

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and purchased power cost
recovery clause and generating performance
incentive factor

090001-EI

Docket No.: 070001-EI
Date: July 18, 2007

REQUEST FOR CONFIDENTIAL CLASSIFICATION

EXHIBIT "A"

Provided to the Commission Clerk
under separate cover as confidential information

**CONFIDENTIAL
DOCUMENT**

DOCKET 070001

**GULF POWER COMPANY'S
RESPONSES TO STAFF'S FIRST
SET OF INTERROGATORIES
NOS. 1, 2, 4 AND 5**

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 070001-EI ^{Composite 47} EXHIBIT 47
COMPANY GPC
WITNESS _____
DATE 11/6/07

(Confidential
portion)

11/5/09
DECLASSIFIED

CONFIDENTIAL

DOCUMENT NUMBER-DATE

10378 NOV 19 08

FPSC-COMMISSION CLERK

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Staff's First Set of Interrogatories
Docket No. 070001-EI
GULF POWER COMPANY
June 29, 2007
Item No. 1
Page 1 of 2

1. For each Request for Proposal for coal issued in 2006 by GULF, list the bids received.

ANSWER:

See the attached listing.

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Gulf Power Company 2006 Spot Coal Evaluation
Peabody Replacement Coal

	A	B	C	D	E	F	G	H	I	J	K	L	
Offer	Supplier	Tonnage	\$/Ton	Trans \$/Ton	TL/LM	Steve	%S	Btu/lb	Total \$/Ton	Del'd Cost \$/mmBtu	Allow Value	Del'd Cost w/ Sulfur \$/mmBtu	Load Point
1A	Glencore Russian	300,000	\$58.90	\$2.81	\$2.67	\$0.26	0.35	11,700	\$64.64	\$2.76	\$1,550	\$3.23	CIF McDuffie
1B	Glencore Russian	300,000	\$59.75	\$2.86	\$2.67	\$0.26	0.35	11,700	\$65.54	\$2.80	\$1,550	\$3.26	CIF Bulk Plant
1C	Glencore Russian	300,000	\$60.65	\$2.84	\$2.25	\$0.00	0.35	11,700	\$65.74	\$2.81	\$1,550	\$3.27	CIF MRT
1D	Glencore Russian	300,000	\$60.35	\$6.71	\$3.00	\$0.00	0.35	11,700	\$70.06	\$2.99	\$1,550	\$3.46	CIF Electrocoal
1E	Glencore Russian	300,000	\$60.10	\$6.80	\$3.00	\$0.00	0.35	11,700	\$69.90	\$2.99	\$1,550	\$3.45	CIF IMT
1F	Glencore Russian	300,000	\$60.45	\$7.06	\$3.30	\$0.00	0.35	11,700	\$70.81	\$3.03	\$1,550	\$3.49	CIF ICRMT
2A	Glencore La Jagua	1,600,000	\$59.05	\$2.81	\$2.67	\$0.26	0.75	12,400	\$64.79	\$2.61	\$1,550	\$3.55	CIF McDuffie
2B	Glencore La Jagua	1,600,000	\$59.80	\$2.86	\$2.67	\$0.26	0.75	12,400	\$65.59	\$2.64	\$1,550	\$3.58	CIF Bulk Plant
2C	Glencore La Jagua	1,600,000	\$60.70	\$2.84	\$2.25	\$0.00	0.75	12,400	\$65.79	\$2.65	\$1,550	\$3.59	CIF MRT
2D	Glencore La Jagua	1,600,000	\$60.50	\$6.71	\$3.00	\$0.00	0.75	12,400	\$70.21	\$2.83	\$1,550	\$3.77	CIF Electrocoal
2E	Glencore La Jagua	1,600,000	\$60.25	\$6.80	\$3.00	\$0.00	0.75	12,400	\$70.05	\$2.82	\$1,550	\$3.76	CIF IMT
2F	Glencore La Jagua	1,600,000	\$60.55	\$7.06	\$3.30	\$0.00	0.75	12,400	\$70.91	\$2.86	\$1,550	\$3.80	CIF ICRMT
3A	Glencore Calenturlias	1,600,000	\$56.35	\$2.81	\$2.67	\$0.26	0.70	11,800	\$62.09	\$2.63	\$1,550	\$3.55	CIF McDuffie
