



October 22, 1999

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0870

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REGISTRATION AND  
REPORTING

Dear Ms. Bayo:

RE: Docket No. 990001-EI

Enclosed are an original and ten copies of the Prehearing Statement of Gulf Power Company to be filed in the above docket.

Also enclosed is a 3.5 inch double sided, high density diskette containing the Statement in WordPerfect 8 for Windows 6.1 format as prepared on a Windows NT based computer.

Sincerely,

*Susan D. Ritenour*

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

- \_\_\_ AFA
- \_\_\_ APP
- \_\_\_ GAF
- \_\_\_ CWR
- \_\_\_ CLR
- \_\_\_ **ESG**
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- \_\_\_ OFO
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- \_\_\_ SEC
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*Wardner*

Enclosure

cc: Beggs and Lane  
J. A. Stone, Esquire

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13043 OCT 25 99

REGISTRATION AND REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost )  
Recovery Clauses and Generating )  
Performance Incentive Factor )  
 )  
\_\_\_\_\_ )

Docket No. 990001-EI  
Date Filed: October 22, 1999

**PREHEARING STATEMENT OF GULF POWER COMPANY**

Gulf Power Company, ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned attorneys, and pursuant to Rule 25-22.038(3), Florida Administrative Code, files this prehearing statement, saying:

**A. APPEARANCES:**

**JEFFREY A. STONE, Esquire, and RUSSELL A. BADDERS,**  
Esquire, of Beggs & Lane, 700 Blount Building, 3 West Garden  
Street, P.O. Box 12950, Pensacola, FL 32576-2950  
**On behalf of Gulf Power Company.**

DOCUMENT NUMBER-DATE

13048 OCT 25 99

FLORIDA PUBLIC SERVICE COMMISSION

**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>
<b><u>(Direct)</u></b>			
1.	M. F. Oaks (Gulf)	Fuel Adjustment, true-up and projections	1, 2, 4, 16A, 16B
2.	T. A. Davis (Gulf)	Fuel Adjustment, true-up and projections	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 13, 21, 23, 24, 25, 26
3.	J.R. Douglass (Gulf)	GPTR, reward/penalty and targets and ranges	18B, 18C, 19, 20
4.	M. W. Howell (Gulf)	Purchased Power -- energy and capacity purchases and sales, projections	9, 10, 11, 12, 21, 23, 25
5.	J. O. Vick (Gulf)	SO2 Compliance Strategy	16A

**C. EXHIBITS:**

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
_____ (MFO-1)	Oaks	Coal Suppliers April 1998 -December 1998
_____ (MFO-2)	Oaks	Projected vs. actual fuel cost of generated power March 1990 - December 2000
_____ (TAD-1)	Davis	Fuel Calculation of Final True-up April 1998 - December 1998 Capacity Calculation of Final true-up October 1997 - December 1998
_____ (TAD-2)	Davis	Schedules E-1 through E-11, CCE-1 CCE-2, III January 2000 - December 2000
_____ (GDF-1)	Douglass*	Gulf Power Company GPIF Results April 1998 - September 1998 and October 1998 - December 1998
_____ (JRD-1)	Douglass	Gulf Power Company GPIF Targets and Ranges January 2000 - December 2000; Proposed change to GPIF Implementation Manual
_____ (MWH-1)	Howell	Gulf Power Company Projected Purchased Power Contract Transactions January 2000 - December 2000

\*J.R.Douglass adopts the testimony and exhibit of G.D. Fontaine.

**D. STATEMENT OF BASIC POSITION:**

**Gulf Power Company's Statement of Basic Position:**

It is the basic position of Gulf Power Company that the proposed fuel factors present the best estimate of Gulf's fuel expense for the period January 2000 through December 2000 (including the true-up calculations, GPIF and other adjustments allowed by the Commission,

**E. STATEMENT OF ISSUES AND POSITIONS:**

**Generic Fuel Adjustment Issues**

**ISSUE 1:** What are the appropriate final fuel adjustment true-up amounts for the period April, 1998 through December, 1998?

**GULE:** Under recovery of \$2,450,200. (Oaks, Howell, Davis)

**ISSUE 2:** What are the estimated fuel adjustment true-up amounts for the period January 1999 through December 1999?

**GULE:** Under recovery \$11,302,259. (Oaks, Howell, Davis)

**ISSUE 3:** What are the total fuel adjustment true-up amounts to be collected/refunded from January, 2000 to December, 2000?

