

STATE OF FLORIDA

COMMISSIONERS:  
GARY F. CLARK, CHAIRMAN  
ART GRAHAM  
JULIE I. BROWN  
DONALD J. POLMANN  
ANDREW GILES FAY



OFFICE OF THE GENERAL COUNSEL  
KEITH C. HETRICK  
GENERAL COUNSEL  
(850) 413-6199

# Public Service Commission

December 10, 2020

Russell A. Badders, Esquire  
Gulf Power Company  
One Energy Place  
Pensacola, FL 32520  
[Russell.Badders@nexteraenergy.com](mailto:Russell.Badders@nexteraenergy.com)

**STAFF'S SECOND DATA REQUEST**  
*via e-mail*

RE: Docket No. 20200242-EI – Petition for approval of regulatory assets related to the retirements of the coal generation assets at Plant Crist Units 4, 5, 6, and 7, by Gulf Power Company.

Dear Mr. Badders:

By this letter, the Commission staff requests that Gulf Power Company (Gulf) provide responses to the following data requests:

1. Please refer to Gulf's Petition for approval of regulatory assets related to the retirements of plant Crist 4-7 (Petition), paragraphs 1, 3, 5 and 6, as well as Exhibit 2, Attachment AE-1. Please also refer to Rule 25-6.0436(7)(a), F.A.C., which provides that:

Prior to the date of retirement of major installations, the Commission shall approve capital recovery schedules to correct associated calculated deficiencies where a utility demonstrates that (1) replacement of an installation or group of installations is prudent and (2) the associated investment will not be recovered by the time of retirement through the normal depreciation process.

- a. Paragraph 3 and Attachment AE-1, footnote, of the Petition indicate that Gulf retired Crist 4-7 on October 15, 2020, is this retirement date correct?
- b. If your response to Question 1.a is affirmative, please explain why Gulf did not seek the Commission's approval to establish regulatory assets for the Crist Units 4-7 capital recovery deficiencies prior to the date of Crist 4-7 retirements as required by Commission Rule, given that Gulf has planed "the retirement of coal generation assets and capacity at Crist 4-7 (including common assets)" even before filing its 2020 Ten Year Site Plan as indicated in paragraph 1 of the Petition.
- c. If your response to Question 1.a is negative, please identify the retirement date of Crist 4-7.

2. Please refer to the Petition, Exhibit 1, Attachment MG-1 for the following questions (1.a through 1.h).
  - a. Please identify the source(s) and dates of Gulf's fuel price forecast used to derive the gas and coal costs (including both commodity and transportation) as presented in this Exhibit.
  - b. Please list any other Commission proceedings in which Gulf has filed and/or utilized the same fuel price forecast used to derive the gas and coal costs presented in this Exhibit.
  - c. Has Gulf compared the fuel price forecast used to derive the gas and coal costs presented in this Exhibit to any other publicly available source of forecasted fuel prices, such as the Energy Information Administration (EIA)? If so, please discuss the results of any analysis performed.
  - d. Please provide a detailed explanation (with specificity) of the sensitivity analyses (high case, low case) Gulf performed with regard to forecasted fuel prices for the purposes of determining the potential savings resulting from the retirement of Crist 4-7. If Gulf did not perform a sensitivity analysis of fuel price forecast, please explain why the Company chose not to do so.
  - e. Please provide Gulf's fuel price forecasts (base case in nominal and real terms) used to determine the coal and natural gas costs appearing in Attachment MG-1 CPVRR analyses. Also provide the high and low case coal and natural gas price forecasts complementing these base forecasts for this same period, as relates to Question 1.d.
  - f. Assuming Gulf's low case coal price forecast and Gulf's high case gas price forecast from Question 1.e. were used in deriving the costs shown in Attachment MG-1, what would be the resulting CPVRR outcomes?
  - g. Assuming Gulf's high case coal price forecast and Gulf's low case gas price forecast from Question 1.e. were used in derive the costs shown in Attachment MG-1, what would be the resulting CPVRR outcomes?
  - h. Please provide Gulf's commodity, transportation, and delivered nominal fuel price forecasts, for coal and natural gas respectively, used in its evaluation supporting the CPVRR analyses used in Attachment MG-1.
3. Please discuss Gulf's fuel forecast methodology. Please also remark on the approximate length of time Gulf has employed this same or very similar fuel forecasting methodology for Company planning purposes.
4. Please provide the percent error in Gulf's delivered coal and natural gas price forecasts out 3 years using data which supported Gulf's 2017 through 2019 Ten Year Site Plans,

per the following tables. Please provide a detailed explanation for any forecast error rate in excess of 20 percent.