3B	Glencore Calenturlias	1,600,000	\$57.05	\$2.86	\$2.67	\$0.26	0.70	11,800	\$62.84	\$2.66	\$1,550	\$3.58	CIF Bulk Plant
3C	Glencore Calenturlias	1,600,000	\$58.00	\$2.84	\$2.25	\$0.00	0.70	11,800	\$63.09	\$2.67	\$1,550	\$3.59	CIF MRT
3D	Glencore Calenturlias	1,600,000	\$57.80	\$6.71	\$3.00	\$0.00	0.70	11,800	\$67.51	\$2.86	\$1,550	\$3.78	CIF Electrocoal
3E	Glencore Calenturlias	1,600,000	\$57.55	\$6.80	\$3.00	\$0.00	0.70	11,800	\$67.35	\$2.85	\$1,550	\$3.77	CIF IMT
3F	Glencore Calenturlias	1,600,000	\$57.85	\$7.06	\$3.30	\$0.00	0.70	11,800	\$68.21	\$2.89	\$1,550	\$3.81	CIF ICRMT
4A	Interocean Russian	440,000	\$70.41	\$2.81	\$0.00	\$0.00	0.40	11,800	\$73.22	\$3.10	\$1,550	\$3.63	FOB Barge McDuffie
4B	Interocean Russian	440,000	\$67.91	\$7.06	\$0.00	\$0.00	0.40	11,800	\$74.97	\$3.18	\$1,550	\$3.70	FOB Barge ICRMT
5A	Interocean Colombian	1,160,000	\$59.85	\$2.81	\$0.00	\$0.00	0.70	11,500	\$62.66	\$2.72	\$1,550	\$3.67	FOB Barge McDuffie
5B	Interocean Colombian	1,160,000	\$57.35	\$7.06	\$0.00	\$0.00	0.70	11,500	\$64.41	\$2.80	\$1,550	\$3.74	FOB Barge ICRMT
6A	Kennecott Australian	65,000	\$64.97	\$2.86	\$2.67	\$0.26	0.47	11,630	\$70.76	\$3.04	\$1,550	\$3.67	CIF Bulk Plant
6B	Kennecott Australian	65,000	\$64.97	\$2.84	\$2.25	\$0.00	0.47	11,630	\$70.06	\$3.01	\$1,550	\$3.64	CIF MRT
7A	Blue Creek Alabama	200,000	\$57.00	\$16.00	\$0.99	\$0.00	0.85	12,200	\$73.99	\$3.03	\$1,550	\$4.11	FOB Railcar Gurnee Junction
7B	Blue Creek Alabama	200,000	\$65.50	\$7.50	\$0.00	\$0.00	0.85	12,200	\$73.00	\$2.99	\$1,550	\$4.07	FOB Barge MP 353 Warrior River
8A	CMC Colombian	1,000,000	\$54.80	\$2.86	\$2.67	\$0.26	0.70	11,300	\$60.59	\$2.68	\$1,550	\$3.64	CIF Bulk Plant
8B	CMC Colombian	1,000,000	\$55.60	\$2.84	\$2.25	\$0.00	0.70	11,300	\$60.69	\$2.69	\$1,550	\$3.65	CIF MRT
8C	CMC Colombian	1,000,000	\$54.82	\$6.80	\$3.00	\$0.00	0.70	11,300	\$64.62	\$2.86	\$1,550	\$3.82	CIF IMT or ICRMT
8D	CMC Colombian	1,000,000	\$54.30	\$6.71	\$3.00	\$0.00	0.70	11,300	\$64.01	\$2.83	\$1,550	\$3.79	CIF Electrocoal
9A	Constellation Russian	330,000	\$65.32	\$2.84	\$2.25	\$0.00	0.30	11,800	\$70.41	\$2.98	\$1,550	\$3.38	CIF Bulk Plant or MRT
9B	Constellation S. African	330,000	\$61.92	\$2.84	\$2.25	\$0.00	0.50	11,300	\$67.01	\$2.97	\$1,550	\$3.65	CIF Bulk Plant or MRT
9C	Constellation Colombian	330,000	\$65.32	\$2.84	\$2.25	\$0.00	0.76	12,400	\$70.41	\$2.84	\$1,550	\$3.79	CIF Bulk Plant or MRT
10A	MacEachern Russian	240,000	\$63.75	\$2.81	\$2.67	\$0.26	0.40	11,300	\$69.49	\$3.07	\$1,550	\$3.62	CIF McDuffie
10B	MacEachern Russian	240,000	\$64.35	\$2.84	\$2.25	\$0.00	0.40	11,300	\$69.44	\$3.07	\$1,550	\$3.62	CIF Bulk Plant or MRT
10C	MacEachern Russian	240,000	\$64.10	\$6.80	\$3.00	\$0.00	0.40	11,300	\$73.90	\$3.27	\$1,550	\$3.82	CIF IMT
10D	MacEachern Russian	240,000	\$64.10	\$6.71	\$3.00	\$0.00	0.40	11,300	\$73.81	\$3.27	\$1,550	\$3.81	CIF Electrocoal

