



August 24, 2001

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 010827-EI

Enclosed is Gulf Power Company's Request for Confidential Classification for certain portions of the transcripts of the depositions of M. W. Howell and R. R. Labrato taken on August 15, 2001, in the above docket.

Sincerely,



Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER-DATE
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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Gulf Power Company's petition for)	
approval of purchased power arrangement)	Docket No.: 010827-EI
regarding Smith Unit 3 for cost recovery)	Date Filed: August 27, 2001
through recovery clauses dealing with)	
purchased capacity and purchased energy.)	
_____)	

REQUEST FOR CONFIDENTIAL CLASSIFICATION

GULF POWER COMPANY ["Gulf Power", "Gulf", or the "Company"], by and through its undersigned attorney and pursuant to Rule 25-22.006, Florida Administrative Code, hereby files a request that the Florida Public Service Commission enter an order protecting from public disclosure certain portions of the transcripts of the depositions of M.W. Howell and Ronnie R. Labrato taken on August 15, 2001. As grounds for this request, Gulf Power Company states:

Notices and communications with respect to this Request should be addressed to:

Jeffrey A. Stone, Esquire
Russell A. Badders, Esquire
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32576-2950

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer
Gulf Power Company
One Energy Place
Pensacola, FL 32520-0780

1. Certain specified portions of the transcripts for the August 15, 2001 depositions of M.W. Howell and Ronnie R. Labrato are entitled to designation as confidential pursuant to Sections 366.093(3)(a), (d) and (e), Florida Statutes. The information for which confidential classification is being sought falls into two categories. The first category is discussion relating to the purchased power agreement (PPA) filed with the Commission pursuant to a request for confidential classification on June 22, 2001. These discussions either disclose the confidential

terms of the PPA or provide information that would allow another to derive the contents the confidential contractual terms. The June 22, 2001, request for confidential classification sets forth in detail the arguments upon which Gulf basis its claim for confidential classification for the PPA and matters related to the confidential portions thereof. This request incorporates by reference those arguments. The second category of information contained in the deposition transcripts is that related to the spreadsheet provided to the Commission pursuant to a request for confidential classification dated June 29, 2001. The June 29, 2001, request for confidential classification sets forth in detail the arguments upon which Gulf basis its claim for confidential classification for the spreadsheet and matters related to the confidential portions thereof. This request incorporates by reference those arguments. The following two paragraphs generally restate the arguments made in the June 22 and 29 Requests for Confidential Classification.

2. The discussions at and the resulting transcript of the depositions of M.W. Howell and Ronnie R. Labrato contain details of the PPA including contractual terms and analysis utilizing those terms. In addition, much of the discussions involve information that is derived from the confidential parts of the PPA or provide information that can be used to derive the confidential contractual terms. This information is entitled to designation as confidential pursuant to Section 366.093(3)(a) and (e), Florida Statutes. During the past 5 years, the wholesale electricity markets in the United States have become increasingly competitive. The PPA contains proprietary and commercially sensitive information regarding Southern Power which if disclosed to the general public would cause irreparable harm to both Gulf and the party with whom it has entered into a contract. The nature of the competitive wholesale market in which Southern Power operates requires that the confidentiality of the specific terms and

conditions of the PPA be assured in order to safeguard Southern Power from the competitive disadvantages that could result from its public disclosure. Long-term power contracts typically contain combinations of a great number of significant price and non-price terms which render each contract unique. Knowing the details of one's competitors' prices and terms and conditions of service confers a distinct advantage on competing suppliers and a corresponding disadvantage to purchasers. Once competitors learn the pricing details and terms and conditions of service offered by their successful counterpart, a market target price and terms are established for wholesale power service in that market. Revelation of such information removes the incentive for competitors to aggressively cut costs, reduce margins and offer better terms and conditions. This competitive intelligence allows future offers to include prices only slightly lower than the public target price and similar non-price terms. Just as important is the fact that public disclosure of this information would give competitors insight into Southern Power's strategy for managing risk, setting prices and meeting obligations of the agreement. In this instance, public disclosure of the specific terms and conditions of the PPA would give competitors access to details about Southern Power's costs and operations that are not otherwise available in the competitive market. This would result in Southern Power being severely disadvantaged in any bid process in which they participate since other potential bidders would have vital information about Southern Power that they could use to undercut any bid submitted by Southern Power. Southern Power does not have access to any similar information about its competitors. This virtually eliminates Southern Power from being truly competitive in the very market in which it operates its business. On a broader view, the harm to competition in the wholesale electricity market in general is substantial. The competitive process is built on many principles, one of which is the control and

flow of vital information. Competition requires bidders to bid what they perceive is their best offer under the prevailing market constraints based on the best information available to them at that time. Public disclosure of the information filed pursuant to this Request would cause the competitive market to become distorted by an asymmetrical flow of information among the pool of potential bidders. Southern Power's competition would be given far greater information than they are otherwise entitled in the market. Over time, Southern Power could become ineffective as a competitor and competition is then lessened by their inability to participate in the wholesale electricity market in a meaningful manner. In addition, other wholesale electricity suppliers may become hesitant or even decide to forgo participation in the Florida wholesale electricity market for fear that their proprietary and confidential business information and other trade secrets will be made public. Thus, the Companies assert that this information is entitled to designation as confidential pursuant to Section 366.093(3)(a) and (e), Florida Statutes.

3. The information provide in the PPA is further entitled to confidential classification as information concerning contractual data, the disclosure of which would impair the efforts of the public utility or its affiliates to contract for goods or services on favorable terms. Section 366.093(3)(d), Florida Statutes, provides that such information is proprietary confidential business information to be afforded protection from public disclosure. For the reasons stated in paragraph 2 above, the public disclosure of the specific contractual terms and conditions of the PPA would result in irreparable harm to Southern Power. Gulf would suffer similar harm, but from the perspective of a purchaser in the wholesale energy market. Southern Power will not enter into the PPA with Gulf if the terms and conditions of said PPA are publically disclosed. Other entities with whom Gulf may desire to enter into a purchased power agreement in the

future may have the same concerns and take the same position. Gulf would then be in a very difficult market position and may be unable to acquire purchased power at a competitive price.

4. The information filed pursuant to Request is intended to be, and is treated as, confidential by the Companies and has not been otherwise publicly disclosed.

5. Submitted as Exhibit "A" is a copy of the transcripts of M.W. Howell and Ronnie R. Labrato, on which is highlighted the information for which confidential classification is requested. Exhibit "A" should be treated as confidential pending a ruling on this request. Attached as Exhibit "B" are two (2) edited copies of the transcripts, which may be made available for public review and inspection. Attached as Exhibit "C" to this request is a line-by-line/field-by-field justification for the request for confidential classification.

WHEREFORE, Gulf Power Company respectfully requests that the Commission enter an order protecting the information highlighted on Exhibit "A" from public disclosure as proprietary confidential business information.

