



October 11, 2019

Mr. Adam Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Docket No. 20190007-EI

Dear Mr. Teitzman:

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 'C. Shane Boyett'.

C. Shane Boyett
Regulatory, Forecasting and Pricing Manager

md

Attachments

cc: Gulf Power Company
Russell Badders, Esq., VP & Associate General Counsel
Beggs & Lane

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery) Docket No. 20190007-EI
Clause) Date Filed: October 11, 2019
_____)

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-2019-0072-PCO-EI, issued February 25, 2019, establishing the prehearing procedure in this docket, files this prehearing statement, saying:

A. APPEARANCES

RUSSELL A. BADDERS, Esquire, Vice President & Associate General Counsel of Gulf Power Company, One Energy Place, Pensacola, FL 32520-0100

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>
<u>Direct</u>		
1. R. M. Markey (Gulf)	Environmental compliance activities (True-Ups and Projection)	1, 2, 3, 14, 15
2. C. S. Boyett (Gulf)	Environmental compliance cost recovery calculations (True-Ups and Projection)	1, 2, 3, 4, 5, 6, 7, 8, 9, 10

C. EXHIBITS

<u>Witness</u>	<u>Proffered By</u>	<u>Exhibit #</u>	<u>Description</u>	<u>Issues #</u>
<u>Direct</u>				
Boyett	Gulf Power	(CSB-1)	Calculation of Final True-up 1/18 – 12/18	1
Boyett	Gulf Power	(CSB-2)	Calculation of Estimated True-up 1/19 – 12/19	2
Boyett	Gulf Power	(CSB-3)	Calculation of Projection 1/20 – 12/20	3, 4, 5, 6, 7, 8, 9
Boyett	Gulf Power	(CSB-4)	Recalculation of Estimated True-up (Revised Cost of Capital) 1/19 – 12/19	2
Markey	Gulf Power	(RMM-1)	Schedule 5P - Description and Progress Report of Environmental Compliance Activities and Projects	3

D. STATEMENT OF BASIC POSITION

Gulf Power Company's Statement of Basic Position:

It is the basic position of Gulf Power Company that the environmental cost recovery factors proposed by the Company present the best estimate of Gulf's environmental compliance costs recoverable through the Environmental Cost Recovery Clause (ECRC) for the period January 2020 through December 2020, including the true-up calculations and other adjustments allowed by the Commission.

E. STATEMENT OF ISSUES AND POSITIONS

Generic Environmental Cost Recovery Issues

ISSUE 1: What are the final environmental cost recovery true-up amounts for the period January 2018 through December 2018?

GULF: \$1,896,136 over recovery. (Markey, Boyett)

ISSUE 2: What are the actual/estimated environmental cost recovery true-up amounts for the period January 2019 through December 2019?

GULF: \$4,609,567 over recovery. (Markey, Boyett)

ISSUE 3: What are the projected environmental cost recovery amounts for the period January 2020 through December 2020?

GULF: \$189,722,598. (Markey, Boyett)

ISSUE 4: What are the environmental cost recovery amounts, including true-up amounts, for the period January 2020 through December 2020?

GULF: \$183,348,811. (Boyett)

ISSUE 5: What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2020 through December 2020?

GULF: The depreciation rates used to calculate the depreciation expense should be the rates that are in effect during the period the allowed capital investment is in service. (Boyett)

ISSUE 6: What are the appropriate jurisdictional separation factors for the projected period January 2020 through December 2020?

GULF: The demand jurisdictional separation factor is 97.23427%. Energy jurisdictional separation factors are calculated each month based on projected retail kWh sales as a percentage of projected total territorial kWh sales. (Boyett)

ISSUE 7: What are the appropriate environmental cost recovery factors for the period January 2020 through December 2020 for each rate group?

GULF: See table below. (Boyett)

RATE CLASS	ENVIRONMENTAL COST RECOVERY FACTORS ¢/kWh
RS, RSVP, RSTOU	1.897
GS	1.927
GSD, GSDT, GSTOU	1.552
LP, LPT	1.364
PX, PXT, RTP, SBS	1.341
OS-I/II	0.405
OS-III	1.236

ISSUE 8: What should be the effective date of the new environmental cost recovery factors for billing purposes?