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2. For each Request for Proposal for coal issued in 2006 by GULF, what action was taken? Include with your response, a summary of the evaluation process, and how the successful proposal was selected.

ANSWER:

See the attached letter dated August 31, 2006, from Tris Swindle (Coal Procurement Agent) to Rusty Ball (Fuel Manager for Gulf Power Company). All coal supply proposals are evaluated based on a delivered cost per MMBTU including any environmental costs. The low cost alternatives that meet Gulf's minimum coal quality specifications and agree to the specified terms and conditions of the coal supply agreement are selected.

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DATE: August 31, 2006

RE: GULF POWER COMPANY SPOT COAL SOLICITATION
MARCH – DECEMBER 2006

FROM: Tris Swindle

To: Rusty Ball

This letter is written to document the recent spot coal purchase that was made on behalf of Gulf Power Company for the period March through December 2006. This solicitation was made to replace coal that had been supplied under the long-term coal supply agreement between Gulf and Peabody COALSALES to Plants Crist and Smith.

On January 23, 2006, Peabody sent a letter notifying Gulf of a permanent force majeure event at the Millennium portal of the Galatia Mine, citing adverse geological conditions as the cause. This mine had been the sole source for the supply of coal under this agreement. As a result of this force majeure claim, a review of Plant Crist and Smith's remaining 2006 inventory plan indicated the need to purchase approximately 1,500,000 tons of spot coal to replace the tons lost due to COALSALES' non-performance. Since COALSALES had not made any shipments under their base agreement with Gulf since August 2005, the decision was made to proceed with a spot coal solicitation in anticipation of future non-deliveries under this agreement. On January 17, 2006, a solicitation was emailed to the approved Gulf Power Company bidder's list. The proposal asked for offers for the period March through December 2006. The bid close date was January 31, 2006. In response to the solicitation, ten (10) bids from seven (7) different suppliers were received. The sources for these bids included offers from the Southern Appalachian, Australian, Russian, Colombian and South African coal supply regions.

In evaluating the offers submitted, the decision was made to re-bid this solicitation as the offers received were viewed to be non-competitive as compared to market intelligence gleaned from other sources, specifically Argus Coal Daily. With your permission, on February 8, 2006, a second email was issued requesting that each supplier either (1) modify their original offer or (2) leave their original offer unchanged. These offers were due on February 13, 2006. In evaluating the re-bids, economics to derive a delivered least cost line-up was employed using the ten (10) offers, their applicable transportation rates provided by Terry Howell, Transportation Agent, and their SO₂ allowance values



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provided by Gary Hart, Manager of Emissions Trading. The least cost offer submitted was from Constellation Energy. This bid was a brokered coal offer from Russia's Kuzbass region. Constellation would not agree to any of Gulf's spot coal terms and conditions and since this was a brokered coal offer, the decision was made to not purchase this coal.