**GULE:** Under recovery \$13,752,459. (Davis)

**ISSUE 4:** What are the appropriate levelized fuel cost recovery factors for the period January, 2000 to December, 2000?

**GULE:** 1.950¢/KWH. (Oaks, Howell, Davis)

**ISSUE 5:** What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

**GULE:** The factors should be effective beginning with the specified billing cycle and thereafter for the period January, 2000 through December, 2000. Billing cycles may start before January 1, 2000 and the last cycle may be read after December 31, 2000 so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Davis)

**ISSUE 6:** 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?

**GULE:** See table below: (Davis)

<b>Group</b>	<b>Rate Schedules</b>	<b>Line Loss Multipliers</b>
A	RS, GS, GSD, SBS, OSIII, OSIV	1.01228
B	LP, SBS	0.98106
C	PX, RTP, SBS	0.96230
D	OSI, OSII	1.01228

**ISSUE 7:** What are the appropriate Fuel Cost Recovery Factors for each rate class/delivery voltage level class adjusted for line losses?

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

Group	Rate Schedules*	Fuel Cost Factors ¢/KWH		
		Standard	Time of Use	
			On-Peak	Off-Peak
A	RS, GS, GSD, SBS, OSIII, OSIV	1.974	2.431	1.731
B	LP, SBS	1.913	2.356	1.678
C	PX, RTP, SBS	1.876	2.311	1.646
D	OSI, OSII	1.906	N/A	N/A

\*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.

**ISSUE 8:** What is the appropriate revenue tax factor to be applied in calculating each company's levelized fuel factor for the projection period of January, 2000 to December, 2000?

**Gulf:** 1.01597. (Davis)

**ISSUE 9:** What is the appropriate regulatory treatment for transmission revenue received from non-separated wholesale energy sales not made through the Energy Broker Network (EBN)?

**Gulf:** The transmission revenue associated with the sale of energy should be credited to the customer through the fuel clause. (Howell, Davis)

**ISSUE 10:** What is the appropriate regulatory treatment for the generation-related gain on non-separated wholesale energy sales not made through the EBN?

**GULF:** The profit on economy sales should be split 80/20 between the customer and the company. The customers' portion should be passed to the customer through the fuel clause. (Howell, Davis)

**ISSUE 11:** Should the Commission eliminate the 20 percent shareholder incentive set forth in Order No. 12923, issued January 24, 1984, in Docket No. 830001-EU-B?

**GULF:** No. (Howell)

**ISSUE 12:** If the Commission should decide to maintain the 20 percent shareholder incentive set forth in Order No. 12923, issued January 24, 1984, in Docket No. 83001-EU-B, what types of economy energy sales should be eligible for the 20 percent shareholder incentive?

**GULF:** In the case of Gulf Power Company, the 20 percent shareholder incentive should be applied to all of Gulf's non-separated wholesale economy energy sales. These sales are categorized by Gulf as "economy" sales and "external" sales to differentiate the sales based on whether they are made to non-affiliated utilities that are directly interconnected to the Southern electric system ("economy") or to non-affiliated utilities and power marketers that are not directly interconnected to the Southern electric system ("external"). (Howell)

**ISSUE 13:** When should the utilities subject to the Commission's fuel and purchased power cost recovery clause submit their projection filings and testimonies to set their 2001 levelized fuel and capacity cost factors?

**GULF:** In order to incorporate the best reasonably available data for 2001, the utilities should submit their projection filings and testimonies to set their 2001 levelized fuel and capacity cost factors on October 2, 2000. (Davis)



### **Company-Specific Fuel Adjustment Issues**

#### **Gulf Power Company**

**ISSUE 16A:** Is Gulf Power's proposal to burn low sulfur coal in its Smith Units 1 and 2 the most cost effective strategy to comply with Phase II of the 1990 Amendment to the Clean Air Act?

