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October 4, 2013

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

Re: Docket No. 130001-EI

Dear Ms. Cole:

Enclosed is the Prehearing Statement of Gulf Power Company to be filed in the above-referenced docket. Also enclosed is a CD containing the Prehearing Statement prepared using Microsoft Word.

Sincerely,

Robert L. McGee, Jr.  
Regulatory and Pricing Manager

md

Enclosures

cc: Beggs & Lane  
Jeffrey A. Stone, Esq.

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AFD CD  
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost )  
Recovery Clauses and Generating ) Docket No. 130001-EI  
Performance Incentive Factor ) Date Filed: October 7, 2013

**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-13-0069-PCO-EI establishing the prehearing procedure in this docket, files this prehearing statement, saying:

**A. APPEARANCES:**

JEFFREY A. STONE, Esquire, 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. 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>
(Direct)			
1.	H. R. Ball (Gulf)	Fuel Adjustment, true-up and projections; Purchased Power -- energy and capacity purchases and sales, true-up and projections	4A, 4B, 6, 7, 8, 9, 28, 29, 31, 32
2.	R. W. Dodd (Gulf)	Fuel Adjustment, true-up and projections; Capacity, true-up and projections	6, 7, 8, 9, 10, 11, 19, 20, 21, 22, 23, 28, 29, 30, 31, 32, 33, 34, 35
3.	M. A. Young (Gulf)	GPIF reward/penalty and targets and ranges	16, 17, 18

C. EXHIBITS:

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
(HRB-1)	Ball	Coal Suppliers, Natural Gas Price Variance, Hedging Effectiveness
(HRB-2)	Ball	Projected vs. Actual Fuel Cost of System Generation Comparison 2003 – 2014
(HRB-3)	Ball	Hedging Information Report August – December 2012
(HRB-4)	Ball	Hedging Information Report January – July 2013
(HRB-5)	Ball	Risk Management Plan for Fuel Procurement for 2014
(RWD-1)	Dodd	Calculation of Final True-Up and A-Schedules January 2012 – December 2012
(RWD-2)	Dodd	Estimated True-Up January 2013 – December 2013
(RWD-3)	Dodd	Projection January 2014 – December 2014
(MAY-1)	Young	Gulf Power Company GPIF Results January 2012 – December 2012
(MAY-2)	Young	Gulf Power Company GPIF Targets and Ranges January 2014 – December 2014

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 2014 through December 2014 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, and purchased power prices, as reported in Gulf's April 2013 and August 2013 hedging reports?

**GULF:** Yes. (Ball)

**ISSUE 4B:** Should the Commission approve Gulf's 2014 Risk Management Plan?

**GULF:** Yes. (Ball)

**GENERIC FUEL ADJUSTMENT ISSUES**

**ISSUE 6:** What are the appropriate actual benchmark levels for calendar year 2013 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**GULF:** \$595,146. (Ball, Dodd)

**ISSUE 7:** What are the appropriate estimated benchmark levels for calendar year 2014 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**GULF:** \$462,977. (Ball, Dodd)

**ISSUE 8:** What are the appropriate fuel adjustment true-up amounts for the period January 2012 through December 2012?

**GULF:** Under recovery \$9,333,695. (Ball, Dodd)

**ISSUE 9:** What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2013 through December 2013?

**GULF:** Under recovery \$6,665,066. (Ball, Dodd)

**ISSUE 10:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2014 to December 2014?

**GULF:** Collection of \$15,998,761 (Dodd)

**ISSUE 11:** What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2014 through December 2014?

**GULF:** \$463,407,364 including prior period true-up amounts and revenue taxes. (Dodd)

**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 2012 through December 2012 for each investor-owned electric utility subject to the GPIF?

**GULF:** \$1,662,342 reward. (Young)

**ISSUE 17:** What should the GPIF targets/ranges be for the period January 2014 through December 2014 for each investor-owned electric utility subject to the GPIF?

