

Gulf Power Company
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**ORIGINAL
FILE COPY**

Jack L. Hustons
Manager of Rates and Regulatory Matters,
and Assistant Secretary

The Southern Bell Telephone and Telegraph Company

November 16, 1995

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

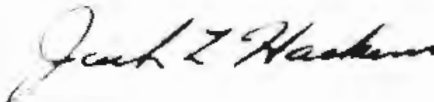
957433-EI

Dear Ms. Bayo:

Enclosed for official filing are an original and fifteen copies of Gulf Power Company's Petition for Approval of Special Accounting Treatment of Expenditures Related to Hurricane Erin and Hurricane Opal.

Also enclosed is a 3.5 inch double sided, high density diskette containing the Petition in WordPerfect for Windows 6.1 format as prepared on a MS-DOS based computer.

Sincerely,



lw

Enclosures

cc Beggs and Lane
Jeffrey A. Stone, Esquire

RECEIVED & FILED
[Signature]
EPSC-BUREAU OF RECORDS

"Our business is customer satisfaction"

DOCUMENT NUMBER-DATE
11487 NOV 17 95
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

RE: Gulf Power Company's petition for approval of special accounting treatment of expenditures related to Hurricane Erin and Hurricane Opal.)
) Docket No. 95 _____-EI
) Filed: November 17, 1995
)

PETITION

GULF POWER COMPANY ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned counsel and pursuant to the provisions of Rule 25-6.0143(4), Florida Administrative Code, hereby petitions the Florida Public Service Commission ("the Commission") for approval of the Company's proposed special accounting treatment of the extraordinary expenditures related to Hurricane Erin and Hurricane Opal. Gulf also respectfully requests that the Commission give expedited consideration to this Petition so that final disposition may be rendered as soon as possible and prior to the closing of the Company's books for 1995. In support of this petition, the Company states:

1. Notices and communications with respect to this petition and docket should be addressed to:

Jeffrey A. Stone
Russell A. Badders
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32576-2950

Jack L. Haskins, Manager
Rates & Regulatory Matters
Gulf Power Company
P. O. Box 13470
Pensacola, FL 32591-3470

2. Gulf Power is an investor-owned electric utility providing retail electric service to customers within northwest Florida and, pursuant to the provisions of Chapter 366 of the Florida Statutes, is subject to economic regulation by the Commission. The Company's principal offices are located at 500 Bayfront Parkway, Pensacola, Florida 32501.

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FPSC-RECORDS/REPORTING

3. With prior authority from the Commission, Gulf has established a funded uninsured property damage reserve as a self-insurance mechanism designed in part to protect against the cost of hurricane and other storm related damage to the Company's transmission and distribution ("T&D") system. The uninsured property damage reserve has been funded via accruals previously approved by the Commission. The amount of the current annual accrual is \$1.2 million. As of August 2, 1995, the balance in the uninsured property damage reserve was approximately \$12 million.¹

4. On August 3, 1995, Hurricane Erin made a landfall in Gulf's service territory with the eye of the storm passing directly over Pensacola. As a result of Hurricane Erin, a strong category one storm, Gulf experienced widespread damage to the Company's T&D system, primarily from falling trees. The total cost incurred by the Company to restore its T&D system following Hurricane Erin is approximately \$14 million. Of this amount, approximately \$3 million is to be capitalized. The remaining \$11 million consists of costs that are properly chargeable against the Company's uninsured property damage reserve and qualify for payment from the related fund.

¹In the Company's last full revenue requirements rate proceeding, Docket No. 891345-EI, Schedule C-28 of the Company's Minimum Filing Requirements (MFRs) reflected a target range for the uninsured property damage reserve balance of from \$5 to \$10 million. At that time, Gulf had commercial T&D insurance in place. It was expected at that time that the existing annual accrual of \$1.2 million would be sufficient to keep the reserve in the desired range. Largely as a consequence of Hurricane Andrew, commercial T&D insurance is no longer available and the Company has been forced to drop this form of coverage in favor of exclusive reliance on its self-insurance mechanism. As a result, in Gulf's Quadrennial Report Pursuant to Section 366.06(3) F.S., filed in Docket No. 940968-EI, the Company reported that the target balance for the uninsured property damage reserve should fall in the range from \$15 to \$20 million. Gulf continues to believe that this range (\$15 to \$20 million) is an appropriate target.

5. Only two months later, on October 4, 1995, Hurricane Opal made a landfall in the middle of Gulf's service territory with a strong storm surge along the coast. As a result of Hurricane Opal, a category three storm, Gulf again experienced widespread damage to its T&D system. The total cost incurred by the Company to restore its T&D system following Hurricane Opal is estimated to be nearly \$11 million. Of this amount, approximately \$2 million is to be capitalized. The remaining \$9 million consists of costs that are properly chargeable against the Company's uninsured property damage reserve.

6. The effects of Hurricane Erin alone essentially wiped out Gulf's uninsured property damage reserve. Therefore, without timely administrative relief approved by this Commission, the Company will be forced to charge approximately \$9 million of hurricane related expenditures to expense in 1995. Such treatment would have a devastating impact on the Company's earnings for 1995.

7. In order to avoid the devastating effect on 1995 earnings that would otherwise result, and to begin the restoration of the Company's uninsured property damage reserve, Gulf Power requests that the Commission approve special accounting treatment of the expenditures related to Hurricane Erin and Hurricane Opal. Specifically, the Company seeks Commission approval to:

- a. increase the annual accrual to the uninsured property damage reserve from \$1.2 million to \$3.5 million beginning in 1996.
- b. amortize approximately \$9 million of hurricane-related expenditures to the reserve over the five-year period of 1996-2000.

8. Although it does not presently appear likely that the situation will come to pass, consistent with the Company's proposal approved by Order No. PSC-95-0985-FOF-EI, in Docket No. 950837-EI, it would be the intent of the Company to apply any earnings for calendar year 1995 in excess of 12.75% to the Company's uninsured property damage reserve. Also consistent with that proposal and order, in the event there are any such earnings the Company will submit its proposal to the Commission for approval via a separate petition.


9. Absent another major hurricane or storm in the Company's service territory in the near future, Gulf expects to absorb this requested increase in the accrual without needing to seek an increase to the Company's present base rates.

10. In order to accomplish the intended result of the proposed special accounting treatment, it is critical that the Company receives final Commission approval before Gulf closes its books for 1995. Toward that end, Gulf Power requests that this matter be brought before the Commission for decision via its proposed agency action procedure at a Commission Conference on or before December 19, 1995.

WHEREFORE, Gulf Power Company respectfully requests that the Florida Public Service Commission authorize the Company to implement the proposal set forth herein regarding special accounting treatment for the Company's expenditures related to Hurricane Erin and

Hurricane Opal and other just and reasonable relief that the Commission may deem appropriate. Gulf Power also respectfully requests that the Commission give expedited consideration to the relief requested via this petition so that the final disposition may be rendered before the Company closes its books for 1995.

Respectfully submitted the 16th day of November 1995.



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

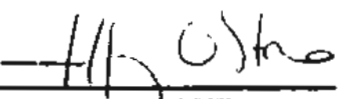
IN RE: Gulf Power Company's petition for approval of)
special accounting treatment of expenditures related to) Docket No. 95 _____-EI
Hurricane Erin and Hurricane Opal.) Filed: November 17, 1995
_____)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true copy of the foregoing petition was provided by U.S. Mail
this 16th day of November 1995 to the following:

Martha Carter Brown, Esquire
Florida Public Service Commission
2540 Shumard Oak Boulevard
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Jack Shreve, Esquire
Public Counsel
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