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Public Service Commission

February 5, 2015

Mr. Steven R, Griffin, Esq
Beggs & Lane, R.L.L.P.
P.O. Box 12950
Pensacola, Florida 32591

STAFF DATA REQUEST

Re: Docket No. 150035-EI - Petition for approval of energy purchase agreements between Gulf Power Company and Gulf Coast Solar Center I, LLC, Gulf Coast Solar Center II, LLC, and Gulf Coast Solar Center III, LLC.

Dear Mr. Griffin:

Staff needs the following information to facilitate our review of Gulf Power Company's (Gulf) Petition for Approval of Energy Purchase Agreements. The following questions refer to Gulf's petition in Docket No. 150035-EI.

1. At pages 4, 5, and 6, Gulf states that preliminary analyses indicate that the substation and adjacent transmission facilities can accommodate the output of each solar facility without any adverse impacts or expense to Gulf Power.

    a. Who performed these analyses?

    b. When does Gulf anticipate final analyses will be completed?

2. At page 8, Gulf states that the three solar facilities are expected to deliver approximately 240,000 MWh based on an anticipated capacity factor of 23 percent.

    a. What is the basis for the anticipated capacity factor of 23 percent?

3. Please complete the table below summarizing the projected generation of each solar facility. Please provide this information in MS Excel format.

	Solar Center I	Solar Center II	Solar Center III
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			

4. At page 9, Gulf states that the Agreements were analyzed assuming the Company's 2014 and 2015 energy budget. Please complete the table below summarizing the financial assumptions associated with the two budgets.

	2014 Energy Budget	2015 Energy Budget
Discount Rate		
Capital Structure		
Debt		
Equity		
Weighted Average Cost of Capital		

5. Please identify and discuss major differences between the Company's 2014 and 2015 energy budget.

6. At pages 9-10, Gulf describes the results of its cost benefit analyses of the proposed agreements. What capacity factor was assumed for the purposes of Gulf's cost benefit analyses? Please provide this information for each facility.

7. Please complete the table below assuming approval of all three agreements. Please provide this information assuming Gulf's 2014 energy budget and Gulf's 2015 energy budget. Please provide this information in MS Excel format.

Year	Annual Total Revenue Requirements w/ 3 agreements ($millions, 2015 $)	Annual Total Revenue Requirements w/o 3 agreements ($millions, 2015 $)	Differential in Annual Total Revenue Requirements ($millions, 2015 $)	Differential in Customer Bill of 1,000 kwh ($)
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				

8. Please complete the table below for each respective scenario over the term of the Agreement(s).

Net Present Value Differential ($millions, 2015 $)		
Agreements Approved	2014 Budget	2015 Budget
Eglin		
Saufley		
Holley		
Eglin and Holley		
Eglin and Saufley		
Holley and Saufley		

9. At page 10, Gulf states that its evaluations do not assign value for capacity. Does Gulf project that approval of the agreements will defer the construction of future facilities? If yes, please identify the future facility or facilities that may be deferred. Please include the technology type, capacity (MW), and in-service date.

10. At page 10, the Company indicates that

> Contract energy pricing for year 10 and 13 through 19 is slightly above Gulf's projected cost of generation. The Primary driver of the differences between the 2014 and 2015 evaluations is a lower fuel cost projection for the 2015 energy budget.

Please explain why the lower fuel cost projection affected the Agreements' economics for Years 10 and 13 through 19 specifically, but not for the other years within the contract period.

11. At page 11, Gulf states that the agreements are expected to cost-effectively meet a variety of statutory and policy-based goals and objectives including reducing dependence on fossil-fueled generation. Please complete the table below assuming approval of all three agreements. Please provide this information in MS Excel format.

Year	Avoided Natural Gas (MMBtu)	Avoided Oil (Barrels)
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
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2036		
2037		
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2043		

12. At page 11, Gulf states that the agreements are expected to cost-effectively meet a variety of statutory and policy-based goals and objectives including reducing environmental impacts. Please complete the table below assuming approval of all three agreements. Please provide this information in MS Excel format.

Year	Avoided CO_2 (Tons)	Avoided NOX and SO_2 (Tons)
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
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13. At page 11, Gulf states that the agreements are expected to cost-effectively meet a variety of statutory and policy-based goals and objectives including providing fuel diversity. Please complete the table below assuming approval of all three agreements.