Respectfully submitted this 24th day of August 2001,



JEFFREY A. STONE

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Attorneys for Gulf Power Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Gulf Power Company's petition for)	
approval of purchased power arrangement)	Docket No.: 010827-EI
regarding Smith Unit 3 for cost recovery)	
through recovery clauses dealing with)	Date Filed: August 27, 2001
purchased capacity and purchased energy.)	
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EXHIBIT "A"
REQUEST FOR CONFIDENTIAL CLASSIFICATION

The information provided herein should be maintained as proprietary confidential business information pursuant to Section 366.093 and Rule 25-22.006, F.A.C.

EXHIBIT "A"

Provided to the Division of Records and Reporting
under separate cover as confidential information

EXHIBIT "B"

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 010827-EI

In the Matter of

PETITION BY GULF POWER COMPANY FOR
APPROVAL OF PURCHASED POWER
ARRANGEMENT REGARDING SMITH
UNIT 3 FOR COST RECOVERY CLAUSES
DEALING WITH PURCHASED CAPACITY
AND PURCHASED ENERGY.

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A CONVENIENCE COPY ONLY AND ARE NOT
THE OFFICIAL TRANSCRIPT OF THE HEARING,
THE .PDF VERSION INCLUDES PREFILED TESTIMONY.

EXCERPT OF CONFIDENTIAL QUESTIONS AND ANSWERS

DEPOSITION OF: M. W. HOWELL

TAKEN AT THE
INSTANCE OF: The Staff of the Florida
Public Service Commission

PLACE: Gerald L. Gunter Building
Room 309
2540 Shumard Oak Boulevard
Tallahassee, Florida

TIME: Commenced at 9:30 a.m.
Concluded at 6:13 p.m.

DATE: Wednesday, August 15, 2001

REPORTED BY: JANE FAUROT, RPR
Chief, Office of Hearing Reporter Services
FPSC Division of Commission Clerk and
Administrative Services
(850) 413-6732

FLORIDA PUBLIC SERVICE COMMISSION

1 APPEARANCES:

2 JEFFREY A. STONE and RUSSELL BADDERS, Beggs & Lane,
3 700 Blount Building, 3 West Garden Street, Post Office Box
4 12950, Pensacola, Florida 32576-2950, appearing on behalf of
5 Gulf Power Company.

6 VICKI GORDON KAUFMAN, McWhirter, Reeves, McGlothlin,
7 Davidson, Dekker, Kaufman, Arnold & Steen, 117 South Gadsden
8 Street, Tallahassee, Florida 32301, appearing on behalf of
9 Florida Industrial Power Users Group.

10 ROB VANDIVER, Associate Public Counsel, and ROGER
11 HOWE, Associate Public Counsel, Office of Public Counsel, 111
12 West Madison Street, Room 812, Tallahassee, Florida 32399-1400,
13 appearing on behalf of the Citizens of the State of Florida.

14 MARLENE STERN, FPSC Division of Legal Services, 2540
15 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870,
16 appearing on behalf of the Commission Staff.

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S T I P U L A T I O N

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IT IS STIPULATED that this deposition

was taken pursuant to notice in accordance with the applicable
Florida Rules of Civil Procedure; that objections, except as to
the form of the question, are reserved until hearing in this
cause; and that reading and signing was not waived.

IT IS ALSO STIPULATED that any off-the-record
conversations are with the consent of the deponent.

1 P R O C E E D I N G S

2 MS. STERN: We are now continuing with Mr. Howell's
3 deposition.

4 MR. STONE: Am I also to understand that in this part
5 of the deposition you will be referring to confidential
6 documents?

7 MS. STERN: Yes.

8 MR. STONE: I have lost track of where we are in
9 regards to the protective order.

10 MS. STERN: The protective order allows you to just
11 say whenever there is a confidential document at any time. I
12 mean, you could have done it in the beginning, like you did.
13 We have saved our confidential questions to the end because we
14 figure it makes it easier on you. So now you are thinking,
15 okay, what we are asking might be confidential, you know, be
16 particularly alert to it now. Ultimately there will be two
17 transcripts produced from this deposition.
18 Let's go off the record.

19 (Off the record.)

20 CONTINUED DIRECT EXAMINATION

21 BY MS. STERN:

22 Q Okay. I'm going to ask you about the purchased power
23 agreement. It would be helpful for you to have it handy.

24 Okay. On Page 2 of 5 of Appendix B.

25 MR. STONE: Because you are into the contract itself,

FLORIDA PUBLIC SERVICE COMMISSION

1 I suspect that this is going to be confidential, and I reserve
2 the right to request confidential treatment on this response to
3 this question. Is that sufficient for purposes of the
4 protective order?

5 MS. STERN: I think so.

6 THE WITNESS: B, what?

7 MS. STERN: Appendix B, Page 2 of 5.

8 THE WITNESS: Okay.

9

10 BY MS. STERN:

11 Q [REDACTED]

12 [REDACTED]

13 MR. STONE: The nature of the question also would be
14 included in the confidential portion, because it did go into a
15 specific term on that page.

16 A Yes.

17 Q Okay. [REDACTED]

18 [REDACTED]

19 A [REDACTED]

20 Q [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 A [REDACTED]

24 Q [REDACTED]

25 [REDACTED]

1 A [REDACTED]

2 [REDACTED]

3 THE WITNESS: And this is all confidential, Jeff, so
4 are we covered? Can I answer yet?

5 MR. STONE: I have reserved this entire answer, this
6 entire line of questions right now.

7 BY MS. STERN:

8 Q [REDACTED]

9 [REDACTED]

10 A [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 Q Yes.

22 A Okay, good.

23 Q Who determines whether fuel and energy will be
24 delivered from an alternate resource?

25 A The same thing we talked about earlier, if there is

1 not a voltage problem, they determine, Southern Power
2 determines if they want to deliver it from an alternate
3 resource.

4 Q [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 A [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 Q On what basis does Southern Power determine whether
12 fuel and energy will be delivered from an alternate resource?

13 A Is that a new question?

14 Q Yes.

15 THE WITNESS: On every question do we state that --
16 because this is a confidential issue, do we say this again
17 every time or how do we work it?

18 MR. STONE: I guess we need to on each new line of
19 questions.

20 THE WITNESS: If I say this is a confidential issue,
21 is that good enough to satisfy all the hypertechnical concerns?

22 MS. STERN: Yes.

23 THE WITNESS: It is? Okay.

24 MS. STERN: Let's go off the record for a second.

25 (Off the record.)

1 THE WITNESS: Are we back on the record? Well, then
2 I think this is an area of confidentiality, and the answer is
3 it is Southern Power's choice.

4 MS. STERN: Thank you.

5 BY MS. STERN:

6 Q [REDACTED]

7 [REDACTED]

8 A There is no difference.

9 Q Okay. If the purchased power agreement is approved,
10 Southern Power will provide the fuel for Smith Unit 3, correct?