A B

1 The next least cost offer was submitted by Glencore LTD. On the re-bid, Glencore
2 elected not to modify their original offer. Their bid was still the most economical offer
3 received. The source for this offer was Russian coal which, at the time, had not been
4 extensively burned at Crist or Smith. Even though this bid was ultimately more
5 economical than the next least cost offer from Interocean Coal Sales LDC (see below),
6 the decision was made to not purchase a large quantity of this coal and instead go with
7 the proven Interocean coal, which has been burned at both Crist and Smith for the past
8 five years. The Glencore coal delivered to Crist for \$3.27/mmBtu, including sulfur. The
9 decision was made to purchase 260,000 tons of this coal for the reason stated above. The
10 next least cost offer was submitted by Interocean for their Colombian coal, an approved
11 source at both Crist and Smith. On their re-bid, Interocean reduced their FOB barge price
12 and lowered their guaranteed sulfur content such that their modified offer delivered to
13 Crist for \$3.36/mmBtu, including sulfur. The decision was made to purchase 1,145,000
14 tons of this coal.

The total purchased volume for this buy was 1,405,000 tons, or 95,000 tons short of the 1,500,000 tons indicated on Gulf's inventory spreadsheet. The decision was made to purchase this remaining uncommitted need at a future date. After review and concurrence of the above information with you, Purchase Order FP06004 was issued to Glencore for the Russian coal and Purchase Order FP06005 was issued to Interocean covering the Colombian purchase. These purchase orders were entered and verified in FAACS.

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SBC
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CHH
SCD

4. List the tonnage, delivered price, coal quality, and vendor information for all spot coal procured by GULF in 2006.

ANSWER:

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- 1 • Glencore LTD
2 Load Point: Zarechnaya, Russia
3 Delivered Price: \$3.27 per MMBTU delivered to Plant
4 Crist, including the cost of SO2 allowances.
5 Quantity: 260,000 tons
6 Quality: Heating Value – 11,700 BTU/LB min.
7 Moisture – 9.5% max.
8 Ash – 10% max.
9 Sulfur – 0.35% max.

- 10 • InterOcean Coal Sales, LDC
11 Load Point: Puerto Drummond, Colombia SA
12 Delivered Price: \$3.36 per MMBTU delivered to Plant
Crist, including the cost of SO2 allowances.
Quantity: 1,145,000 tons
Quality: Heating Value – 11,500 BTU/LB min.
Moisture – 14% max.
Ash – 8% max.
Sulfur – 0.83 lbs SO2 per MMBTU max.

Staff's First Set of Interrogatories
Docket No. 070001-EI
GULF POWER COMPANY
June 29, 2007
Item No. 5
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5. For each Request for Proposal for natural gas issued in 2006 by GULF, list the bids received.

ANSWER:

Southern Company Services, as agent for Gulf, issued two RFP's during 2006: the first on January 18, 2006 and the second on November 1, 2006. The list of bids received is documented on pages 2 and 3.

