Gulf's Fuel Cost of System Generation in the Fuel Cost Recovery Clause (FCR or Fuel Clause). See page 3, line 6.

Calculation of Scherer 3 Purchased Power Energy Expense

Scherer 3 energy not scheduled by Gulf's wholesale customers was available to serve Gulf's retail customers and was recovered through the Fuel Clause as purchased power energy priced each hour at the Associated Interchange Energy Rate (AIER), as determined under the Southern Company System Intercompany Interchange Contract (IIC). The annual result of the hourly calculations is \$18,784,886 of purchased power energy expense in the Fuel Cost Recovery Clause. Please see page 3, line 9 for a monthly summary of the annual amount. To remove the purchased energy expense that was recorded to the Fuel Clause for the year ending December 2016, Gulf included an adjustment of \$(18,784,886).

Other Adjustments

After accounting for off-setting minor power pool interchange adjustments, Gulf credited the FCR by an amount equal to the fuel and emissions revenue plus the gain on sales for two short-term energy sales from Scherer 3 that occurred in July and August 2016. The net of Scherer sales and other adjustments results in a credit to the FCR of \$(1,942,722). See page 3, line 11.

The addition of Scherer 3 fuel expense less purchased power energy expense and other adjustments results in a net adjustment of \$183,279 before interest, jurisdictional separation and line losses. The jurisdictional separation, line losses and interest

calculations shown on page 3, lines 13 and 14 utilize the separation factors and interest rates from Gulf's monthly A-schedules.

| | |
|---|---------------|
| Scherer 3 Fuel Expense | \$ 20,910,887 |
| Scherer 3 Purchased Energy Expense | (18,784,886) |
| Scherer 3 Short Term Sales | (1,944,230) |
| <u>Other Adjustments</u> | <u>1,508</u> |
| Net Clause Impact | \$ 183,279 |
| | |
| Jurisdictional Impact Adjusted for Losses | \$ 177,883 |