11 A Correct.

12 Q Okay, that's fine. Here is another question, more
13 questions about the contract.

14 A Yes, ma'am.

15 Q [REDACTED]

16 [REDACTED]

17 MR. STONE: I'm not sure I understood the question.
18 Could you rephrase it or restate it. **And because it** is asking
19 about terms in the contract the question itself may be
20 confidential. So would you restate it again.

21 MS. STERN: [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 MR. STONE: [REDACTED]

25 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 MS. STERN: [REDACTED]
6 [REDACTED]
7 (Pause.)
8 THE WITNESS: Could you rephrase it, I'm sorry?
9 MS. STERN: Rephrase the question?
10 MR. STONE: Hang on a second, please.
11 (Off the record.)
12 MR. STONE: The answer to this question will be
13 considered confidential.
14 THE WITNESS: [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 Was that responsive to the question?
21 MS. STERN: Yes.
22 BY MS. STERN:
23 Q [REDACTED]
24 A [REDACTED]
25 Q [REDACTED]

1 A [REDACTED]
2 [REDACTED]
3 Q Thank you very much.
4 A Surely.
5 Q [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 A [REDACTED].
10 Q [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 A Sure. Under the agreement --
14 THE WITNESS: And this is very confidential, so will
15 we be able to proceed?
16 MR. STONE: Subject to the admonition that this is
17 confidential, and we will include this is in the confidential
18 portion of the transcript and we will file a request for
19 confidential treatment, you may answer the question under that
20 guidance.
21 THE WITNESS: [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

1 [REDACTED]
2 [REDACTED].
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]

10 MR. STONE: How does this right here translate into
11 the transcript?

12 THE WITNESS: I don't know.

13 MR. STONE: Not very well.

14 MS. STERN: [REDACTED]

15 THE WITNESS: [REDACTED]

16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

1 MS. STERN: Thank you.

2 BY MS. STERN:

3 Q [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 A [REDACTED]

7 MR. STONE: Once again, the question is getting into
8 confidential material and we reserve the right to request
9 confidential treatment on both the question and the response.

10 MS. STERN: [REDACTED]

11 [REDACTED]

12 MR. STONE: [REDACTED]

13 BY MS. STERN:

14 Q [REDACTED]

15 A [REDACTED]

16 Q [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 A [REDACTED]

20 Q [REDACTED]

21 A [REDACTED]

22 Q [REDACTED]

23 [REDACTED]

24 MR. STONE: Would it be helpful if Mr. Howell
25 explained how that would work?

1 THE WITNESS: Would you like me to explain how it
2 works?

3 MS. STERN: [REDACTED]

4 MR. STONE: And this explanation is subject to the
5 request for confidential treatment.

6 THE WITNESS: [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]

12 MS. STERN: No, that's fine. That was very helpful.

13 Let's go off the record, please.

14 (Off the record.)

15 BY MS. STERN:

16 Q [REDACTED]
17 [REDACTED]

18 A [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]

22 Q Okay, thank you.

23 A Sure.

24 Q [REDACTED]

25 A [REDACTED]

1 MR. STONE: As noted earlier when you started to turn
2 to this section, we consider this confidential and reserve the
3 right to protect both the question and the answer pursuant to a
4 request for confidential treatment.

5 A Okay.

6 Q [REDACTED]

7 [REDACTED]

8 [REDACTED].

9 A [REDACTED]

10 Q [REDACTED]

11 [REDACTED]

12 A [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

1 Q [REDACTED]
2 [REDACTED]
3 [REDACTED]

4 MR. STONE: Once again, we consider the question
5 confidential as well as the response.

6 A [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]

11 Q Okay, thank you. These are questions that we weren't
12 sure if they were confidential, but they might be.

13 A That's all right.

14 Q Is Gulf required to purchase all of the capacity --
15 I'm sorry, I asked that. If Gulf nominates and dispatches the
16 full output of Smith Unit 3, but sells some power to the
17 Southern Company pursuant to the IIC, how are the revenues from
18 such sales treated for Gulf's retail customers?

19 MR. STONE: I think the premise of the question is a
20 little faulty in terms of how the IIC works, and I'm not sure
21 how to address a concern about the premise of the question. It
22 assumes something that I'm not sure is accurate with regard to
23 how the IIC operates.

24 MS. STERN: What is the assumption that you think is
25 inaccurate?

1 MR. STONE: It assumes that we would purchase and
2 nominate energy and then sell energy back to the pool, and I
3 don't believe that is the way system dispatch works. I
4 think -- that is where I'm concerned about the premise of the
5 question. Given that, if Mr. Howell can address the question,
6 he may change your premise.

7 THE WITNESS: Let me offer an answer that I hope and
8 think will be responsive, and I will count on you to tell me if
9 it wasn't, because we want you to understand. Let's take an
10 instance where Gulf -- of course, this unit will be an economic
11 dispatch. And as such, companies are every hour in the pool
12 dispatch asked to provide more energy than they need for their
13 customers or less energy. I mean, it could be a fluke that you
14 are dead on it. But when you economically dispatch the system
15 somebody overgenerates and somebody undergenerates.
16 So we obviously are purchasing all of this energy from Southern
17 Power pursuant to this agreement, but we are also operating the
18 unit in economic dispatch. We are getting credit in the IIC
19 for this capacity and we are, therefore, bound by contract to
20 make the output available to the pool just as everybody else
21 makes their output available.
22 So let's take an hour where we generate more power out of there
23 than we really need, it is sold to the pool. There are two
24 places that will go. One, it will go for what we call pool
25 energy, and that is another system company needs that. Well,

1 in the fuel clause that we filed with you all, this energy, the
2 cost of that energy is credited to our customers through the
3 fuel clause regardless, you know, it just goes to the fuel
4 clause.

5 If it goes off-system, it is treated differently. If we make
6 an off-system transaction, say VEPCO, our old friend, wants to
7 buy 100 megawatt hours from Southern next hour, then whoever
8 provides that energy, let's say it all comes out of Smith 3,
9 okay? Whatever the cost of providing that energy is, Gulf is
10 compensated for that. And hopefully we made a profit off of
11 that 100 megawatts hours. And then the profit after you take
12 the cost of the transaction price -- I'm sorry, the price we
13 sell at minus our costs, all costs to generate, we are
14 compensated for that. That difference in profit is then
15 allocated among the companies on a peak period load ratio
16 share.

17 You all are well aware until Gulf exceeds a certain threshold,
18 100 percent of those profits flow back to the customer. So
19 those are the two instances where we do that, and that is the
20 end of my answer. Was I responsive to the question?

