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May 3, 2018

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

Re: Docket No. 20180081-EQ – Petition for approval of 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, by Gulf Power Company

Dear Ms. Stauffer:

Attached for electronic filing is Gulf Power Company's response to Staff's Second Data Request in Docket 20180081-EQ.

Sincerely,

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

Rhonda J. Alexander  
Regulatory, Forecasting and Pricing Manager

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**Attachments**

cc: Gulf Power Company  
Jeffrey A. Stone, Esq., General Counsel  
Beggs & Lane  
Russell Badders, Esq.  
Florida Public Service Commission  
Bill McNulty, Division of Engineering  
Douglas Wright, Division of Engineering

1. Does Gulf utilize forecasted fuel prices as part of its energy payment assumptions associated with its Standard Offer Contract filed in this docket?

RESPONSE:

Yes. Forecasted fuel prices are reflected in the projected energy payments associated with the Standard Offer Contract filed in this docket.

2. If the response to Question 1 is affirmative:
  - a. Please provide a copy of the fuel price forecast used in developing the energy payment assumptions associated with its Standard Offer Contract filed in this docket.
  - b. Please identify the source and date of the fuel price forecast used in developing the energy payment assumptions associated with its Standard Offer Contract filed in this docket.
  - c. Please discuss Gulf's fuel forecasting methodology. Please also remark on the approximate length of time Gulf has employed this same or very similar fuel forecasting methodology for business planning purposes.
  - d. Please discuss if and how Gulf tests the reasonableness of its forecasted fuel prices (fuel forecasts).
  - e. Please provide any alternative fuel price forecasts Gulf used to gauge the robustness of its Standard Offer Contract filed in this docket.

RESPONSE:

a.

Table 1

(A) YEAR	(B) (C) (D) GULF POWER FORECASTED FUEL PRICES (\$/MMBTU) <sup>(1)</sup>			(E) NATURAL GAS
	Low Sulfur	Medium Sulfur	High Sulfur	
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				

(1) Nominal commodity prices shown

- b. As described in Gulf's response to part c. of this Item, the fuel price forecast used as a basis for energy payment assumptions associated with its Standard Offer Contract is the result of a collaborative effort between SES personnel and its consultant CRA to produce forecasts used in system production cost forecasts. This fuel price forecast was finalized in October 2017.

- c. The Southern electric system (SES) develops and utilizes short-term and long-term fuel price forecasts for coal, oil, and natural gas which extend through the Company's 10-year planning horizon. The short-term forecasts are developed by Southern Company Services Fuel Services for use in the system's fuel and energy budgeting processes and marginal pricing dispatch procedures.

The long-term forecasts are developed in the spring of each year for use in system planning activities. Charles River & Associates (CRA) is the modeling vendor used by the system to develop the long-term forecasts. This process is a collaborative effort between CRA and members of cross-functional SES planning teams, including Gulf Power personnel, and is governed by an SES executive team.

Fuel market assumptions, developed in collaboration between CRA and SES, are integrated into CRA's model to develop commodity forecast prices. Transportation prices are developed by the SES and are combined with the CRA commodity prices to produce the total delivered prices. This forecasting methodology has been used by the SES for several years.

- d. Commodity fuel price forecasts are received from recognized independent consulting firms for natural gas, oil, and coal. Forecasts from independent consulting firms recently reviewed include Energy Ventures Analysis, Inc. (EVA) and Wood McKenzie (Wood) for Domestic and Import Coals, and EVA and BTU Analytics, LLC (BTUA) for Natural Gas. Comparisons of the fuel price forecasts are made against each fuel price forecast of the consulting firms listed above which SES uses to gain information about fuel markets.

- e. The fuel price forecasts from the independent firms listed in Gulf's response to part d. are listed below.

Table 2  
(A) (B) (C) (D) (E) (F) (G)  
**FORECASTED COAL PRICES (\$/MMBTU) <sup>(1)</sup>**

YEAR	EVA Low Case			WOOD Low Case		
	<i>Low Sulfur</i>	<i>Medium Sulfur</i>	<i>High Sulfur</i>	<i>Low Sulfur</i>	<i>Medium Sulfur</i>	<i>High Sulfur</i>
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
2026						
2027						

(1) Nominal commodity prices shown

Table 3  
(A) (B) (C) (D) (E) (F) (G)  
**FORECASTED COAL PRICES (\$/MMBTU) <sup>(1)</sup>**

YEAR	EVA Base Case			WOOD Base Case		
	<i>Low Sulfur</i>	<i>Medium Sulfur</i>	<i>High Sulfur</i>	<i>Low Sulfur</i>	<i>Medium Sulfur</i>	<i>High Sulfur</i>
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
2026						
2027						

(1) Nominal commodity prices shown

Table 4

(A)	(B)	(C)	(D)	(E)	(F)	(G)
<b>FORECASTED COAL PRICES (\$/MMBTU) <sup>(1)</sup></b>						
<b>YEAR</b>	<b>EVA High Case</b>			<b>WOOD High Case</b>		
	<i>Low Sulfur</i>	<i>Medium Sulfur</i>	<i>High Sulfur</i>	<i>Low Sulfur</i>	<i>Medium Sulfur</i>	<i>High Sulfur</i>
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
2026						
2027						

(1) Nominal commodity prices shown

Table 5

(A)	(B)	(C)	(D)	(E)	(F)	(G)
<b>FORECASTED NATURAL GAS PRICES (\$/MMBTU) <sup>(1)</sup></b>						
<b>YEAR</b>	<b>EVA</b>			<b>BTUA</b>		
	<i>Low Case</i>	<i>Base Case</i>	<i>High Case</i>	<i>Low Case</i>	<i>Base Case</i>	<i>High Case</i>
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
2026						
2027						

(1) Nominal commodity prices shown