

STATE OF FLORIDA

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(850) 413-6480

Public Service Commission

March 27, 1998

Ms. Susan D. Cranmer
Gulf Power Company
Post Office Box 13470
Pensacola, Florida 32591-3470

Re: Docket No. 980366-EI

Dear Ms. Cranmer:

Gulf Power Company's request for amortization of its investment in a cogeneration facility located in Pace, Florida, is under review. Staff would like to understand more about this facility and the role it will play in Gulf's provision of electric service for the community served.

Attached are several questions from staff concerning Gulf's request. Please provide the Company's responses, and any other information which would help the Commission evaluate the request, by April 10, 1998. This should allow staff to file a recommendation for the Commission's consideration at its May 19, 1998, Agenda Conference.

Please be advised that the Recommendation or Commission action in this docket should not be regarded as a review or judgment concerning the prudence of the associated capital investment.

We appreciate your cooperation in providing the requested information.

Sincerely,

Patricia S. Lee
Patricia S. Lee
US/C Engineer Supervisor

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cc: **Division of Records and Reporting**
Division of Legal Services (C. Keating)
Division of Electric and Gas (Bohrmann, Colson)
Division of Auditing and Financial Analysis (Sickel)

7. Staff would like to understand Gulf's responsibilities for anticipated expenditures relating to this site, including capital, operating, and maintenance. In particular, what are Gulf's anticipated responsibilities relating to:
 - a. Purchase of fuel?
 - b. Normal (non-fuel) operating costs?
 - c. Equipment maintenance?
 - d. Equipment replacement?
 - e. Facility dismantlement?

OPERATIONAL QUESTIONS

8. How will Gulf price the electricity and steam from this cogeneration facility?
9. Please provide copies of all contracts for sale of energy from this facility.
10. What is the cost/kw for this facility?
11. How does the price of this cogeneration facility compare to Gulf's avoided cost?
12. If the cost/kw(provided in response to number 10 above) is higher than Gulf's avoided cost, please explain how purchasing this facility will provide a greater benefit to Gulf's ratepayers than other options, including conservation.
13. How will Gulf book the revenues from the sale of steam from this facility?
14. What tariff rate will Gulf use to sell electricity to the steam user?
15. How will this cogeneration facility be dispatched? Will economics determine how it will run, or will there be "must run" periods in order for Gulf to supply steam?