21 Q Yes. Thank you. Would there be any difference with
22 the PPA as opposed to if Gulf owned the unit?

23 A No, ma'am. The cost -- certainly the pool doesn't
24 care whether we own the unit or Southern owns the unit, that
25 will not in any way impact the price we sell at. And the cost

1 of that unit to generate electricity, it doesn't care who owns
2 it. It knows what its physical technical requirements are, so
3 there will be no difference in the two.

4 Q Okay. I think you might have answered this question,
5 but I will ask it. If Gulf nominates and dispatches the full
6 output but sells some power outside of Southern Company, how
7 are the revenues from such sales treated for Gulf's retail
8 customers?

9 A Okay. That was part of the previous answer, and the
10 answer is after we are paid for our cost of generating the
11 energy, the profits of a system sale are allocated load ratio
12 among the companies. Gulf will return 100 percent of those
13 profits to the customer until we exceed a threshold of profits
14 in excess of the prior three-year average.

15 MS. STERN: Let's take a fifteen-minute break.

16 (Recess.)

17 BY MS. STERN:

18 Q This is a question that might involve confidential
19 information.

20 A Yes, ma'am.

21 Q On Page 13 of your direct testimony, the original,
22 the first.

23 A Okay.

24 Q [REDACTED]

25 [REDACTED]

1 A [REDACTED]

2 Q [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 A [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 THE WITNESS: And this is confidential, so we will
9 need to -- is your statement a ditto or whatever?

10 MR. STONE: We are reserving the right to request
11 confidential treatment of this response.

12 THE WITNESS: [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 contr [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 somet [REDACTED]

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 MS. STERN: Yes.

5 BY MS. STERN:

6 Q Okay. These are confidential, I believe, and you may
7 end up deferring to Mr. Labrato.

8 A Yes, ma'am.

9 Q In Section -- I'm going to ask you about Section
10 11.2.3 of the PPA.

11 A Yes, ma'am.

12 Q Okay. Do you see the reference there to other
13 unscheduled outages?

14 A Yes, ma'am. Well, I guess I don't. 11.2.3?

15 MR. LABRATO: Page 20.

16 A Page 20. I see unscheduled maintenance activities,
17 but I don't see the other outages, I guess.

18 Q Okay. [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 MR. STONE: The nature of the question itself is
22 confidential and so will be the response.

23 A [REDACTED]

24 [REDACTED]

25 Q Okay.

1 A [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 di [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 Q Thank you.
14 A Sure.
15 Q [REDACTED]
16 A [REDACTED]
17 Q [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 A [REDACTED]
21 Q [REDACTED]
22 A [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 th [REDACTED]
7 [REDACTED]
8 Q [REDACTED]
9 A [REDACTED]
10 Q O [REDACTED]
11 [REDACTED]
12 A [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 Q Okay, thanks.
18 A Sure.
19 Q [REDACTED]
20 A Okay.
21 MR. STONE: Once again, this is subject to
22 confidentiality.
23 Q [REDACTED]
24 [REDACTED]
25 A [REDACTED]

1 Q [REDACTED]
2 [REDACTED]
3 [REDACTED] ?
4 A [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 it' [REDACTED]
15 Q [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 A [REDACTED]
20 Q [REDACTED]
21 [REDACTED]
22 A [REDACTED]
23 [REDACTED]
24 what [REDACTED]
25 [REDACTED]

1 [REDACTED]
2 [REDACTED]
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5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 Q [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 A [REDACTED]
13 Q [REDACTED]
14 [REDACTED]
15 A [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 Q [REDACTED]
24 [REDACTED]
25 [REDACTED]

1 A [REDACTED]

2 Q [REDACTED]

3 MR. STONE: Can we go off the record for a second.

4 MS. STERN: Yes.

5 (Off the record.)

6 BY MS. STERN:

7 Q Let's go back on the record. Okay. Can you identify

8 specific sections of the PPA that clearly give Gulf the right

9 to purchase all of the output from Smith Unit 3?

10 A Yes, ma'am, I can.

11 Q Would you, please?

12 A I would. Let's turn first to Page 5.

13 MR. STONE: Is this answer confidential?

14 THE WITNESS: Yes, sir.

15 MR. STONE: Okay.

16 A Okay. On Page 5, 1.1.15, designated capacity is

17 defined as the amount of capacity in megawatts with a combined

18 cycle block as nominated by the seller at rated conditions.

19 The designated capacity shall be nominated for each annual

20 period by May 1st prior to the beginning of each such annual

21 period and may not exceed the demonstrated capability.

22 What does all that mumbo jumbo say? Well, if you

23 break it down it says that they have got to demonstrate what

24 the unit can produce. And they will then designate that

25 capacity, the seller will designate how much capacity it can

1 produce based on what it can provide.

2 Turn to Page 14. Section 5.1.1, during the service
3 term -- that is the first ten years, the period of most
4 interest -- seller shall sell to buyer and buyer shall purchase
5 from seller up to the entire electrical output of the CC block,
6 the facility. [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

11 Q Okay.

12 A [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

1 Q Okay. Thank you.

2 MS. STERN: Could we go off the record?

3 THE WITNESS: Surely.

4 (Off the record.)

5 BY MS. STERN:

6 Q Okay. Mr. Howell, I want to direct your attention to
7 Section 1.1.15 and 5.1.1 of the purchased power agreement.
8 Could you explain how these two conditions work together to
9 assure that Gulf is entitled to all the capacity from Smith
10 Unit 3?

11 A Yes. On Section 5.1.1, during the service term, the
12 first ten years, the seller shall sell to buyer and buyer shall
13 purchase from seller up to the entire electrical output of the
14 CC block. We have the rights up to the entire electrical
15 output of the block. And the intent of that language is that
16 anytime we want to can buy the entire electrical output of the
17 block through the energy.

18 If we don't need that amount of energy during that
19 time, then obviously we wouldn't schedule all of that energy.
20 The purpose of Section 1.1.15 is to define what designated
21 capacity is, and that is the amount of capacity that the
22 combined cycle block or the unit can generate at rated
23 conditions.

24 [REDACTED]

25 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]

6 Q Okay, thank you very much.

7 A Sure.

8 Q Okay. Another question about the PPA which we think
9 is confidential and likely to be. [REDACTED]
10 [REDACTED]
11 [REDACTED]

12 MR. STONE: And we concur that the question and
13 answer is subject to confidentiality.

14 A [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 Q [REDACTED]

18 A [REDACTED]

19 Q I'm there.

20 A [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 heat [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 Q Okay, thank you. Would you refer to -- I believe
19 this is from your supplemental testimony Exhibit RRL/MWH-1?

