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October 9, 2018

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

RE: Docket No. 20180007-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 "C. Shane Boyett".

C. Shane Boyett
Regulatory and Cost Recovery Manager

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Attachments

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery) Docket No. 20180007-EI
Clause) Date Filed: October 9, 2018
_____)

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-2018-0090-PCO-EI, issued February 19, 2018 (as amended), establishing the prehearing procedure in this docket, files this prehearing statement, saying:

A. APPEARANCES

JEFFREY A. STONE, Esquire, of Gulf Power Company,
One Energy Place, Pensacola, FL 32520-0100
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. R. M. Markey (Gulf)	Environmental compliance activities (True-Ups and Projection)	1, 2, 3, 11A,
2. C. S. Boyett (Gulf)	Environmental compliance cost recovery calculations (True-Ups and Projection)	1, 2, 3, 4, 5, 6, 7, 8, 11B, 13, 14

C. EXHIBITS

<u>Witness</u>	<u>Proffered By</u>	<u>Exhibit #</u>	<u>Description</u>
<u>Direct</u> Boyett	Gulf Power	(CSB-1)	Calculation of Final True-up 1/17 – 12/17
Boyett	Gulf Power	(CSB-2)	Calculation of Estimated True-up 1/18 – 12/18
Boyett	Gulf Power	(CSB-3)	Calculation of Projection 1/19 – 12/19
Markey	Gulf Power	(RMM-1)	Schedule 5P - Description and Progress Report of Environmental Compliance Activities and Projects
Markey	Gulf Power	(RMM-2)	316(b) Cooling Water Intake Structure Regulation

D. STATEMENT OF BASIC POSITION

Gulf Power Company's Statement of Basic Position:

It is the basic position of Gulf Power Company that the environmental cost recovery factors proposed by the Company present the best estimate of Gulf's environmental compliance costs recoverable through the Environmental Cost Recovery Clause (ECRC) for the period January 2019 through December 2019, including the true-up calculations and other adjustments allowed by the Commission.

E. STATEMENT OF ISSUES AND POSITIONS

Generic Environmental Cost Recovery Issues

ISSUE 1: What are the final environmental cost recovery true-up amounts for the period January 2017 through December 2017?

GULF: \$3,179,666 over recovery. (Markey, Boyett)

ISSUE 2: What are the estimated/actual environmental cost recovery true-up amounts for the period January 2018 through December 2018?

GULF: \$9,436,937 over recovery. (Markey, Boyett)

ISSUE 3: What are the projected environmental cost recovery amounts for the period January 2019 through December 2019?

GULF: \$184,156,532. (Markey, Boyett)

ISSUE 4: What are the environmental cost recovery amounts, including true-up amounts, for the period January 2019 through December 2019?

GULF: \$171,663,438. (Boyett)

ISSUE 5: What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2019 through December 2019?

GULF: The depreciation rates used to calculate the depreciation expense should be the rates that are in effect during the period the allowed capital investment is in service. (Boyett)

ISSUE 6: What are the appropriate jurisdictional separation factors for the projected period January 2019 through December 2019?

GULF: The demand jurisdictional separation factor is 97.18277%. Energy jurisdictional separation factors are calculated each month based on projected retail kWh sales as a percentage of projected total territorial kWh sales. (Boyett)

ISSUE 7: What are the appropriate environmental cost recovery factors for the period January 2019 through December 2019 for each rate group?

GULF: See table below: (Boyett)

RATE CLASS	ENVIRONMENTAL COST RECOVERY FACTORS ¢/kWh
RS, RSVP, RSTOU	1.810
GS	1.669
GSD, GSDT, GSTOU	1.483
LP, LPT	1.327
PX, PXT, RTP, SBS	1.272
OS-I/II	0.511
OS-III	1.172

ISSUE 8: What should be the effective date of the new environmental cost recovery factors for billing purposes?