2016 Scherer Unit 3 Adjustments to Fuel Cost Recovery Clause

| | Jan | Feb | Mar | Apr | May | June | July | August | Sept | Oct | Nov | Dec | Total Adjustment |
|--|-------------|------------|-------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|-------------|------------------|
| Scherer Retail Fuel Cost of Generation | | | | | | | | | | | | | |
| (1) Coal Expense | 2,014,891 | 1,733,478 | 2,153,171 | 1,434,957 | 2,215,622 | 2,694,323 | 3,113,006 | 3,034,779 | 2,694,191 | 2,700,366 | 1,032,901 | 2,677,506 | |
| (2) Lighter Oil Expense | 7,229 | 28,985 | 155 | 16,318 | 802 | 331 | - | 971 | 109 | 898 | 24,703 | 943 | |
| (3) Inventory Adjustment - Coal (Flyover) | 40,841 | - | - | - | - | - | - | - | - | - | - | - | |
| (4) Total Scherer Fuel Costs (System) | 2,062,860 | 1,762,062 | 2,153,327 | 1,451,275 | 2,216,424 | 2,694,654 | 3,113,006 | 3,035,750 | 2,694,300 | 2,701,264 | 1,057,603 | 2,678,449 | |
| (5) Less Scherer Fuel Assigned to Wholesale | (493,510) | (420,520) | (513,825) | (410,614) | (575,787) | (642,696) | (742,822) | (724,368) | (642,911) | (644,573) | (259,012) | (639,129) | |
| (6) Scherer Fuel Serving Territorial Load | 1,569,350 | 1,341,542 | 1,639,502 | 1,040,661 | 1,640,637 | 2,051,958 | 2,370,183 | 2,311,382 | 2,051,389 | 2,056,691 | 798,591 | 2,039,320 | 20,910,887 |
| (7) \$/kWh* | 2,7094 | 2,8291 | 2,6762 | 2,9281 | 2,8113 | 2,7431 | 2,6011 | 2,6726 | 2,7402 | 3,0125 | 3,0652 | 2,8304 | |
| Purchases | | | | | | | | | | | | | |
| (8) Monthly AIER rate (\$/kWh)* | 3,057 | 2,034 | 2,237 | 2,337 | 2,202 | 2,866 | 2,229 | 1,721 | 3,111 | 2,807 | 2,589 | 2,748 | |
| (9) Scherer Purchases at AIER adjustment | (1,770,434) | (964,510) | (1,370,653) | (830,725) | (1,284,631) | (2,143,812) | (2,031,103) | (1,489,622) | (2,328,773) | (1,916,665) | (674,494) | (1,980,264) | (18,784,856) |
| Sales Revenue Credits & Other Adjustments | | | | | | | | | | | | | |
| (10) Scherer Short-term Sales & Interchange Adjustments | 19 | - | - | 1,488 | - | - | (781,927) | (1,162,303) | - | - | - | - | (1,942,722) |
| (11) Sales Revenue Credits & Other Adjustments | 19 | - | - | 1,489 | - | - | (781,927) | (1,162,303) | - | - | - | - | (1,942,722) |
| (12) Net Clause Impact | (201,066) | 377,032 | 268,849 | 211,425 | 355,805 | (92,154) | (442,847) | (339,562) | (277,384) | 140,027 | 124,098 | 59,056 | 183,279 |
| Net Clause Impact (Adjusted for Juris. Factors & Line Losses) | | | | | | | | | | | | | |
| (13) Interest Provision | 195,312 | (366,296) | (261,796) | (205,897) | (346,878) | 89,843 | 432,130 | 330,827 | 270,433 | (196,455) | (120,574) | (57,352) | (176,705) |
| (14) Total Adjustment to Ending Balance | 33 | 4 | (198) | (174) | (237) | (290) | (230) | (195) | 1 | 27 | (24) | (75) | (1,178) |
| (15) Total Adjustment to Ending Balance | 195,344 | (366,292) | (261,904) | (206,071) | (347,115) | 89,554 | 431,900 | 330,722 | 270,433 | (136,428) | (120,598) | (57,427) | (177,883) |
| * For Informational Purposes | | | | | | | | | | | | | |
| (16) Total Gulf Scherer Generation | 76,135,750 | 62,283,000 | 80,463,500 | 49,563,000 | 75,839,250 | 96,234,000 | 119,682,500 | 113,569,250 | 98,323,250 | 89,669,000 | 34,504,000 | 94,633,000 | |
| (17) Less: Flint Sales | 18,214,392 | 14,863,991 | 19,200,129 | 11,964,062 | 18,812,544 | 23,440,511 | 28,558,539 | 27,104,560 | 23,461,803 | 21,396,736 | 8,450,218 | 22,581,256 | |
| (18) Less: Duke Energy Florida Sales | 57,921,358 | 47,419,009 | 61,263,371 | 35,539,985 | 56,358,271 | 74,793,489 | 91,123,961 | 86,484,650 | 74,861,447 | 66,272,264 | 26,053,782 | 72,051,744 | |
| (19) Territorial Scherer Energy | 0,760,764 | 0,761,348 | 0,761,381 | 0,717,097 | 0,740,218 | 0,761,381 | 0,761,381 | 0,761,381 | 0,761,381 | 0,761,381 | 0,755,095 | 0,761,381 | |
| (20) Scherer Territorial Fuel Allocation Factor | 0.0333% | 0.0342% | 0.0355% | 0.0325% | 0.0292% | 0.0308% | 0.0338% | 0.0350% | 0.0371% | 0.0400% | 0.0400% | 0.0500% | |
| (21) Effective Interest Rate | 0.969927 | 0.970070 | 0.972305 | 0.972394 | 0.973449 | 0.973469 | 0.974338 | 0.972814 | 0.973479 | 0.973037 | 0.970153 | 0.969705 | |
| (22) Jurisdictional % | | | | | | | | | | | | | |

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 170001-EI

Before me the undersigned authority, personally appeared Susan D. Ritenour, Corporate Secretary, Treasurer, and Corporate Planning Manager of Gulf Power Company, and who on behalf of said corporation, being first duly sworn, deposes, and says that pursuant to Rule 1.340(a), Florida Rules of Civil Procedure, she verifies that the foregoing answers to the interrogatories are submitted on behalf of said corporation, and that the foregoing constitute true and correct answers to the best of her knowledge, information, and belief based on the information provided by others in the course of business. She is personally known to me.

Susan D. Ritenour
Susan D. Ritenour
Corporate Secretary, Treasurer and
Corporate Planning Manager

Sworn to and subscribed before me this 4th day of April, 2017.

Melissa Darnes
Notary Public, State of Florida at Large



MELISSA DARNES
MY COMMISSION # FF 912698
EXPIRES: December 17, 2019
Bonded Thru Budget Notary Services