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October 2, 2017

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

Re: Docket No. 20170001-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 "Rhonda J. Alexander".

Rhonda J. Alexander
Regulatory, Forecasting and Pricing Manager

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Attachments

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clauses and Generating) Docket No. 20170001-EI
Performance Incentive Factor) Date Filed: October 2, 2017

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-17-0053-PCO-EI issued February 20, 2017 (as amended), establishing the prehearing procedure in this docket, files this prehearing statement, saying:

A. APPEARANCES

JEFFREY A. STONE, Esquire, General Counsel 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. ALL KNOWN 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>		
C. S. Boyett (Gulf)	Fuel Adjustment, true-up and projections; Capacity, true-up and projections	4A, 6-11, 18-22, 27-36
C. L. Nicholson (Gulf)	GPIF reward/penalty and targets and ranges	16, 17

C. ALL KNOWN EXHIBITS

<u>Witness</u>	<u>Proffered by</u>	<u>Exhibit #</u>	<u>Description</u>
(Direct)			
Boyett	Gulf Power Company	(CSB-1)	Calculation of Final True-Up January 2016 – December 2016
Boyett	Gulf Power Company	(CSB-2)	A-Schedules December 2016
Boyett	Gulf Power Company	(CSB-3)	2016 Coal Purchases and Gas Hedging (Coal Suppliers, Natural Gas Price Variance, Hedging Effectiveness)
Boyett	Gulf Power Company	(CSB-4)	Estimated True-Up January 2017 – December 2017
Boyett	Gulf Power Company	(CSB-5)	Projected PPCC Scherer/Flint Credit Calculation July 2017 – December 2017
Boyett	Gulf Power Company	(CSB-6)	Projection January 2018 – December 2018
Boyett	Gulf Power Company	(CSB-7)	2018 Projected PPCC Scherer/Flint Credit Calculation
Boyett	Gulf Power Company	(CSB-8)	Projected vs. Actual Fuel Cost of System Generation Comparison 2007 – 2018
Boyett	Gulf Power Company	(CSB-9)	Hedging Information Report August 2016 – December 2016
Boyett	Gulf Power Company	(CSB-10)	Hedging Information Report January 2017– July 2017
Nicholson	Gulf Power Company	(CLN-1)	Gulf Power Company GPIF Results January 2016 – December 2016
Nicholson	Gulf Power Company	(CLN-2)	Gulf Power Company GPIF Targets and Ranges January 2018 – December 2018

D. STATEMENT OF BASIC POSITION

Gulf Power Company's Statement of Basic Position:

It is the basic position of Gulf Power Company that the fuel and capacity cost recovery factors proposed by the Company present the best estimate of Gulf's fuel and capacity expense for the period January 2018 through December 2018 including the true-up calculations, GPIF and other adjustments allowed by the Commission.

E. STATEMENT OF ISSUES AND POSITIONS

I. FUEL ISSUES

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

ISSUE 4A: Should the Commission approve as prudent Gulf's actions to mitigate the volatility of natural gas, residual oil, fuel oil and purchased power prices, as reported in Gulf's April 2017 and August 2017 hedging reports?

GULF: Yes. (Boyett)

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 6: What are the appropriate actual benchmark levels for calendar year 2017 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

GULF: \$872,163. (Boyett)

ISSUE 7: What are the appropriate estimated benchmark levels for calendar year 2018 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

GULF: \$1,009,272. (Boyett)

ISSUE 8: What are the appropriate final fuel adjustment true-up amounts for the period January 2016 through December 2016?

GULF: \$10,797,411 under-recovery. (Boyett)

ISSUE 9: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2017 through December 2017?

GULF: \$21,853,354 under-recovery. (Boyett)

ISSUE 10: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2018 to December 2018?

GULF: \$32,650,765 to be collected (under-recovery). (Boyett)

ISSUE 11: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2018 through December 2018?

GULF: \$415,320,095 including prior period true-up amounts and revenue taxes. (Boyett)

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

NONE RAISED BY GULF POWER COMPANY

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 16: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2016 through December 2016 for each investor-owned electric utility subject to the GPIF?

GULF: \$2,043,225 penalty. (Nicholson)

ISSUE 17: What should the GPIF targets/ranges be for the period January 2018 through December 2018 for each investor-owned electric utility subject to the GPIF?

GULF: See table below: (Nicholson)

Unit	EAF	Heat Rate
Crist 7	82.1	10,503
Daniel 1	82.2	12,205
Daniel 2	90.7	12,429
Scherer 3	97.2	10,495
Smith 3	93.2	6,932
EAF = Equivalent Availability Factor (%)		

FUEL FACTOR CALCULATION ISSUES

ISSUE 18: What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2018 through December 2018?

GULF: \$413,276,870 including prior period true-up amounts and revenue taxes. (Boyett)

ISSUE 19: What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility’s levelized fuel factor for the projection period January 2018 through December 2018?