Energy Generation by Fuel Type (%)					
	Natural Gas	Oil	Coal	Renewable	Other
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					

14. At page 11, Gulf states that the ROFRs provide Gulf Power with a right to purchase one or more of the solar facilities in the event that Gulf Coast decides to sell one or more facilities to a third party. If the Commission approves the proposed agreements and Gulf Power purchases one of the solar facilities would Gulf seek Commission approval for cost recovery of the purchase at the time the purchase is made?

   a. If yes, how does Gulf believe the costs should be recovered? (i.e. Base Rates, Conservation Clause, etc.)

   b. If no, please explain why not.

15. Please identify terms within the proposed agreements that are intended to ensure that the adequacy and reliability of electric service will not be adversely affected by the solar plants associated with the proposed agreements.

The following questions relate to Gulf's renewable attributes/credits received by Gulf from the proposed agreements.

16. At page 9, Gulf states that the sale of renewable attributes would be returned to Gulf's retail customers in the form of credits to the Fuel and Purchased Power Cost Recovery Clause. Please complete the table below projecting anticipated proceeds that may result from the sale of renewable attributes. Please provide this information in MS Excel format.

Year	Credit from the Sale of Renewable Attributes ($millions, 2015 $)	Impact on Customer Bill of 1,000 kwh ($)
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
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17. How many renewable energy credits (RECs) will be associated with the Eglin Agreement?

18. How many RECs will be associated with the Holley Agreement?

19. How many RECs will be associated with the Saufley Agreement?

20. What did Gulf rely on for the statement in paragraph 18 of its petition that the "[g]reen-e solar renewable energy credits are selling on the voluntary market for approximately $0.75 per credit."?

The following questions (21 and 22) relate to how Gulf will account for the RECs, associated with the energy purchase agreements in the instant docket, on its books.

21. If applicable, what will be Gulf's journal entries, including all account names and numbers, to record the RECs initially on its books?

22. What will be Gulf's journal entries, including all account names and numbers, to record any subsequent sale of the RECs to another entity?

23. Please provide the following documents in MS Excel format (with formulae intact):

    a. The Company's 2015 fuel price forecasts (system-wide and in nominal $/MMBtu) for the years 2015-2043, shown as commodity, transportation, and delivered fuel prices;

    b. The Company's actual annual fuel prices (system-wide and in nominal $/MMBtu) for the years 2008-2014, shown as commodity, transportation, and delivered prices.

c. The relevant portion of the Company's 2014 energy budget that was used in evaluating the cost-effectiveness of the proposed Agreements;

d. The relevant portion of the Company's 2015 energy budget that was used in evaluating the cost-effectiveness of the proposed Agreements;

e. Each alternative fuel price forecast sourced from third party forecasting entities, not specifically prepared by SES or Charles River and Associates, which Gulf Power used to compare to the Company's 2014 and 2015, respectively, fuel price forecasts as a test for reasonableness.

24. Please explain how each of the fuel price forecasts included in Gulf Powers' referenced 2014 and 2015 energy budget was developed.

25. For each of Gulf Power's 2014 and 2015 fuel price forecasts used to support the proposed energy purchase agreements, please identify the sources and the dates of the forecast inputs and assumptions.

26. Please identify all third party consultants relied upon in developing the Company's 2014 and 2015 fuel price forecasts.

27. Did the Company consider different scenarios (e.g. high, medium, and low) in developing its 2014 and 2015 fuel price forecasts? Please explain.

28. If your response to 27 is affirmative, please specify which fuel pricing scenario[s] were selected in developing the energy budget to evaluate the economics of the proposed agreements, and provide the rationale for the selection. If your response to 27 is negative, please explain why not.

29. When did the Company complete its 2014 and 2015 fuel price forecasts, respectively, which were used in the economic analysis of this Petition?

30. Please list the differences in the methodology and results of the fuel price forecasts used in this docket compared to the fuel price forecasts provided to the Commission in the Company's latest rate case and in support of the Company's 2014 Ten Year Site Plan.

31. In light of Gulf Power's latest available actual 2014 fuel prices, how accurate are the Company's 2014 fuel price forecasts? Please provide work papers (in MS Excel format with formula intact) to support your response.

32. Please identify and explain any deviations the Company employed in its forecasting process used to develop its 2015 fuel price forecast relative to the forecasting process identified on pages 46 and 47 of Gulf's 2014 Ten Year Site Plan.

