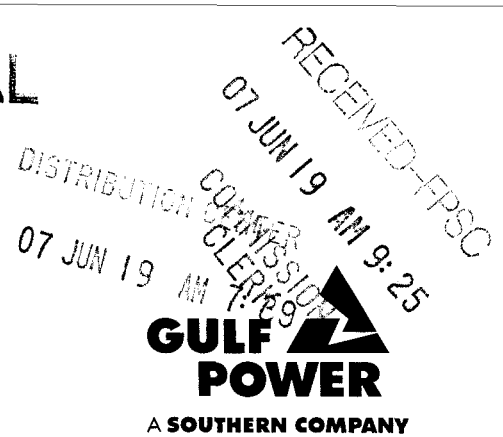


**Susan D. Ritenour**  
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**ORIGINAL**



June 15, 2007

Ms. Ann Cole, Commission Clerk  
Division of the Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0850

Dear Ms. Cole:

Re: Docket No. 070001-EI

Pursuant to Commission Order No. PSC-07-0333-PAA-EI issued April 16, 2007, Gulf Power Company submits this letter, with regard to Gulf's fuel and purchased power (energy) costs, to inform the Commission, its Staff, and the other parties to this docket that a greater than ten percent under-recovery is now projected to occur for the period ending December 31, 2007. Based on actual data through May 2007, and updated estimates for June through December 2007, the Company projects an under-recovery by period end of 10.9%.

Gulf is not requesting a mid-course correction of its fuel cost recovery factors due to timing and other considerations. Pursuant to the order cited above, the following explanation is provided as to why a mid-course correction is not practical at this time. Without a mid-course adjustment to the fuel cost recovery factors, the under-recovery expected for 2007 will be addressed through the true-up component included in the fuel factors for 2008. Gulf is not requesting a mid-course correction because the timing is such that only four months of the current cost recovery cycle would likely remain by the time a change in fuel cost recovery factors could be implemented with normal notice to customers. Considering this timing and the minimal amount that could be collected during the remaining months of 2007, the January 2008 rates would be not be materially different if a mid-course correction was implemented. The Company believes that a mid-course change in the factors in September 2007 and again in January 2008 under the current circumstances would be unnecessarily disruptive to Gulf's customers. Based on current estimates, overall rates are not expected to increase substantially in January 2008 with or without a mid-course change to the fuel factors in September

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2007. In addition, Gulf's other cost recovery clauses may potentially be over-recovered by year-end, which could partially offset the current projected fuel under-recovery.

If any additional information is needed regarding this notice, please call me at 850-444-6231.

Sincerely,

*Susan D. Ritenour*  
*bh*

bh

cc: Honorable Matthew Carter, Pre-Hearing Officer  
Lisa Bennett, Esq.  
William McNulty  
Peter Lester  
Sidney Matlock  
Parties of Record