GULF: The new environmental cost recovery factors should be effective beginning with the first billing cycle for January 2020 and thereafter through the last billing cycle for December 2020. The first billing cycle may start before January 1, 2020, and the last cycle may be read after December 31, 2020, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Boyett)

F. TARIFF APPROVAL

ISSUE 9: Should the Commission approve revised tariffs reflecting the environmental cost recovery amounts and environmental cost recovery factors determined to be appropriate in this proceeding?

GULF: Yes. The Commission should approve revised tariffs reflecting the environmental cost recovery amounts and environmental 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 10: Should this docket be closed?

GULF: No, this is a continuing docket and should remain open. (Boyett)

G. COMPANY-SPECIFIC ISSUES

ISSUE 14: Should the Commission approve the 2020 expenditures for Gulf's ownership portion of the Plant Daniel CCR projects for recovery through the Environmental Cost Recovery Clause?

GULF: Gulf Power is requesting deferral of Issue 14 related to the recovery of certain Plant Daniel CCR costs through the ECRC mechanism to a future proceeding. At issue in this proceeding are expenditures relating to new wastewater treatment and ash handling systems needed for the waste streams currently being routed to the pond prior to the October 31, 2020, deadline. Gulf's request for ECRC cost recovery of prudently incurred costs associated with the CCR rule was previously approved in 2015 in Order PSC-15-0536-FOF-EI. The currently planned Daniel CCR projects meet the criteria for cost recovery established by the Commission in Order PSC-94-0044-FOF-EI. However, since filing its petition and projection testimony in this proceeding, Gulf Power has become aware of new information about potential alternatives for CCR

compliance projects at Plant Daniel that may result in a more cost-effective solution for Gulf's customers. The 2020 expenditures for Gulf's ownership portion of the currently planned Plant Daniel CCR projects are projected to be \$23 million. (Markey)

ISSUE 15: Should the Commission approve Gulf's Crist Closed Ash Landfill Project for cost recovery through the Environmental Cost Recovery Clause?

GULF: Yes. The Plant Crist industrial wastewater permit (FL0002275) and FDEP Order 17-1224 require Gulf to complete FDEP approved rehabilitation actions by July 23, 2023, for the Plant Crist Closed Ash Landfill (CAL). Gulf plans to regrade the surface of the CAL and then cap the CAL with a low permeability synthetic material to reduce water infiltration, to provide separation of ash and stormwater, and to provide stability improvements as recommended in the FDEP approved action plan. The capital expenditures associated with this project are projected to be \$10.1 million in 2020. Gulf has not projected O&M costs associated with the project in 2020; however, future O&M costs are expected after the project is completed in the 2021-2022 timeframe.

The proposed Crist CAL project meets the criteria for cost recovery established by the Commission in Order No. PSC-94-0044-FOF-EI. (Markey)

ISSUE 16: How should any approved Environmental Cost Recovery Clause costs associated with Gulf's Crist Closed Ash Landfill Project be allocated to the rate classes?

GULF: Capital costs for the CAL project should be allocated to the rate classes on an average 12-MCP demand and 1/13th energy basis. O&M cost for the program should be allocated to the rate classes on a demand basis. (Boyett)

H. STIPULATED ISSUES

GULF: Yet to be determined. Gulf is also 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.

I. PENDING MOTIONS

ISSUE 17: Should the Joint Motion to Modify Order No. PSC-2012-0425-PAA-EU Regarding Weighted Average Cost of Capital Methodology be approved?

GULF: Yes.

J. PENDING CONFIDENTIALITY REQUEST

GULF: None.

K. OBJECTIONS TO WITNESS QUALIFICATIONS AS AN EXPERT

GULF: None at this time.

L. REQUEST FOR SEQUESTRATION

GULF: None at this time.

M. COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE

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 5-7, 2019, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 11th day of October 2019.

Respectfully submitted,



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Environmental Cost**)
Recovery Clause)

Docket No.: 20190007-EI

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 11th day of October, 2019 to the following:

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