**Accuracy of Coal and Natural Gas Price Forecasts**

| Year    | Coal Price Annual Forecast Error Rate (%) |   |   | Natural Gas Price Annual Forecast Error Rate (%) |   |   |
|---------|---|---|---|--|---|---|
|         | Years Prior                               |   |   | Years Prior                                      |   |   |
|         | 3   | 2 | 1 | 3  | 2 | 1 |
| 2017    |   |   |   |  |   |   |
| 2018    |   |   |   |  |   |   |
| 2019    |   |   |   |  |   |   |
| Average |   |   |   |  |   |   |

**Coal and Natural Gas Price Forecasts**

| Year    | Coal Price Annual Forecast (\$/MMbtu) |   |   | Natural Gas Price Annual Forecast (\$/MMbtu) |   |   |
|---------|---------------------------------------|---|---|--|---|---|
|         | Years Prior                           |   |   | Years Prior                                  |   |   |
|         | 3                                     | 2 | 1 | 3  | 2 | 1 |
| 2017    |                                       |   |   |  |   |   |
| 2018    |                                       |   |   |  |   |   |
| 2019    |                                       |   |   |  |   |   |
| Average |                                       |   |   |  |   |   |

5. If applicable, please explain how Gulf used its fuel price forecasts extending through the remaining average service life of Plant Crist Units 4-7 to determine the cost effectiveness of the early retirement of its coal generation and handling assets as proposed in its Petition.
6. If Gulf did not use its fuel price forecasts extending through the remaining average service life of Plant Crist Units 4-7 to determine the cost effectiveness of the early retirement of its coal generation and handling assets as proposed in its Petition, please explain why it did not do so.
7. Please refer to Gulf's Petition for approval of regulatory assets related to the retirements of Plant Crist 4-7 (Petition), Paragraphs 1 and 4, and Exhibit 1, Attachment MG-1. Has Gulf considered the savings of the environmental compliance costs that would result from the retirements of Crist 4-7 coal units in its CPVRR analyses? These potential savings could include the avoided emission costs of SO<sub>2</sub>, NO<sub>x</sub>, Hg, CO<sub>2</sub> (potentially), the O&M costs associated with operating various environmental compliance equipment.
  - a. If your response to the above question is negative, please explain why these emission-related savings were not considered in deriving Gulf's CPVRR analyses for the instant case.
  - b. If your response to the above question is affirmative, please provide an update to Attachment MG-1 by including the emission-related savings, if possible.

8. Please provide Gulf's annual CO2 price forecast for 2020 through 2038.
9. Please provide the source and date of Gulf's annual CO2 price forecast for 2020 through 2038.
10. Please explain whether Gulf's CO2 price forecast from 2020 through 2038 is relevant to determining the cost effectiveness of the early retirement of its coal generation and handling assets as proposed in its Petition.
11. Compare the short term, medium term, and long term fuel price forecasts presented in Gulf's 2020 Ten Year Site Plan to Gulf's current fuel price forecasts supporting its Petition. Please identify any significant changes in the price forecasts and the reasons for such changes.
12. Please refer to Paragraph 6 of the Petition, which provides in part "[t]o the extent the Commission believes a waiver of Rule 25-6.0436(7)(a), F.A.C. is necessary for granting this requested relief, Gulf hereby requests a limited waiver of this rule under Section 120.542, Fla. Stat."
  - a. From what portion or portions of Rule 25-6.0436(7)(a) does Gulf request a limited waiver?
  - b. What does Gulf mean by "limited" waiver? Is the requested limit on the timing or scope of the waiver or some other issue or combination of issues?
  - c. Explain in detail the "substantial hardship on Gulf" as that phrase is used in Paragraph 6 of the Petition.
  - d. Explain in detail the manners in which a limited waiver of Rule 25-6.0436(7)(a) would "comply with the purpose of the underlying statutes, Section[s] 350.115, 366.04(2)(f), and 366.06(1), Fla. Stat."
  - e. Explain in detail the facts that demonstrate that the purpose of Sections 350.115, 366.04(2)(f), and 366.06(1), Fla. Stat., will be or has been achieved by other means by Gulf, as is required by Section 120.542(2), Fla. Stat.

Because Paragraph 6 of the Petition filed by Gulf does not meet the minimum pleading requirements of Rule 28-104.002, F.A.C., regarding a petition for variance or waiver, notice has not been published pursuant to Section 120.542(6), Fla. Stat. Based on the responses to these requests, staff will engage in further analysis. If Gulf contends that Paragraph 6 is a formal request for a limited waiver, please consider this data request to be a request for additional information pursuant to Section 120.542(7), Fla. Stat.

December 10, 2020  
Staff's Second Data Request to Gulf Power Company  
Page 5

Please file all responses electronically no later than December 17, 2020 from the Commission's website at [www.floridapsc.com](http://www.floridapsc.com), by selecting the Clerk's Office tab and Electronic Filing Web Form. Please feel free to call me at (850) 413-6187 if you have any questions.

Sincerely,

**/s/ Shaw Stiller**

Shaw Stiller  
Senior Attorney

SS/lms

cc: Office of Commission Clerk