GULF: The new environmental cost recovery factors should be effective beginning with the first billing cycle for January 2019 and thereafter through the last billing cycle for December 2019. The first billing cycle may start before January 1, 2019, and the last cycle may be read after December 31, 2019, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Boyett)

F. COMPANY-SPECIFIC ISSUES

ISSUE 11A: Should Gulf be allowed to recover, through the ECRC, prudently incurred costs associated with its proposed 316(b) Cooling Water Intake Structure Regulation project?

GULF: Yes. The 316(b) Project addresses costs associated with Gulf's compliance with new requirements of the Federal Clean Water Act, specifically section 316(b) Cooling Water Intake Structure Regulation. On August 15, 2014, the Environmental Protection Agency (EPA) published final regulations under Section 316(b) of the Clean Water Act for cooling water intake structures at existing electric generating facilities. The rule became effective on October 14, 2014, requiring existing facilities withdrawing greater than 2 million gallons per day (MGD) to adopt one of seven options for addressing impingement at the entrance to existing cooling water intake structures. In FPSC Order No. PSC-04-1187-FOF-EI, the Commission approved Gulf's request to recover prudently incurred 316(b) biological sampling and data collection through the ECRC. These studies were needed by Gulf to determine which of the seven options would be the most appropriate, cost-effective method for meeting the new 316(b) requirements for its existing plants. In 2019, Gulf expects to incur compliance costs for 316(b) activities at its Plant Smith facility. The Plant Smith industrial wastewater permit requires Gulf to submit information required under the Cooling Water Intake Structure 316(b) rule with its next permit renewal filing in April 2019. While Gulf's 316(b) compliance strategy and design ultimately must be approved by the Florida Department of Environmental Protection in the permit renewal process, Gulf Power's preliminary studies indicate Plant Smith will need to install new lower capacity intake pumps and a closed-cycle cooling tower monitoring system for the existing Unit 3 closed-cycle cooling tower. The lower capacity pumps are needed to reduce the intake maximum through-screen velocity to less than 0.5 foot per second to meet the 316(b) impingement performance standard. Gulf plans to install the new lower capacity intake pumps at Plant Smith during 2019 to meet compliance deadlines.

The 316(b) project meets the criteria for cost recovery established by the Commission in Order No. PSC-94-0044-FOF-EI in that the costs associated with it are not recovered through any other cost recovery mechanism or through base rates and will be incurred after April 13, 1993. In addition, Gulf's compliance with the new 316(b) regulations and associated permit conditions is legally mandated under a governmentally imposed environmental regulation. The capital expenditures associated with this project are projected to be \$2,000,000 in 2019. During 2019, Gulf projects a total of \$160,000 in O&M expenses for 316(b) compliance activities. (Markey)

ISSUE 11B: How should costs associated with Gulf's proposed 316(b) Cooling Water Intake Structure Regulation project be allocated to rate classes?

GULF: Capital costs for the 316(b) Cooling Water Intake Structure Regulation program should be allocated to the rate classes on an average 12-MCP demand and 1/13th energy basis. O&M cost for the program should be allocated on a demand basis. (Boyett)

G. TARIFF APPROVAL

ISSUE 13: Should the Commission approve revised tariffs reflecting the environmental cost recovery amounts and environmental cost recovery factors determined to be appropriate in this proceeding?

GULF: Yes. The Commission should approve revised tariffs reflecting the environmental cost recovery amounts and environmental 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 14: Should this docket be closed?

GULF: No position at this time. (Boyett)

H. STIPULATED ISSUES

GULF: Yet to be determined. Gulf is also 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.

I. PENDING MOTIONS

GULF: NONE.

J. PENDING CONFIDENTIALITY REQUEST

GULF: Request for confidential classification filed on April 3, 2018, relating to certain portions of the Compliance Program Update. (DN 02703-2018).

K. 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 5-7, 2018, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 9th day of October 2018.

Respectfully submitted,



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Attorneys for Gulf Power Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Environmental Cost**)
Recovery Clause)

Docket No.: 20180007-EI

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 9th day of October, 2018 to the following:

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