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Attachment A

Gas Supply Bids 2-22-2006

FGT Zone 3 Basis	\$0.080
Transco Zone 4 Basis	\$0.120

A B C D

Bidder	Term	Delivery Period	Quantity DTH/day	Receipt Location		Bid Price	Demand Adder	Bid Adder	Adder to Henry Hub	to Henry Hub
6 Constellation	2 Years	Jun 06 - May 08	45,000	Destin	Annual	GD FGT Zone 3		\$0.0250	\$0.0800	\$0.1050
7 Constellation	4 Years	Jun 06 - May 10	45,000	Destin	Annual	GD FGT Zone 3		\$0.0300	\$0.0800	\$0.1100
4 Constellation	2 Years	Jun 06 - May 08	45,000	Destin	Annual	> of GD FGT Z3 or GD Transco Z4		\$0.0075	\$0.1200	\$0.1275
86 Coral Energy	4 Years	Jun 06 - May 10	20,000	Destin	Annual	> of GD FGT Z3 or GD Transco Z4		\$0.0100	\$0.1200	\$0.1300
5 Constellation	4 Years	Jun 06 - May 10	45,000	Destin	Annual	> of GD FGT Z3 or GD Transco Z4		\$0.0100	\$0.1200	\$0.1300
40 BP	1 Year	Jun 06 - May 07	45,000	Destin	Annual	> GD All Destin Delv. Pts		\$0.0100	\$0.1200	\$0.1300
41 BP	4 Years	Jun 06 - May 10	45,000	Destin	Annual	> GD All Destin Delv. Pts		\$0.0200	\$0.1200	\$0.1400
38 Occidental	1 Year	Jun 06 - May 07	10,000	Destin	Annual	GD Transco Zone 4		\$0.0500	\$0.1200	\$0.1700
24 Constellation	2 Summers	Jun - Aug	45,000	Destin	Summer	GD FGT Zone 3		\$0.0300	\$0.0800	\$0.1100
90 Coral Energy	4 Summers	Jun - Aug	20,000	Destin	Summer	GD FGT Zone 3		\$0.0300	\$0.0800	\$0.1100
25 Constellation	4 Summers	Jun - Aug	45,000	Destin	Summer	GD FGT Zone 3		\$0.0400	\$0.0800	\$0.1200
48 BP	1 Summer	Jun - Aug	20,000	Destin	Summer	> GD All Destin Delv. Pts		\$0.0100	\$0.1200	\$0.1300
22 Constellation	2 Summers	Jun - Aug	45,000	Destin	Summer	> of GD FGT Z3 or GD Transco Z4		\$0.0150	\$0.1200	\$0.1350
23 Constellation	4 Summers	Jun - Aug	45,000	Destin	Summer	> of GD FGT Z3 or GD Transco Z4		\$0.0200	\$0.1200	\$0.1400
49 BP	4 Summers	Jun - Aug	20,000	Destin	Summer	> GD All Destin Delv. Pts		\$0.0200	\$0.1200	\$0.1400
85 CenterPoint Energy	1 Year	Jun 06 - May 07	10,000	Destin - FGT	Annual	IF FGT Zone 3		\$0.0900	\$0.0800	\$0.1700
84 CenterPoint Energy	1 Summer	Apr - Oct	10,000	Destin - FGT	Summer	IF FGT Zone 3		\$0.0900	\$0.0800	\$0.1700
12 Constellation	2 Years	Jun 06 - May 08	40,000	Mobile Bay	Annual	GD FGT Zone 3		\$0.0250	\$0.0800	\$0.1050
13 Constellation	4 Years	Jun 06 - May 10	35,000	Mobile Bay	Annual	GD FGT Zone 3		\$0.0300	\$0.0800	\$0.1100
42 BP	1 Year	Jun 06 - May 07	40,000	Mobile Bay	Annual	> GD All MB Delv. Pts.		\$0.0100	\$0.1200	\$0.1300
14 Constellation	2 Years	Apr 06 - Mar 08	10,000	Mobile Bay	Annual	IF FGT Zone 3		\$0.0500	\$0.0800	\$0.1300
71 Chevron Natural Gas	1 Year	Jun 06 - May 07	40,000	Mobile Bay	Annual	GD FGT Zone 3	\$0.0250	\$0.0250	\$0.0800	\$0.1300
44 BP	1 Year	Jun 06 - May 07	10,000	Mobile Bay	Annual	IF FGT Zone 3		\$0.0500	\$0.0800	\$0.1300
45 BP	4 Years	Jun 06 - May 10	10,000	Mobile Bay	Annual	IF FGT Zone 3		\$0.0500	\$0.0800	\$0.1300
43 BP	4 Years	Jun 06 - May 10	40,000	Mobile Bay	Annual	> GD All MB Delv. Pts.		\$0.0200	\$0.1200	\$0.1400
72 Chevron Natural Gas	2 Years	Jun 06 - May 08	40,000	Mobile Bay	Annual	GD FGT Zone 3	\$0.0350	\$0.0350	\$0.0800	\$0.1500
15 Constellation	4 Years	Apr 06 - Mar 10	10,000	Mobile Bay	Annual	IF FGT Zone 3		\$0.0750	\$0.0800	\$0.1550
83 CenterPoint Energy	1 Year	Jun 06 - May 07	10,000	Mobile Bay	Annual	GD FGT Zone 3	\$0.0400	\$0.0400	\$0.0800	\$0.1600
82 CenterPoint Energy	1 Summer	Apr - Oct	10,000	Mobile Bay	Summer	GD FGT Zone 3	\$0.0400	\$0.0400	\$0.0800	\$0.1600
93 ExxonMobil Gas & Power	1 Summer	Apr - Oct	10,000	Mobile Bay - Williams	Summer	IF FGT Zone 3		\$0.0600	\$0.0800	\$0.1400
94 ExxonMobil Gas & Power	1 Summer	Apr - Oct	10,000	Mobile Bay - MGS	Summer	IF FGT Zone 3		\$0.0650	\$0.0800	\$0.1450
89 Coral Energy	4 Years	Jun 06 - May 10	10,000	Mobile Bay - Yellowhammer	Annual	> IF FGT Zone 3 or Transco MS/AL		\$0.0000	\$0.1200	\$0.1200