20 MR. STONE: I believe that is the June 29th
21 spreadsheet?

22 MS. STERN: Yes.

23 MR. STONE: That was filed pursuant to a request for
24 confidential treatment as to the bottom portion.

25 MS. STERN: Yes.

1 THE WITNESS: Okay.

2 BY MS. STERN:

3 Q How would the net present value analysis change if 12
4 percent were used as the ROE?

5 MR. STONE: With regard to the top portion, that
6 would be a question that would be in Mr. Labrato's --

7 THE WITNESS: Yes, Mr. Labrato will answer anything
8 on the top. I will be glad to answer anything on the bottom.

9 MS. STERN: Let's go off the record.

10 (Off the record.)

11 MS. STERN: Let's go back on the record. Let's
12 disregard that last question. I think we may be all done. Let
13 me just make one last check and make sure there is not a
14 question I forgot. Actually there is a question I forgot. It
15 is not confidential, but let me make sure that I got all the
16 confidential questions.

17 BY MS. STERN:

18 Q One last question, and I don't believe this is
19 confidential. What regulatory body will set the depreciation
20 rates for Smith Unit 3 if the PPA is approved?

21 A I have no idea.

22 Q That's it.

23 A But I believe Mr. Labrato might know more than I do.

24 (Off the record.)

25 MS. STERN: The other parties have questions for Mr.

1 Howell.

2 MR. HOWE: I have a few questions.

3 * * *

4 Q [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 MR. STONE: The way I heard your question, I have a
11 concern about the premise of the question, it potentially being
12 confidential information because it referred to the PPA. I
13 think if you eliminate the PPA portion of your question, I
14 don't think we have a confidentiality issue.

15 MS. STERN: Okay. Let me rephrase the question.

16 THE WITNESS: Sure.

17 * * *

18 Q Okay. [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 MR. STONE: That question relates to the document,
23 the June 29th document, and we are now asking a question that
24 relates to a line item that is in the confidential portion.
25 I'm not sure how his answer is going to be phrased, but his

1 answer may get into confidential information.

2 THE WITNESS: [REDACTED]

3 * * *

4 Q Okay. Is Southern Power in this docket, the company
5 we are calling Southern Power, the same as the Southern Power
6 that entered into the purchased power agreements with OUC, KUA,
7 and FMPPA?

8 MR. STONE: I believe that question is beginning to
9 get into confidential materials. If we can go off the record a
10 second and I can find out where you are headed with it, then I
11 can determine whether we have a problem.

12 (Off the record.)

13 MS. STERN: I'm ready to get back on the record.

14 Okay.

15 MR. STONE: You can answer the question.

16 THE WITNESS: The Orlando facility was through an EWG
17 subsidiary of Southern Power called Southern Company-Florida
18 LLC.

19 * * *

20 Q Thank you. Okay. I have some questions now about
21 the fuel and energy clauses. Who determines whether fuel and
22 energy will be delivered from an alternate resource?

23 A Southern Power.

24 Q What assurances can you provide the Commission that
25 decisions regarding Gulf Power receiving fuel and energy from

1 alternative resources will be in the best interest of Gulf
2 Power's ratepayers?

3 * * *

4 Q Did I understand you in response, though, to some
5 questions from Ms. Stern -- and this refers, I believe, to the
6 contract, Jeff -- that there are times in which Southern Power
7 could decide to deliver output from alternative sources?

8 MR. STONE: And I concur that that is getting into an
9 area that is confidential, and we will reserve the right to
10 request confidentiality both as to the question and the answer.

11 THE WITNESS: The answer is yes, they could deliver
12 from alternative sources.

13 BY MR. HOWE:

14 Q My question is --

15 A But consistent with, remember, if we have a voltage
16 problem they can't do that, if it doesn't follow prudent
17 utility practice, if it violates anything that is different
18 than the way we operate other generating utilities, they can't
19 do that.

20 Q But my question is if the unit is subject to central
21 economic dispatch, out of Birmingham, I believe, correct? And
22 it is being dispatched on that basis, in what manner can
23 Southern Power say, wait a minute, we want to provide that out
24 of an alternative source?

25 A They have that right in the contract. I don't know

1 that that has ever occurred, but that is a contractual right.

2 Q Well, so do they have a contractual right essentially
3 to override the central economic dispatch of the whole system?

4 A No, they can't override economic dispatch.

5 Q Do you understand where I'm seeing a disconnect here?
6 It appears to me that if your dispatcher in Birmingham has
7 dispatched Smith Unit 3 on an economic basis, it is just
8 dispatched, it's running because it is economic. If that is
9 true, then there would appear to be no circumstance in which
10 Southern Power could step in and say, hold it, guys, we want to
11 provide that electricity out of another unit, an alternative
12 source.

13 A Well, like I said earlier, it's the same as we
14 operate our units. If we have for some reason a need to
15 perform some unscheduled maintenance on a unit, that we go
16 ahead and do that. We give them that right. If we need that
17 unit in economic dispatch, but they need to perform some
18 unscheduled maintenance, then they would do that.

19 Q What if they do not have any unscheduled maintenance.
20 In other words, is their ability to designate an alternative
21 source limited in any way to those instances in which they have
22 forced outages, or maintenance outages, or so forth, or is it
23 just at their discretion?

24 A I don't think the contract limits them. But that is
25 the structure that we have in the contracts now. I'm not aware

1 of any situation where they would utilize that.

2 Q I understand. But I think you probably see my
3 curiosity. It appears to be that there could be circumstances
4 under the contract at which economic dispatch would say Smith
5 Unit 3 should be running, and it should be running to meet Gulf
6 Power's load. Yet Southern Power somehow apparently has the
7 ability to step in and tell the dispatcher or somebody, no, we
8 are going to run something else instead.

9 A And as long as that doesn't disadvantage us, we are
10 indifferent to that.

11 Q And at that instant at which they do, would you agree
12 that the system is not being dispatched on a purely economic
13 basis?

14 A Well, no, I wouldn't agree to that because there may
15 be, like I said, there may be other considerations that would
16 cause you to deviate from economic dispatch. We might have
17 a -- they might have a need for voltage support or something
18 like that in some other area where you have to come off of
19 economic dispatch.

20 Q But I sense that you like to talk -- your expertise
21 is so much greater than mine in this area, so I hope you would
22 tailor your answer to somebody with just a lawyer's background.
23 I am just speaking in terms of the contract as you described
24 it. I understood you to say earlier that there were situations
25 in which the unit it could be economically dispatched to meet

1 Gulf's load, but that Southern Power could step in and say they
2 would provide that power from an alternative source.

3 A And I think you also heard me say that if that
4 disadvantaged us in any way they could not do that.

5 Q [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]

10 A [REDACTED]
11 [REDACTED]

12 Q How would Southern Power interact with the
13 centralized dispatch in Birmingham such that basically they
14 would be able to substitute that alternative source?

15 A Well, any generating unit on the system that is
16 placed on economic dispatch is on economic dispatch, and they
17 would have to get permission from the pool to take it off
18 economic dispatch, provide a reason, and that reason would have
19 to be as good as any reason anybody would want to take a unit
20 off of economic dispatch. The pool has the responsibility for
21 all the operating companies to dispatch all the generating
22 units.