33. Please refer to Data Request 23e. Describe the conclusions Gulf may have drawn from each such test of reasonableness. If no alternative fuel price forecasts originally sourced from third party forecasting entities were used by Gulf Power to compare, respectively, to Gulf's 2014 and 2015 fuel price forecast for reasonableness, explain why such an approach was not taken.

34. What are the appropriate discount factors to apply to the nominal forecasts provided in response to this data request that convert Gulf Power's fuel price forecasts to 2012 dollars? Explain the derivation of each.

35. For each natural gas price forecast provided in response to these data requests, please explain how Gulf accounted for the basis differential in its forecast and identify the basis for each forecast year.

36. Please provide a detailed description of how the Company's fuel price forecasts were used in developing the Company's energy budgets for the corresponding years.

37. Has the Company performed any scenario analyses to study the potential cost-effectiveness outcomes of the proposed energy purchase agreements in cases where the projected fuel prices are low and the projected solar energy delivered is low (e.g. ADP = 75%), or vice versa (i.e. the projected fuel prices are high and the projected solar energy delivered is high (e.g. ADP = 110%))?

38. If your response to the above question is affirmative, please provide detailed information of your analyses. If your response is negative, please explain why not.

39. Gulf Power Company indicates that (see page 9 of the Petition):

> The Agreements were analyzed, negotiated and executed under Gulf Power's 2014 energy budget which included 2014 fuel price forecasts. [...] Following the negotiation and execution of the Agreements, the Company's 2015 energy budget was released. For informational purposes, Gulf performed a second economic evaluation based in the 2015 forecasts.

a. Please explain the purpose of Gulf's annual energy budgets, which data is included in the budget, and the number of years of the projected data.

b. Please explain in greater detail how each of the Company's 2014 and 2015 energy budget was used in evaluating the cost-effectiveness of the proposed Agreements for each year within the Agreements' life time.

The following questions refer to Footnote 2 on page 8 of the Petition.

40. Please explain in greater detail whether and how the proposed three energy purchase agreements are cost-effective on a stand-alone basis under the Company's 2014 energy budget through out the 25 year contract life. Please provide supporting workpapers (in MS Excel format with formula intact).

41. Please explain in greater detail how the proposed energy purchase agreements are cost-effective on a combined basis, under the Company's 2014 energy budget, through out the

25 year contract life. Please provide supporting workpapers (in MS Excel format with formulae intact).

42. Please explain in greater detail whether and how the proposed three energy purchase agreements are cost-effective on a stand-alone basis under the Company's 2015 energy budget throughout the 25 year contract life. Please provide supporting work papers (in MS Excel format with formulae intact).

43. Please explain in greater detail whether and how the proposed energy purchase agreements are cost-effective on a combined basis, under the Company's 2015 energy budget, through out the 25 year contract life. Please provide supporting workpapers (in MS Excel format with formulae intact).

For the following questions, please refer to the Petition, Section I through III, pages 4 – 6.

44. Gulf Power Company indicates that:

> Gulf Power intends to lease the site[s] from the Air Force (or: the Navy) and, in turn, sublease the site[s] to Gulf Coast Solar Center I, (or: II, or: II) LLC [...], Gulf Coast will bear full responsibility for cash payments or other consideration due to the Air Force (or: the Navy) under the lease agreement[s].

a. Please explain why Gulf Power Company would lease, then sublease, the sites, given that the Company would not actually use the sites and takes no responsibility towards the leasing cost.

b. Will the Company and/or its customers receive any monetary and/or non-monetary benefit in lieu of these leasing arrangements?

c. Has Gulf Coast I, II, and III agreed in writing to bear full responsibility for cash payments or other considerations due to the Air Force and Navy under Gulf's pending land lease agreement[s]? If so, please provide such documents.

d. In the event Gulf Coast I, II, and III have not, and ultimately do not, agree to bear full responsibility for cash payments or other considerations due to the Air Force and Navy under Gulf's pending land lease agreement[s] via a sublease agreement, does Gulf Power intend to terminate its energy purchase agreements with Gulf Coast I, II, and III? Please explain.

Please submit the responses to the Office of Commission Clerk no later than February 16, 2015. If you have any questions or require further assistance regarding this matter, please contact Lee Eng Tan at (850) 413-6185

Sincerely,

Theresa Lee Eng Tan

Lee Eng Tan
Office of General Counsel

cc: Division of Engineering (Graves)
Division of Economics (McNulty, Wu)
Division of Accounting & Finance (Fletcher, Barrett, Lester)
Office of Commission Clerk (Docket No. 150035-EI)