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Attachment B

Gas Supply Bids 12-6-2006

FGT Zone 3 Basis \$0.291

A B C D E
Gas Price \$7.5000
Comm. Or

Bidder	Term	Delivery Period	Quantity DTH/day	Receipt Pipe	Receipt Location		Bid Price	Demand Adder	Bid Adder	Deliv. Fuel	Adder to Henry Hub	to Henry Hub
79 Chevron - 34	1 Year	June - Aug	20,000	Destin	All points	Summer	GD FGT Zone 3		\$0.0350		\$0.2910	\$0.3260
80 Chevron - 35	2 Years	June - Aug	20,000	Destin	All points	Summer	GD FGT Zone 3		\$0.0500		\$0.2910	\$0.3410
81 Chevron - 36	3 Years	June - Aug	20,000	Destin	All points	Summer	GD FGT Zone 3		\$0.0500		\$0.2910	\$0.3410
17 Constellation - 7	Up to 3 Years	June - Aug	20,000	Destin	FGT Only	Summer	GD FGT Zone 3	\$0.0595			\$0.2910	\$0.3505
88 Coral - 4	3 Years	June - Aug	20,000	Destin	All points	Summer	GD FGT Zone 3		\$0.1500		\$0.2910	\$0.4410
73 Chevron - 28	1 Year	June - Aug	20,000	FGT/Mobile Bay	All points	Summer	GD FGT Zone 3		\$0.0350		\$0.2910	\$0.3260
74 Chevron - 29	2 Years	June - Aug	20,000	FGT/Mobile Bay	All points	Summer	GD FGT Zone 3		\$0.0400		\$0.2910	\$0.3310
19 Constellation - 9	1 Year	June - Aug	20,000	FGT/Mobile Bay	All points	Summer	GD FGT Zone 3	\$0.0495			\$0.2910	\$0.3405
75 Chevron - 30	3 Years	June - Aug	20,000	FGT/Mobile Bay	All points	Summer	GD FGT Zone 3		\$0.0500		\$0.2910	\$0.3410
98 BG - 3	2 or 3 Years	May - Sept	20,000	FGT/Mobile Bay	Plant Smith	Summer	GD FGT Zone 3		(\$0.0200)	\$0.2638	\$0.2910	\$0.5349
45 TEA	3 Years	May 07 - May 10	35,000	FGT/Mobile Bay	Cypress/FGT Interconnect	Annual	Inside FERC HH		\$0.5900			\$0.5900

12-6-2006 10:00 AM

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