23 Q If it were financially in Southern Power's interest,
24 could they provide alternative power to Gulf under this
25 contract provision and use Smith Unit 3 to make an

1 off-system -- by that I mean outside the pool -- sale in the
2 wholesale market?

3 A Explain what you mean now.

4 Q Mr. Howell, I perceive that you know too much and I
5 know too little.

6 A I want you to go ahead and also perceive that I like
7 to understand the question before I answer it. As long as
8 those perceptions are clear, go ahead. I'm not sure I
9 understand the question.

10 Q [REDACTED]

11 [REDACTED]

12 A [REDACTED]

13 Q [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 A Uh-huh.

17 Q [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]?

21 A Are we talking energy or capacity?

22 Q Energy, just energy.

23 A Energy. Southern Power is just like any operating
24 company, and the transactions made off the Southern System are
25 not arranged by Southern Power, they are arranged by Southern

1 Company Services. So if it were appropriate to substitute the
2 energy for whatever reason, they may not pick up Smith Unit 3
3 to make that off-system sale, it may be another unit that would
4 be the appropriate unit. I think you are reading too much into
5 that contract term there. They do have that right. But the
6 way we operate the system, there is no way that they can, on
7 their own, say we are going to go and make an energy sale.
8 They can't do that.

9 The way we operate the pool, the pool makes the
10 sales. They get a portion of that assigned to them based on
11 their load ratio. So they can't just go out and market this
12 power and make profits. It's a pool transaction. They do not
13 have the capability or the permission to do that.

14 Q If it is a pool transaction, how then can Southern
15 Power make the decision pursuant to the PPA at issue here, to
16 provide the alternative source of power to Gulf? It would
17 appear that that decision itself would have to be a pool
18 decision.

19 A It would be. That's what I tried to say earlier, is
20 they would get permission to provide -- to not provide -- if
21 Unit 3 were the logical choice to provide energy, and they had
22 some reason to want to take it out of another source somewhere,
23 they would get clarification, get approval from the pool to do
24 that and then proceed to do it. They could not do that just to
25 make an off-system sale because they don't make the off-system

1 sales.

2 Q Then the question becomes how could Gulf Power and
3 Southern Power between themselves negotiate this provision in a
4 contract if Southern Power cannot effect the provision of
5 alternative power on its own?

6 A Well, this provision is in all the contracts. And
7 the way we operate the pool is that the pool determines which
8 units will be running. Southern Power can't just say, well,
9 I'm just going to -- Gulf, if you think it's okay, I'm just
10 going to back off Unit 3 and I'm going to supply it out of
11 another generating unit. They can't do that without
12 coordinating that with the pool. And this same provision is in
13 all the contracts that we have.

14 Q Well, then is it a provision in the contract that is
15 not consistent with the method in which the pool is operated?

16 A No, I don't agree with that.

17 Q Well, on the one hand either Southern Power can
18 operate pursuant to the contract and unilaterally decide to
19 provide the alternative source of power, or the provision is
20 not enforceable because in practice that decision is always
21 made by the pool, isn't that correct?

22 A I think as a practical matter the pool will always
23 make that decision. The right is in the contract as it is in
24 all the contracts.

25

* * *

1 Q Has Gulf ever had a PPA with an entity whose units
2 would be dispatched by the Southern pool?

3 MR. STONE: May I interpose just a reservation that
4 the answer to this question may be confidential.

5 THE WITNESS: Repeat the question, please.

6 BY MR. HOWE:

7 Q I think I said has Gulf Power ever entered into a PPA
8 with an entity whose generating unit -- by that I mean the unit
9 providing the power to Gulf -- would be dispatched by the
10 Southern pool?

11 A [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 Q [REDACTED]

15 [REDACTED]

16 A [REDACTED]

17 [REDACTED]

18 MR. STONE: Roger, may I have a moment to consult?

19 MR. HOWE: Sure.

20 (Off the record.)

21 MR. STONE: I appreciate the opportunity to go off
22 the record. Would you mind asking your question again.

23 MR. HOWE: You give me too much credit. I will
24 paraphrase it.

25 BY MR. HOWE:

1 Q [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 A [REDACTED]
6 [REDACTED]
7 Q [REDACTED]
8 [REDACTED]
9 A [REDACTED]
10 [REDACTED]
11 Q [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 A [REDACTED]
15 * * *
16 Q [REDACTED]
17 [REDACTED]
18 A [REDACTED]
19 Q [REDACTED]
20 A [REDACTED]
21 Q [REDACTED]
22 A [REDACTED]
23 Q [REDACTED]
24 A [REDACTED]
25 [REDACTED]

1 Q [REDACTED] ?

2 A South [REDACTED]

3 [REDACTED]

4 Q [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 A [REDACTED]

8 Q [REDACTED]

9 A [REDACTED]

10 [REDACTED]

11 MR. STONE: The answer to this question is actually
12 confidential, and I reserve that.

13 THE WITNESS: [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 BY MS. KAUFMAN:

18 Q [REDACTED]

19 [REDACTED]

20 A [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 * * *

1 BY MS. KAUFMAN:

2 Q Mr. Howell, I understand that voltage support was a
3 critical component of this contract, is that right?

4 MR. STONE: The answer to this question would also be
5 reserved as confidential.

6 A Yes.

7 Q [REDACTED]

8 A [REDACTED]

9 Q [REDACTED]

10 MR. STONE: The answer to this question is also
11 reserved as confidential.

12 A [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 Q [REDACTED]

18 [REDACTED]

19 A [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

1 Q Okay. I did not understand that answer, so we are
2 going to have to go back to it.

3 A All right.

4 Q My question was -- and maybe you did answer it, and I
5 just want to understand what you said. [REDACTED]

6 [REDACTED]

7 A [REDACTED]

8 Q [REDACTED]

9 [REDACTED]

10 A And this, again, is part of the confidential. [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 Q [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 A [REDACTED]

* * *

1

2 Q I want to talk about -- this probably is going to be
3 confidential, because you discussed it with the staff. [REDACTED]

4 [REDACTED]

5

MR. STONE: We will assert the confidentiality.

6

Q Let me find that. Section -- Page 28, 5.2.2.

7

A Okay.

8

Q [REDACTED]

9 [REDACTED]

10 [REDACTED]

11

A [REDACTED]

12

Q [REDACTED]

13 [REDACTED]

14

A [REDACTED]

15 [REDACTED]

16

Q [REDACTED]

17

A [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 Q Okay. Well, you have **really anticipated** my next
25 question.

1 A Have I already answered it?

2 Q I think you did, but I just want to be clear.

3 A Okay.

4 Q [REDACTED]

5 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 MR. STONE: Let me interpose an objection. The way
10 you have asked your question, for whatever reason, and
11 obviously there are limitations on the Commission's ability,
12 you did throw the word prudent in there, and so that is one
13 such limitation. So as you have asked the question, I find
14 that I have to object to it as to form.

