

Susan D. Ritenour
Secretary and Treasurer
and Regulatory Manager

One Energy Place
Pensacola, Florida 32520-0781

Tel 850.444.6231
Fax 850.444.6026
SDRITENO@southernco.com

ORIGINAL



August 31, 2006

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

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COMMISSION
CLERK

Dear Ms. Bayo:

Enclosed for official filing in Docket No. 060001-EI are an original and fifteen copies of the following:

1. The Petition of Gulf Power Company
2. Prepared direct testimony and exhibit of H. R. Ball
3. Prepared direct testimony and exhibit of R. J. Martin
4. Prepared direct testimony and exhibit of L. S. Noack.

Also enclosed is a 3.5 inch double sided, double density diskette containing the Petition in Microsoft Word for Windows format as prepared on an NT computer.

Sincerely,

Susan D. Ritenour

*ECA note:
Diskette was
nonfunctional.
will be returned
to GPC.*

bh

Enclosures

cc: Beggs & Lane
Jeffrey A. Stone, Esq.

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clauses and Generating Performance) Docket No.: 060001-EI
Incentive Factor,) Filed: September 1, 2006
_____)

**PETITION OF GULF POWER COMPANY FOR APPROVAL OF
FINAL FUEL COST TRUE-UP AMOUNTS AND GPIF ADJUSTMENT
FOR JANUARY 2005 THROUGH DECEMBER 2005;
ESTIMATED FUEL COST TRUE-UP AMOUNTS
FOR JANUARY 2006 THROUGH DECEMBER 2006;
PROJECTED FUEL COST RECOVERY AMOUNTS
FOR JANUARY 2007 THROUGH DECEMBER 2007;
FINAL PURCHASED POWER CAPACITY COST TRUE-UP AMOUNTS
FOR JANUARY 2005 THROUGH DECEMBER 2005;
ESTIMATED PURCHASED POWER CAPACITY COST TRUE-UP AMOUNTS
FOR JANUARY 2006 THROUGH DECEMBER 2006;
PROJECTED PURCHASED POWER CAPACITY COST RECOVERY AMOUNTS
FOR JANUARY 2007 THROUGH DECEMBER 2007;
ESTIMATED AS-AVAILABLE AVOIDED ENERGY COSTS;
GPIF TARGETS AND RANGES FOR JANUARY 2007 THROUGH DECEMBER 2007;
FUEL COST RECOVERY FACTORS TO BE APPLIED BEGINNING WITH THE
PERIOD JANUARY 2007 THROUGH DECEMBER 2007; AND
CAPACITY COST RECOVERY FACTORS TO BE APPLIED BEGINNING WITH THE
PERIOD JANUARY 2007 THROUGH DECEMBER 2007**

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

Jeffrey A. Stone
Russell A. Badders
Steven R. Griffin
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32591

Susan D. Ritenour
Secretary and Treasurer
Gulf Power Company
One Energy Place
Pensacola, FL 32520-0780

GULF POWER COMPANY (“Gulf Power”, “Gulf”, or “the Company”), by and through its undersigned counsel, hereby petitions this Commission for approval of the Company's final fuel adjustment true-up amounts and GPIF adjustment for the period January 2005 through

December 2005; for approval of its estimated fuel cost true-up amounts for the period January 2006 through December 2006; for approval of its projected fuel cost recovery amounts for the period January 2007 through December 2007; for approval of its final purchased power capacity cost true-up amounts for the period January 2005 through December 2005; for approval of its estimated purchased power capacity cost true-up amounts for the period January 2006 through December 2006; for approval of its projected purchased power capacity cost recovery amounts for the period January 2007 through December 2007; for approval of its GPIF targets and ranges for January 2006 through December 2006; for approval of its estimated as-available avoided energy costs for QFs; for approval of its fuel cost recovery factors to be applied beginning with the period January 2007 through December 2007; and for approval of its capacity cost recovery factors to be applied beginning with the period January 2007 through December 2007.