**GULE:** Yes. The Clean Air Act Compliance Strategy for the Southern Company determined that fuel switching and the use of SO<sub>2</sub> allowances is a more cost-effective strategy for compliance than the installation of additional pollution control equipment at Plant Smith. Furthermore, according to Southern Company's Fuel Price Forecast for 1999, the use of low sulfur coal at Plant Smith is shown to be more economical than the use of high sulfur coal plus additional allowances. (Oaks, Vick)

**ISSUE 16B:** Is Gulf Power's proposal to burn bituminous coal at its Plant Daniel the most cost effective strategy to increase Gulf Power's capacity resources by 52 MW?

**GULE:** Yes. The decision to switch back to 100% bituminous coal at Plant Daniel was based on Decker Powder River Basin (PRB) coal no longer being available after expiration of the contract and the economics associated with alternative fuels considered feasible for the plant to burn. The overall economic choice was to burn bituminous coal at Plant Daniel year-round. (Oaks)

### **Generic Generating Performance Incentive Factor Issues**

**ISSUE 18B:** What is the appropriate GPIF reward or penalty for performance achieved by Florida Power Corporation, Tampa Electric Company and Gulf Power Company during the period April, 1998 through September, 1998?

**GULE:** \$75,355 penalty. (Douglass)

**ISSUE 18C:** What is the appropriate GPIF reward or penalty for performance achieved during the period October, 1998 through December, 1998?

**GULE:** \$38,676 reward. (Douglass)

**ISSUE 19:** What should the GPIF targets/ranges be for the period January, 2000 through December, 2000?

**GULE:** See table below: (Douglass)

Unit	EAF	POF	EUOF	Heat Rate
Crist 6	84.3	11.75	3.95	10,629
Crist 7	77.3	13.66	9.02	10,236
Smith 1	90.6	6.83	2.58	10,332
Smith 2	89.2	7.38	3.43	10,137
Daniel 1	75.3	14.47	10.19	10,237
Daniel 2	74.5	16.39	9.14	10,105

EAF = Equivalent Availability Factor  
POF = Planned Outage Factor  
EUOF = Equivalent Unplanned Outage Factor

**Company-Specific GPIF Issues**

**ISSUE 20:** Should Gulf Power include a new Btu per pound independent variable in the Plant Daniel target heat rate equations?

**GULE:** Yes. Gulf has included a new BTU per pound independent variable in the Plant Daniel target heat rate equations in order to produce equations that can account for planned changes in coal type and heat content. This change will produce reasonable target heat rate equations and resulting heat rate targets that are valid when different fuels are used. (Douglass)

**Generic Capacity Cost Recovery Factor Issues**

**ISSUE 21:** What is the final capacity cost recovery true-up amount for Florida Power & Light Company and Gulf Power Company for the period October, 1997, through December, 1998?

**GULE:** Over recovery \$81,124. (Howell, Davis)

**ISSUE 23:** What is the estimated capacity cost recovery true-up amount for the period January, 1999 through December, 1999?

**GULE:** Under recovery of \$12,942. (Howell, Davis)

**ISSUE 24:** What is the total capacity cost recovery true-up amount to be collected/refunded during the period January, 2000 through December, 2000?

**GULE:** Refund of \$68,182. (Davis)

**ISSUE 25:** What is the appropriate projected net purchased power capacity cost amount to be included in the recovery factor for the period January, 2000 through December, 2000?

**GULE:** \$14,086,953. (Howell, Davis)

**ISSUE 26:** What are the appropriate capacity cost recovery factors for the period January, 2000 through December, 2000?

**GULE:** See table below: (Davis)

<b>RATE CLASS</b>	<b>CAPACITY COST RECOVERY FACTORS \$/KWH</b>
RS, RST	.167
GS, GST	.166
GSD, GSDT	.135
LP, LPT	.111
PX, PXT, RTP, SBS	.096
OSI, OSII	.041
OSIII	.101
OSIV	.270

**Company-Specific Capacity Cost Recovery Issues**

NONE RAISED AS TO GULF POWER COMPANY

**E. STIPULATED ISSUES**

**GULE:** 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:**

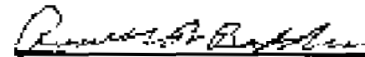
**GULE:** NONE.

H. OTHER MATTERS:

**GLEE:** To the best knowledge of counsel, Gulf has complied, or is able to comply, 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 22-23, 1999, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 22nd day of October, 1999.

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. 890001-EI

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 22nd day of October 1999 on the following:

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