**GULF:** See table below: (Young)

Unit	EAF	POF	EUOF	Heat Rate
Crist 5	91.0	8.2	0.8	11,713
Crist 6	93.5	0.0	6.5	12,294
Crist 7	78.1	17.8	4.1	11,045
Smith 1	95.9	0.0	4.1	10,577
Smith 2	96.4	0.0	3.6	10,814
Smith 3	92.8	4.9	2.3	6,862

EAF = Equivalent Availability Factor (%)  
POF = Planned Outage Factor (%)  
EUOF = Equivalent Unplanned Outage Factor (%)

**ISSUE 18:** Should the Commission consider modification of the existing GPIF mechanism at this time?

**GULF:** No. The GPIF process was reviewed most recently in 2006 in Docket No. 060001-EI. As a result of that thorough review and the review undertaken in this docket, Gulf has not identified any reasons that justify the termination or modification of the GPIF process. (Young)

**FUEL FACTOR CALCULATION ISSUES**

**ISSUE 19:** 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 2014 through December 2014?

**GULF:** \$465,069,706 including prior period true-up amounts and revenue taxes. (Dodd)

**ISSUE 20:** 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 2014 through December 2014?

**GULF:** 1.00072. (Dodd)

**ISSUE 21:** What are the appropriate levelized fuel cost recovery factors for the period January 2014 through December 2014?

**GULF:** 4.169 cents/kWh. (Dodd)

**ISSUE 22:** 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: (Dodd)

<b>Group</b>	<b>Rate Schedules</b>	<b>Line Loss Multipliers</b>
A	RS, RSVP,GS, GSD, GSDT, GSTOU, OSIII, SBS(1)	1.00773
B	LP, LPT, SBS(2)	0.98353
C	PX, PXT, RTP, SBS(3)	0.96591
D	OSI/II	1.00777

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

**GULF:** See table below: (Dodd)

Group	Rate Schedules*	Line Loss Multipliers	Fuel Cost Factors ¢/KWH		
			Standard	Time of Use	
				On-Peak	Off-Peak
A	RS, RSVP,GS, GSD, GSDT, GSTOU, OSIII, SBS(1)	1.00773	4.201	5.016	3.867
B	LP, LPT, SBS(2)	0.98353	4.100	4.896	3.774
C	PX, PXT, RTP, SBS(3)	0.96591	4.027	4.808	3.707
D	OSI/II	1.00777	4.155	N/A	N/A

\*The recovery factor applicable to customers taking service under Rate Schedule SBS is determined as follows: (1) customers with a contract demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; (2) 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 (3) 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**

NONE RAISED BY GULF POWER COMPANY

### **GENERIC CAPACITY COST RECOVERY FACTOR ISSUES**

**ISSUE 28:** What are the appropriate capacity cost recovery true-up amounts for the period January 2012 through December 2012?

**GULF:** Over recovery of \$102,776. (Ball, Dodd)

**ISSUE 29:** What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2013 through December 2013?

**GULF:** Under recovery of \$2,263,786. (Ball, Dodd)

**ISSUE 30:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2014 through December 2014?

**GULF:** Collection of \$2,161,010. (Dodd)

**ISSUE 31:** What are the appropriate projected total capacity cost recovery amounts for the period January 2014 through December 2014?

**GULF:** \$61,868,429. (Ball, Dodd)

**ISSUE 32:** What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2014 through December 2014?

**GULF:** \$64,075,540 including prior period true-up amounts and revenue taxes. (Ball, Dodd)

**ISSUE 33:** What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2014 through December 2014?

**GULF:** 97.07146%. (Dodd)

**ISSUE 34:** What are the appropriate capacity cost recovery factors for the period January 2014 through December 2014?

**GULF:** See table below: (Dodd)<sup>1</sup>

<b>RATE CLASS</b>	<b>CAPACITY COST RECOVERY FACTORS ¢/KWH<sup>1</sup></b>
RS, RSVP	0.680
GS	0.602
GSD, GSDT, GSTOU	0.522
LP, LPT	0.455
PX, PXT, RTP, SBS	0.430
OS-I/II	0.091
OSIII	0.403

<sup>1</sup> The 2014 capacity factors presented in Gulf's petition were not revised to reflect the final capacity factors as calculated and presented on pages 39 and 40 of Witness Dodd's Exhibit RWD-3.