GULF: 1.00072. (Boyett)

ISSUE 20: What are the appropriate levelized fuel cost recovery factors for the period January 2018 through December 2018?

GULF: 3.789 cents/kWh. (Boyett)

ISSUE 21: What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class?

GULF: See table below: (Boyett)

Group	Rate Schedules	Line Loss Multipliers
A	RS, RSVP, RSTOU, GS, GSD, GSDT, GSTOU, OSIII, SBS(1)	1.00555
B	LP, LPT, SBS(2)	0.99188
C	PX, PXT, RTP, SBS(3)	0.97668
D	OSI/II	1.00560
(1) Includes SBS customers with a contract demand in the range of 100 to 499 kW (2) Includes SBS customers with a contract demand in the range of 500 to 7,499 kW (3) Includes SBS customers with a contract demand over 7,499 kW		

ISSUE 22: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

GULF: See table below: (Boyett)

Group	Standard Rate Schedules*	Line Loss Multipliers	Fuel Cost Factors ¢/kWh
A	RS, RSVP, RSTOU, GS, GSD, GSTOU, SBS, OSIII	1.00555	3.810
B	LP, SBS	0.99188	3.758
C	PX, RTP, SBS	0.97668	3.701
D	OSI/II	1.00560	3.776

Group	Time-of-Use Rate Schedules*	Line Loss Multipliers	Fuel Cost Factors	
			On-Peak ¢/kWh	Off-Peak ¢/kWh
A	GSDT	1.00555	4.391	3.570
B	LPT	0.99188	4.332	3.521
C	PXT	0.97668	4.265	3.467

*The recovery factor applicable to customers taking service under Rate Schedule SBS is determined as follows: customers with a Contract Demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; customers with a Contract Demand in the range of 500 to 7,499 KW will use the recovery factor applicable to Rate Schedule LP; and customers with a Contract Demand over 7,499 KW will use the recovery factor applicable to Rate Schedule PX.

II. CAPACITY ISSUES

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Gulf Power Company

NONE RAISED BY GULF POWER COMPANY

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 27: What are the appropriate final capacity cost recovery true-up amounts for the period January 2016 through December 2016?

GULF: \$545,959 over-recovery. (Boyett)

ISSUE 28: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2017 through December 2017?

GULF: \$3,698,545 under-recovery. (Boyett)

ISSUE 29: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2018 through December 2018?

GULF: \$3,152,586 to be collected (under-recovery). (Boyett)

ISSUE 30: What are the appropriate projected total capacity cost recovery amounts for the period January 2018 through December 2018?

GULF: \$75,738,532. (Boyett)

ISSUE 31: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2018 through December 2018?

GULF: \$78,947,920 including prior period true-up amounts and revenue taxes. (Boyett)

ISSUE 32: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2018 through December 2018?

GULF: 97.18277%. (Boyett)

ISSUE 33: What are the appropriate capacity cost recovery factors for the period January 2018 through December 2018?

GULF: See table below: (Boyett)

RATE CLASS	CAPACITY COST RECOVERY FACTORS ¢/KWH
RS, RSVP, RSTOU	0.835
GS	0.762
GSD, GSDT, GSTOU	0.666
LP, LPT	2.76 (\$/kW)
PX, PXT, RTP, SBS	0.560
OS-I/II	0.164
OSIII	0.505

III. EFFECTIVE DATE

ISSUE 34: What should be the effective date of the fuel adjustment factors and capacity cost recovery factors for billing purposes?

GULF: The new fuel and capacity factors should be effective beginning with the first billing cycle for January 2018 and thereafter through the last billing cycle for December 2018. Billing cycles may start before January 1, 2018 and the last cycle may be read after December 31, 2018, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Boyett)

ISSUE 35: Should the Commission approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be appropriate in this proceeding?

GULF: Yes. The Commission should approve revised tariffs reflecting the fuel adjustment factors and capacity 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 36: Should this docket be closed?

GULF: Yes. (Boyett)

F. STIPULATED ISSUES

GULF: Yet to be determined. Gulf is 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.

G. PENDING MOTIONS

None

H. PENDING CONFIDENTIALITY REQUESTS

1. Request for confidentiality filed on August 18, 2017, relating to portions of hedging information report for 1/17 through 7/17 (DN 07144-2017).
2. Request for confidentiality filed on August 24, 2017, relating to schedule CCE-4 of exhibit CSB-6 to direct testimony of C. Shane Boyett (DN 07269-2017).

I. 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 October 25-27, 2017, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 2nd day of October 2017.

Respectfully submitted,



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Fuel and Purchased Power Cost**)
Recovery Clause with Generating)
Performance Incentive Factor)

Docket No.: **20170001-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 2nd day of October, 2017 to the following:

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