As grounds for the relief requested by this petition, the Company would respectfully show:

FINAL FUEL ADJUSTMENT TRUE-UP

(1) By vote of the Commission at the November 2005 hearings, estimated fuel true-up amounts were approved by the Commission, subject to establishing the final fuel true-up amounts. According to the data filed by Gulf for the period ending December 31, 2005, the actual fuel true-up amount for the subject twelve months should be an under recovery of \$50,276,465 instead of the estimated under recovery of \$30,102,348 as approved previously by this Commission. The difference between these two amounts, \$20,174,117 is submitted for approval by the Commission to be collected in the next period. The supporting data has been prepared in accordance with the uniform system of accounts as applicable to the Company's fuel

cost procedures and fairly presents the Company's fuel and purchased energy expenses for the period. Amounts spent by the Company for fuel and purchased energy are reasonable and prudent, and the Company makes every effort to secure the most favorable price for all of the fuel it purchases and for its energy purchases.

GPIF ADJUSTMENT

(2) On April 1, 2006, Gulf filed the testimony and exhibit of L. S. Noack containing the Company's actual operating results for the period January 2005 through December 2005. Based on the actual operating results for the period January 2005 through December 2005, Gulf should receive a penalty in the amount of \$842,874. The methodology used by Gulf in determining the various factors required to compute the GPIF is in accordance with the requirements of the Commission.

ESTIMATED FUEL COST TRUE-UP

(3) Gulf has calculated its estimated fuel cost true-up amount for the period January 2006 through December 2006. Based on seven months actual experience and five months projected data, the Company's estimated fuel cost true-up amount for the current period (January 2006 through December 2006) is an under recovery of \$26,505,347. The supporting data is provided in the testimony and schedules of R. J. Martin filed herewith. The estimated fuel cost true-up for the current period is combined with the net final fuel adjustment true-up for the period ending December 2005 to reach the total fuel cost true-up to be addressed in the factors for the next fuel cost recovery period. The proposed fuel cost recovery factors reflect the collection of this total true-up amount, \$46,679,464, during the period of January 2007 through December 2007.

PROJECTED FUEL COST RECOVERY AMOUNTS

(4) Gulf has calculated its projected fuel cost recovery amounts for the months January 2007 through December 2007 for fuel and purchased energy in accordance with the procedures set out in this Commission's Orders Nos. 6357, 7890, 7501, and 9273 of Docket No. 74680-EI and with the orders entered in this ongoing cost recovery docket. The computations thereof are attached as Schedule E-1 of the exhibit to the testimony of R. J. Martin filed herewith. The supporting data prepared in accordance with the Commission Staff's suggested procedures and format is attached as Schedules E-1 through E-11 and H-1 of the exhibit to the testimony of R. J. Martin filed herewith. Said schedules are by reference made a part hereof. The proposed amounts and supporting data have been prepared in accordance with the uniform system of accounts as applicable to the Company's fuel cost projection procedures and fairly present the Company's best estimate of fuel and purchased energy expense for the projected period. Amounts projected by the Company for fuel and purchased energy are reasonable and prudent, and the Company continues to make every effort to secure the most favorable price for all of the fuel it purchases and for its purchased energy.

FINAL PURCHASED POWER CAPACITY COST TRUE-UP

(5) By vote of the Commission at the November 2005 hearings, estimated purchased power capacity cost true-up amounts were approved by the Commission, subject to establishing the final purchased power capacity cost true-up amounts. According to the data filed by Gulf for the twelve-month period ending December 2005, the final purchased power capacity cost true-up amount for the subject twelve months should be an actual over recovery of \$1,026,474 instead of

the estimated over recovery of \$913,842 as approved previously by this Commission. The difference between these two amounts, \$112,632, is submitted for approval by the Commission to be refunded in the next period. The supporting data has been prepared in accordance with the uniform system of accounts and fairly presents the Company's purchased power capacity expenses for the period. Amounts spent by the Company for purchased power capacity are reasonable and prudent, and in the best long-term interests of Gulf's general body of ratepayers.

ESTIMATED PURCHASED POWER CAPACITY COST TRUE-UP

(6) Gulf has calculated its estimated purchased power capacity cost true-up amount for the period January 2006 through December 2006. Based on seven months actual and five months projected data, the Company's estimated capacity cost true-up amount for the current period is an under recovery of \$223,116. The net estimated capacity cost true-up for the current period is combined with the net final capacity cost true-up for the period ending December 2005 to reach the total capacity cost true-up to be addressed in the factors for the next cost recovery period. The proposed capacity cost recovery factors reflect the collection of this total capacity cost true-up amount, \$110,484, during the period of January 2007 through December 2007.