15 MS. KAUFMAN: Okay. Well, I will rephrase it.

16 BY MS. KAUFMAN:

17 Q [REDACTED]

18 [REDACTED]

19 A [REDACTED]

20 Q [REDACTED]

21 [REDACTED]

22 A [REDACTED]

23 Q [REDACTED]

24 [REDACTED]

25 [REDACTED]

1 [REDACTED]
2 MR. STONE: They being the Commission?
3 MS. KAUFMAN: The Commission.
4 THE WITNESS: [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 BY MS. KAUFMAN:
10 Q [REDACTED]
11 [REDACTED]
12 A [REDACTED]
13 Q [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 A [REDACTED]
18 Q [REDACTED]
19 [REDACTED]
20 A [REDACTED]
21 Q You like that one, so we can go with that.
22 A It's easy to understand.
23 Q Well, I would rather do a different one, actually.
24 A Well, do one, then.
25 Q [REDACTED]

1 [REDACTED]
2 MR. STONE: [REDACTED].
3 THE WITNESS: [REDACTED]
4 [REDACTED].
5 MS. KAUFMAN: [REDACTED]
6 [REDACTED]
7 MR. STONE: [REDACTED]
8 [REDACTED]
9 [REDACTED].
10 MS. KAUFMAN: [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 THE WITNESS: [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 (End of confidential questions and answers.)
23 - - - - -
24
25

ERRATA SHEET
DO NOT WRITE ON TRANSCRIPT -- ENTER CHANGES HERE

IN RE: DOCKET NO. 010827-EI
NAME: W. M. HOWELL
DATE: August 15, 2001

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Under penalties of perjury, I declare that I have read my deposition and that it is true and correct subject to any changes in form or substance entered here.

DATE W. M. HOWELL

FLORIDA PUBLIC SERVICE COMMISSION

1 STATE OF FLORIDA)
2 : CERTIFICATE OF OATH
3 COUNTY OF LEON)

4

5 I, the undersigned authority, certify that W. M.
6 HOWELL personally appeared before me and was duly sworn.
7 WITNESS my hand and official seal this 20TH DAY OF AUGUST,
8 2001.

9

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JANE FAUROT, RPR
Notary Public - State of Florida

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FLORIDA PUBLIC SERVICE COMMISSION

1 STATE OF FLORIDA)

2 : CERTIFICATE OF REPORTER

3 COUNTY OF LEON)

4

5 I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter
6 Services, Official FPSC Commission Reporter, do hereby certify
7 that I was authorized to and did stenographically report the
8 foregoing deposition at the time and place herein stated.

9 I FURTHER CERTIFY that this transcript, consisting of 49
10 pages, constitutes a true record of the testimony given by the
11 witness.

12 I FURTHER CERTIFY that I am not a relative, employee,
13 attorney or counsel of any of the parties, nor am I a relative
14 or employee of any of the parties' attorney or counsel
15 connected with the action, nor am I financially interested in
16 the action.

17 DATED THIS 20TH DAY OF AUGUST, 2001.

18

19 _____
20 JANE FAUROT, RPR
21 Chief, Office of Hearing Reporter Services
22 FPSC Division of Commission Clerk and
23 Administrative Services

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 010827-EI

In the Matter of

PETITION BY GULF POWER COMPANY FOR
APPROVAL OF PURCHASED POWER
ARRANGEMENT REGARDING SMITH
UNIT 3 FOR COST RECOVERY CLAUSES
DEALING WITH PURCHASED CAPACITY
AND PURCHASED ENERGY.

ELECTRIC VERSIONS OF THIS TRANSCRIPT ARE
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EXCERPT OF CONFIDENTIAL QUESTIONS AND ANSWERS

DEPOSITION OF: RONNIE R. LABRATO

TAKEN AT THE
INSTANCE OF:

The Staff of the Florida
Public Service Commission

PLACE:

Gerald L. Gunter Building
Room 309
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

TIME:

Commenced at 6:20 p.m.
Concluded at 7:23 p.m.

DATE:

Wednesday, August 15, 2001

REPORTED BY:

JANE FAUROT, RPR
Chief, Office of Hearing Reporter Services
FPSC Division of Commission Clerk
Administrative Services
(850) 413-6732

FLORIDA PUBLIC SERVICE COMMISSION

1 APPEARANCES:

2 JEFFREY A. STONE and RUSSELL BADDERS, Beggs & Lane,
3 700 Blount Building, 3 West Garden Street, Post Office Box
4 12950, Pensacola, Florida 32576-2950, appearing on behalf of
5 Gulf Power Company.

6 VICKI GORDON KAUFMAN, McWhirter, Reeves,
7 McGlothlin, Davidson, Dekker, Kaufman, Arnold &
8 Steen, 117 South Gadsden Street, Tallahassee,
9 Florida 32301, appearing on behalf of Florida
10 Industrial Power Users Group.

11 ROB VANDIVER, Associate Public Counsel,
12 and ROGER HOWE, Associate Public Counsel, Office of
13 Public Counsel, 111 West Madison Street, Room 812,
14 Tallahassee, Florida 32399-1400, appearing on behalf
15 of the Citizens of the State of Florida.

16 MARLENE STERN, FPSC Division of Legal
17 Services, 2540 Shumard Oak Boulevard, Tallahassee,
18 Florida 32399-0870, appearing on behalf of the
19 Commission Staff.

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S T I P U L A T I O N

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IT IS STIPULATED that this deposition was
taken pursuant to notice in accordance with the
applicable Florida Rules of Civil Procedure; that
objections, except as to the form of the question,
are reserved until hearing in this cause; and that
reading and signing was not waived.

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IT IS ALSO STIPULATED that any off-the-record
conversations are with the consent of the deponent.

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1 EXCERPT OF CONFIDENTIAL QUESTIONS AND ANSWERS

2 BY MS. STERN:

3 Q What capacity factor was used for Smith Unit 3 in
4 your cost-effectiveness analysis comparing the purchased power
5 arrangement to rate base in the unit?

6 A That's a Mr. Howell question, the capacity factor of
7 the unit. I thought he answered that earlier today.

8 MR. STONE: [REDACTED]

9 [REDACTED]

10 MR. HOWELL: I'm sorry, what is the question? [REDACTED]

11 [REDACTED]

12 THE WITNESS: We can put him back up, if you would
13 like.

14 (Laughter.)

15 MR. STONE: [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 * * *

20 BY MS. KAUFMAN:

21 Q And would you agree that to the extent that some of
22 the assumptions that you have used and supported in -- I guess
23 we call this the June 29th spreadsheet -- are changed that that
24 is going to effect the bottom line of your analysis?