### III. EFFECTIVE DATE

**ISSUE 35:** 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 2014 and thereafter through the last billing cycle for December 2014. Billing cycles may start before January 1, 2014 and the last cycle may be read after December 31, 2014, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Dodd)

**ISSUE 36** Should this Docket be closed?

**GULF:** Yes.

### 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 January 24 2013, relating to Gulf's Form 423 for November, 2012 (DN 00424-13).
2. Request for confidentiality filed February 21 2013, relating to Gulf's Form 423 for December, 2012 (DN 00963-13).
3. Request for confidentiality filed March 1, 2013, relating to Schedule CCA-4 of Exhibit RWD-1 to the direct testimony of R. W. Dodd (DN 01078-13).
4. Request for confidentiality filed March 1, 2013, relating to Schedule 2 of Exhibit HRB-1 to the direct testimony of Herbert R. Ball (DN 01080-13).
5. Request for confidentiality filed March 6, 2013, relating to Gulf's Response to Staff's Second Set of Interrogatories. (DN 01171-13).

6. Request for confidentiality filed March 6, 2013, relating to Gulf's Response to Staff's First Request for Production of Documents. (DN 01175-13).
7. Request for confidentiality filed March 20 2013, relating to Gulf's Form 423 for January, 2013 (DN 01387-13).
8. Request for confidentiality filed April 5, 2013, relating to Gulf Power's August-December 2012 Hedging Activity Report (DN 01725-13).
9. Request for extended confidential classification filed April 16, 2013 relating to Gulf Power's Form 423 for March, 2011 (DN 03701-11).
10. Request for extended confidential classification filed April 16, 2013 relating to Gulf Power's Form 423 for April, 2011 (DN 04473-11).
11. Request for extended confidential classification filed April 16, 2013 relating to Gulf Power's Form 423 for July, 2011 (DN 07022-11).
12. Request for confidentiality filed April 22 2013, relating to Gulf's Form 423 for February, 2013 (DN 02093-13).
13. Request for confidentiality filed May 21, 2013 relating to 2012 fuel audit work papers (Audit Control No 13-016-1-1) (DN 02792-13).
14. Request for confidentiality filed May 22 2013, relating to Gulf's Form 423 for March, 2013 (DN 02814-13).
15. Request for confidentiality filed June 21 2013, relating to Gulf's Form 423 for April, 2013 (DN 03476-13).
16. Request for confidentiality filed July 22 2013, relating to Gulf's Form 423 for May, 2013 (DN 04183-13).
17. Request for confidentiality filed August 2, 2013, relating to Schedule CCE-4 of Exhibit RWD-2 to the direct testimony of R. W. Dodd (DN 04464-13).
18. Request for confidentiality filed August 2, 2013, relating to Gulf's 2014 Risk Management Plan (DN 04462-13).
19. Request for confidentiality filed August 16, 2013, relating to Gulf Power's January – July 2013 Hedging Activity Report (DN 04813-13).
20. Request for confidentiality filed August 21 2013, relating to Gulf's Form 423 for June, 2013 (DN 04903-13).
21. Request for extended confidential classification filed August 28, 2013 relating to Gulf Power's Form 423 for November, 2011 (DN 00637-12).
22. Request for extended confidential classification August 28, 2013 relating to Gulf Power's Form 423 for October, 2011 (DN 00074-12).

23. Request for extended confidential classification August 28, 2013 relating to Gulf Power's Form 423 for February, 2011 (DN 00733-12).
24. Request for extended confidential classification August 28, 2013 relating to Gulf Power's Form 423 for January, 2011 (DN 00736-12).
25. Request for confidentiality filed August 30, 2013, relating to Schedule CCE-4 of Exhibit RWD-3 to the direct testimony of R. W. Dodd (DN 05189-13).
26. Request for confidentiality filed September 24 2013, relating to Gulf's Form 423 for July, 2013 (DN 05661-13).
27. Request for extended confidential classification filed September 25, 2013 relating to 2010 fuel audit work papers Audit Control No. 11-006-1-1 and Audit Control No. 11-006-1-2 (DN 04475-11).

**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 November 4-6, 2013, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 4<sup>th</sup> day of October, 2013.

Respectfully submitted,



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**Attorneys for Gulf Power Company**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No.: **130001-EI**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of the foregoing was furnished by U.S. mail this 4th day of October, 2013 to the following:

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