PROJECTED PURCHASED POWER CAPACITY COST RECOVERY AMOUNTS

(7) Gulf has calculated its projected purchased power capacity cost recovery amounts for the months January 2007 through December 2007 in accordance with the procedures set out in Order No. 25773, Order No. PSC-93-0047-FOF-EI and Order No. PSC-99-2512-FOF-EI. The proposed factors reflect the recovery of the net capacity cost recovery amount of \$31,663,162 projected for the period January 2007 through December 2007.

The computations and supporting data for the Company's purchased power capacity cost recovery factors are set forth on Schedules CCE-1 (including CCE-1a and CCE-1b), CCE-2 and CCE-4 attached as part of the exhibit to the testimony of R. J. Martin filed herewith. Additional supporting data for the purchased power capacity cost recovery factors is provided in the testimony and exhibit of H. R. Ball also filed herewith. The methodology used by Gulf in determining the amounts to include in these factors and the allocation to rate classes, based 12/13th on demand and 1/13th on energy, is in accordance with the requirements of the Commission as set forth in Order No. 25773. The amounts included in the factors for this projection period are based on reasonable projections of the capacity transactions that are expected to occur during the period January 2007 through December 2007. The proposed factors and supporting data have been prepared in accordance with the uniform system of accounts and fairly present the Company's best estimate of purchased power capacity costs for the projected period. Amounts projected by the Company for purchased power capacity are reasonable and prudent, and in the best long-term interests of Gulf's general body of ratepayers.

ESTIMATED AS-AVAILABLE AVOIDED ENERGY COSTS

(8) Pursuant to Order 13247 (entered May 1, 1984) in Docket No. 830377-EI and Order No. 19548 (entered June 21, 1988) in Docket No. 880001-EI, Gulf has calculated estimates of as-available avoided energy costs for QF's in accordance with the procedures required in said orders. The resultant costs are attached to the testimony of R. J. Martin as Schedule E-11 and by reference made a part hereof. Gulf Power requests that the Commission approve the estimates for these costs set forth on Schedule E-11.

GPIF TARGETS AND RANGES

(9) Gulf also seeks approval of the GPIF targets and ranges for the period January 2007 through December 2007 set forth below:

Unit	EAF	POF	EUOF	Heat Rate
Crist 4	98.3	0.0	1.7	10,545
Crist 5	97.1	0.0	2.9	10,422
Crist 6	85.3	8.2	6.5	10,258
Crist 7	83.5	3.3	13.2	10,225
Smith 1	78.6	19.7	1.7	10,259
Smith 2	89.4	0.0	10.6	10,328
Daniel 1	82.5	13.4	4.0	10,046
Daniel 2	93.9	1.9	4.2	9,834

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

FUEL COST RECOVERY FACTORS

(10) The proposed levelized fuel and purchased energy cost recovery factor, including GPIF and True-Up, herein requested is 3.939¢/KWH. The proposed factors by rate schedule are:

Group	Rate Schedules*	Line Loss Multipliers	Fuel Cost Factors ¢/KWH		
			Standard	Time of Use	
				On-Peak	Off-Peak
A	RS, RSVP, GS, GSD, GSDT, GSTOU, SBS, OSIII	1.00526	3.960	4.415	3.774
B	LP, LPT, SBS	0.98890	3.895	4.343	3.712
C	PX, PXT, RTP, SBS	0.98063	3.863	4.307	3.681
D	OSI/II	1.00529	3.939	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.