25 A [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]

13 MR. STONE: And I need to interpose, because the
14 answer took a path I didn't -- there is confidential
15 information contained in that answer, and I would reserve the
16 right to request confidential treatment for that.

17 MS. KAUFMAN: Okay.

18 THE WITNESS: Sorry about that.

19 MR. STONE: I just didn't anticipate that that is
20 where you were going.

21 * * *

22 BY MS. KAUFMAN:

23 Q [REDACTED]
24 [REDACTED]
25 [REDACTED]

1 [REDACTED]

2 [REDACTED]

3 A [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 MR. STONE: And, once again, he has contained
18 information in that answer that would be subject to
19 confidentiality, and I reserve the right to be able to make
20 that request. And we would ask that that answer also be
21 identified in that portion of the transcript.

22 BY MS. KAUFMAN:

23 Q [REDACTED]

24 [REDACTED]

25 [REDACTED]

1 [REDACTED]

2 (End of confidential questions and

3 answers.)

4 * * *

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FLORIDA PUBLIC SERVICE COMMISSION

1

ERRATA SHEET

DO NOT WRITE ON TRANSCRIPT - ENTER CHANGES HERE

2

IN RE: DOCKET NO. 010827-EI
 NAME: RONNIE R. LABRATO
 DATE: AUGUST 15, 2001

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	PAGE	LINE	CHANGE
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Under penalties of perjury, I declare that I have read my deposition and that it is true and correct subject to any changes in form or substance entered here.

22

23

DATE

RONNIE R. LABRATO

24

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FLORIDA PUBLIC SERVICE COMMISSION

1 STATE OF FLORIDA)
2 : CERTIFICATE OF OATH
3 COUNTY OF LEON)

4

5 I, the undersigned authority, certify that RONNIE R.
6 LABRATO, personally appeared before me and was duly sworn.

7 WITNESS my hand and official seal this 20TH DAY OF
8 AUGUST, 2001.

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 JANE FAUROT, RPR
 Notary Public - State of Florida

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FLORIDA PUBLIC SERVICE COMMISSION

1 STATE OF FLORIDA)
 : CERTIFICATE OF REPORTER
2 COUNTY OF LEON)

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4 I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter
5 Service, Official FPSC Commission Reporter, do hereby certify
6 that I was authorized to and did stenographically report the
7 foregoing deposition at the time and place herein stated.

8 I FURTHER CERTIFY that this transcript, consisting of 7
9 pages, constitutes a true record of the testimony given by the
10 witness.

11 I FURTHER CERTIFY that I am not a relative, employee,
12 attorney or counsel of any of the parties, nor am I a relative
13 or employee of any of the parties' attorney or counsel
14 connected with the action, nor am I financially interested in
15 the action.

16 DATED THIS 20TH DAY OF AUGUST, 2001.

17

18

19 _____
20 JANE FAUROT, RPR
21 Chief, Office of Hearing Reporter Services
22 FPSC Division of Commission Clerk and
23 Administrative Services

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EXHIBIT "C"-- M.W. HOWELL
Line-by-Line/Field-by-Field Justification

<u>Line(s)/Field(s)</u>	<u>Justification</u>
Page 5, lines 11-12, 17 -25 Page 6, lines 1-2, 8-20 Page 7, lines 4-10 Page 8, lines 6-7, 15-16, 21-25 Page 9, lines 1-6, 14-19, 23-25 Page 10, lines 1-2, 5-12, 21-25 Page 11, lines 1-9, 14-25 Page 12, lines 3-6, 10-12, 14-23 Page 13, lines 3, 6-25 Page 14, lines 1-11, 16-21, 24-25 Page 15, lines 6-25 Page 16, lines 1-3, 6-10 Page 19, lines 24-25 Page 20, lines 1-7, 12-25 Page 21, lines 1-3, 18-20, 23-24 Page 22, lines 1-12, 15-25 Page 23, lines 1-16, 19, 23-25 Page 24, lines 1-25 Page 25, lines 1-25 Page 26, lines 1-2 Page 27, lines 6-10, 12-25 Page 28, lines 24-25 Page 29, lines 1-5, 9-11, 14-18, 20-25 Page 30, lines 1-17 Page 32, lines 4-9, 18-21 Page 33, line 2 Page 37, lines 5-11 Page 38, lines 10-15, 17-20 Page 42, lines 15-25 Page 43, lines 1- 10, 13-16, 18-24 Page 44, lines 7-9, 12-25 Page 45, lines 5-25 Page 46, lines 3-4, 8-23 Page 47, lines 4-8, 17-25 Page 48, lines 1, 4-8, 10-20, 25 Page 49, lines 1-21	This is a contractual term setting forth how price or other payments will be determined between the parties for a feature of the contract. This term is entitled to designation as confidential pursuant to Sections 366.093(3)(a), (d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in Gulf's Request for Confidential Classification filed on June 22, 2001, and in paragraphs 2 and 3 of this Request. The existence of a contractual term related to provision of energy from an alternative source is public, however, the details and any pricing term impact is confidential.

EXHIBIT "C"-- M.W. HOWELL
Line-by-Line/Field-by-Field Justification
Justification

Line(s)/Field(s)

Page 41, lines 11-17
Page 42, lines 1-14

This information is entitled to designation as confidential pursuant to Sections 366.093(3)(a), (d) and (e), Florida Statutes. This discussion reveals whether or not a specific contractual provision is contained in purchased power agreements that are already in existence with Gulf being a party. The contractual terms of these other agreements are confidential for the same reasons that the terms of the PPA between Gulf and Southern Power are considered confidential. The arguments set forth in paragraphs 2 and 3 are applicable to these contract provisions.

EXHIBIT "C"-- RONNIE R. LABRATO

Line-by-Line/Field-by-Field Justification

Line(s)/Field(s)

Justification

Page 4, lines 8-11, 15-18

This is a contractual term setting forth a price and a non-price feature of the contract. Specifically, this is an operational component of the contract which affects pricing under the contract. This term is entitled to designation as confidential pursuant to Sections 366.093(3)(a), (d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in Gulf's Request for Confidential Classification filed on June 22, 2001, and in paragraphs 2 and 3 of this Request.

Page 4, line 25

Page 5, lines 1-12, 23-25

Page 6, lines 1-16, 23-25

Page 7, line 1

This is a discussion regarding inputs and results contained in a document that has been filed pursuant to a request for confidential treatment. This information is entitled to designation as confidential pursuant to Sections 366.093(3)(a), (d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in Gulf's Request for Confidential Classification filed on June 22, 2001, and in paragraphs 2 and 3 of this Request.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Gulf Power Company's petition for approval of purchased power arrangement regarding Smith Unit 3 for cost recovery through recovery clauses dealing with purchased capacity and purchased energy

Docket No.: 010827-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished this 24th day of August 2001 by U.S. Mail or hand delivery to the following:

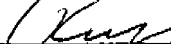
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