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July 25, 1997

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

Dear Ms. Bayo:

RE: Docket No. **970007-EI**

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

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

Sincerely,

Susan D. Cranmer

ACK _____
AFA *Vandiver*
APP _____ Susan D. Cranmer
CAF _____ Assistant Secretary and Assistant Treasurer
CMM _____ lw

Enclosure

cc: Beggs and Lana
Jeffrey A. Stone, Esquire

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DOCUMENT NUMBER DATE
07560 JUL 28 97
700-RECORDS AND REPORTING

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost)
Recovery Clause.)
_____)

Docket No 970007-EI
Filed July 28, 1997

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

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.	J. O. Vick (Gulf)	Environmental Compliance Activities, true-up and projections	1, 2, 4, 10, 10b-10d
2.	S. D. Cranmer (Gulf)	Environmental Compliance Cost Recovery calculations, true-up and projections	1, 2, 3, 4, 5, 6, 7, 8, 10a

DOCUMENT NUMBER-DATE

07560 JUL 28 5

FPSC-REGULATORY REPORTING

C. EXHIBITS:

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
_____ (SDC-1)	Cranmer	Schedules 1A-8A (4/96-9/96)
_____ (SDC-2)	Cranmer	Schedules 42-1P through 42-7P (10/97 - 9/98), 42-1E through 42-8E (10/96 - 9/97)

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 environmental cost recovery factors present the best estimate of Gulf cost for its environmental compliance activities for the period October 1997 through September 1998, including the true-up calculations and other adjustments allowed by the Commission

STATEMENT OF ISSUES AND POSITIONS

Generic Environmental Cost Recovery Issues

ISSUE 1: What are the appropriate final environmental cost recovery true-up amounts for the period April, 1996 through September, 1996?

GULF: Over recovery \$525,673. (Vick, Cranmer)

ISSUE 2: What are the estimated environmental cost recovery true-up amounts for the period October, 1996 through September, 1997?

GULF: Over recovery \$88,687. (Vick, Cranmer)

ISSUE 3: What are the total environmental cost recovery true-up amounts to be refunded during the period October 1997 through September 1998?

GULF: Refund of \$614,360 (excluding revenue taxes) (Cranmer)

ISSUE 4: What are the appropriate projected environmental cost amounts to be included in the recovery factors for the next recovery period?

GULF: \$11,291,801. (Vick, Cranmer)

ISSUE 5: What should be the effective date of the new environmental cost recovery factors for billing purposes?

GULF: The environmental cost recovery factors should be effective beginning with the specified billing cycle and thereafter for the billing period October 1997 through September 1998. Billing cycles may start before October 1, 1997 and the last billing cycle may be read after September 30, 1998 so that each customer is billed for the twelve months regardless of when the environmental cost recovery factors became effective. (Cranmer)

ISSUE 6: What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts to be collected during the period October, 1996 through March 1997?

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. (Cranmer)

ISSUE 7: How should the newly proposed environmental costs be allocated to the rate classes?

GULF: The costs of the Above ground Storage Tank integrity inspections and Secondary Containment Upgrades should be allocated on a 100% demand basis (Cranmer)

ISSUE 8: What are the appropriate Environmental Cost Recovery Factors for each rate group?

GULF: See table below: (Cranmer)

RATE CLASS	ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH
RS, RST	0.138
GS, GST	0.136
GSD, GSDT	0.118
LP, LPT	0.111
PX, PXT, RTP	0.101
OSI, OSII	0.082
OSIII	0.107
OSIV	0.154
SBS	0.112

Company-Specific Environmental Cost Recovery Issues

Gulf Power Company

ISSUE 10: Should the Commission approve Gulf Power Company's request to recover the cost of Above Ground Storage Tank Integrity Inspections and Secondary Containment Upgrades through the Environmental Cost Recovery Clause?

GULF: Yes. This project is the result of Gulf's compliance with the requirements of a more stringent environmental regulation (Vick)

ISSUE 10A: Is it appropriate for Gulf Power to earn a return through the Environmental Cost Recovery Clause on the 10% retainage on invoices from construction vendors to ensure contract performance?

GULF: Yes. (Cranmer)

ISSUE 10B: Should an adjustment be made for the recording error made in SO2 Allowances as reported in Audit Disclosure No. 2 of the Florida Public Service Commission's Environmental Compliance Cost Adjustment Audit Report for the Period Ended September 30, 1996?

GULF: No. Gulf has already made correcting entries related to the SO2 Allowances

ISSUE 10C: Should legal expenses incurred to assure compliance with revisions to Clean Air Act Amendment Title V provisions be recovered through the Environmental Cost Recovery Clause?

GULF: Yes. The legal expenses are directly associated with environmental compliance activities approved by the Commission and are incurred in order to comply with "environmental laws or regulations," as defined by Florida Statutes, chapter 366.8255.

ISSUE 10D: Should an adjustment be made for the O&M expenses reported in Audit Disclosure No. 4 of the Florida Public Service Commission's Environmental Compliance Cost Adjustment Audit Report for the Period Ended September 30, 1996?

GULF: No. Most correcting entries, including interest, were made in June, 1997. One additional entry will be made in July, 1997.

F. STIPULATED ISSUES

GULF: 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:

GULF: None.

H. OTHER MATTERS:

GULF: 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 August 14-15, 1996, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 25th day of July, 1997

Respectfully submitted,



JEFFREY A. STONE

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Attorneys for Gulf Power Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery)
Clause)
_____)

Docket No 970007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 25th day of July 1997 by U.S. Mail or hand delivery to the following

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