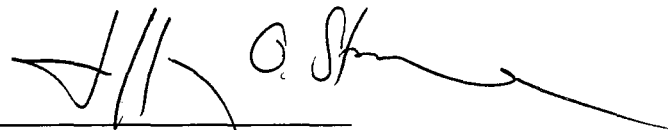
CAPACITY COST RECOVERY FACTORS

(11) The proposed purchased power capacity cost recovery factors by rate class herein requested, including true-up, are:

RATE CLASS	CAPACITY COST RECOVERY FACTORS ¢/KWH
RS, RSVP	0.311
GS	0.301
GSD, GSDT, GSTOU	0.267
LP, LPT	0.231
PX, PXT, RTP, SBS	0.193
OS-I/II	0.133
OSIII	0.200

WHEREFORE, Gulf Power Company respectfully requests the Commission to approve the final fuel adjustment true-up for the period January 2005 through December 2005; the GPIF adjustment for the period January 2005 through December 2005; the estimated fuel cost true-up for the period January 2006 through December 2006; the projected fuel cost recovery amount for the period January 2007 through December 2007; the final purchased power capacity cost true-up amount for the period January 2005 through December 2005; the estimated purchased power capacity cost recovery true-up amount for the period January 2006 through December 2006; the projected purchased power capacity cost recovery amount for the period January 2007 through December 2007; the estimated as-available avoided energy costs for QF's; the GPIF targets and ranges for the period January 2007 through December 2007; the fuel cost recovery factors to be applied beginning with the period January 2007 through December 2007; and the capacity cost recovery factors to be applied beginning with the period January 2007 through December 2007.

Dated the 31st day of August, 2006.



JEFFREY A. STONE
Florida Bar No. 325953

RUSSELL A. BADDERS
Florida Bar No. 007455

STEVEN R. GRIFFIN
Florida Bar No. 0627569

Beggs & Lane
P. O. Box 12950
Pensacola, FL 32591
(850) 432-2451
Attorneys for Gulf Power Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Fuel and Purchased Power Cost**)
Recovery Clause with Generating)
Performance Incentive Factor)

Docket No.: **060001-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by U. S. mail this 31st day of August, 2006, on the following:

Patricia Ann Christensen, Esq.
Charles J. Beck, Esq.
Joseph A. McGlothlin, Esq.
Office of Public Counsel
111 W. Madison St., Room 812
Tallahassee FL 32399-1400

Karen S. White, Lt. Col., USAF
Damund E. Williams, Capt., USAF
AFCESA/ULT
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403-5319

Robert Scheffel Wright, Esq.
John T. LaVia, III, Esq.
Young van Assenderp, P.A.
225 S. Adams St., Suite 200
Tallahassee, FL 32301

John T. Burnett, Esq.
Progress Energy Service Co.
P. O. Box 14042
St. Petersburg FL 33733-4042

Cheryl Martin
Florida Public Utilities Co.
P. O. Box 3395
West Palm Beach, FL 33402-3395

Lisa Bennett, Esq.
FL Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0863

Paul Lewis, Jr.
Progress Energy Florida, Inc.
106 E. College Ave., Ste. 800
Tallahassee FL 32301

Lee L. Willis, Esq.
James D. Beasley, Esq.
Ausley & McMullen
P. O. Box 391
Tallahassee FL 32302

Angela Llewellyn
Regulatory Coordination
Tampa Electric Company
P. O. Box 111
Tampa, FL 33601

John T. Butler, Senior Attorney
Florida Power & Light Company
LAW/JB
700 Universe Boulevard
Juno Beach FL 33408-0420

Timothy J. Perry, Esq.
McWhirter Reeves & Davidson
117 S. Gadsden Street
Tallahassee FL 32301

John W. McWhirter, Jr., Esq.
McWhirter Reeves & Davidson
400 N Tampa St., Suite 2450
Tampa FL 33602

R. Wade Litchfield, Esq.
Assoc. General Counsel
700 Universe Boulevard
Juno Beach FL 33408-0420

Michael B. Twomey
A.A.R.P.
P. O. Box 5256
Tallahassee FL 32314-5256

Norman H. Horton, Jr., Esq.
Messer, Caparello & Self, P.A.
P. O. Box 1876
Tallahassee FL 32302-1876

William G. Walker, III
Vice President
Florida Power & Light Co.
215 S. Monroe Street, Ste. 810
Tallahassee, FL 32301-1859



JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 0007455
STEVEN R. GRIFFIN
Florida Bar No. 0627569
BEGGS & LANE
P. O. Box 12950
Pensacola FL 32591-2950
(850) 432-2451
Attorneys for Gulf Power Company