

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of
Deferred Accounting Treatment
for the Gulf Coast Ozone Study
Program by Gulf Power Company

DOCKET NO. 991834-EI
ORDER NO. PSC-00-0476-PAA-EI
ISSUED: March 6, 2000

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman
J. TERRY DEASON
SUSAN F. CLARK
E. LEON JACOBS, JR.

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING PROJECT FOR COST RECOVERY THROUGH THE
ENVIRONMENTAL COST RECOVERY CLAUSE

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

At the November 22, 1999, hearing in Docket No. 990007-EI, we deferred a decision on the inclusion of the costs for the Gulf Coast Ozone Study ("GCOS") Program for recovery as part of Gulf Power Company's ("Gulf" or "the Company") Environmental Cost Recovery Clause ("ECRC"). On December 3, 1999, Gulf filed a petition for approval of deferred accounting treatment for the costs associated with GCOS. The petition was submitted in lieu of briefing the matter.

Gulf is participating in the GCOS with the Florida Department of Environmental Protection ("DEP") and various state agencies in Louisiana, Mississippi and Alabama. GCOS is a computer modeling analysis directed at developing a basis for assessment of the formation of ozone in Northwest Florida and for the coastal regions in Louisiana, Mississippi, and Alabama. Pursuant to a Memorandum of Understanding (MOU), the participants have tentatively agreed that the baseline model developed in this project will be used as a starting point for compliance strategies involving ambient ozone air standards by Gulf and the DEP.

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The GCOS project was initiated in response to the Environmental Protection Agency's ("EPA") adoption of the eight-hour ambient air ozone standard in 1997 pursuant to its authority under the Clean Air Act Amendments of 1990. Gulf would be impacted by this standard as a result of having facilities in Escambia County. Escambia and Santa Rosa County have been jointly identified as potential ozone non-attainment areas under the standard.

The eight-hour ambient ozone air standard, which requires compliance by 2003, is contained in a rule promulgated by the EPA. The EPA's eight-hour ambient ozone air standard was overturned on appeal and the matter was remanded to EPA for further action. The EPA has requested review of the appellate decision by the United States Supreme Court. The appeal to the Supreme Court has made the 2003 deadline uncertain.

We believe that the expenses Gulf will incur for the GCOS should be recovered through the ECRC. Deferred accounting, therefore, is not necessary. Accordingly, Gulf's petition for deferred accounting is denied and GCOS expenses shall be recovered through the ECRC instead. We note that this study is in a special category because the one hour ambient ozone standard is in effect and there very likely will be some form of eight hour ambient ozone standard enacted in the future. Gulf has an obligation pursuant to the MOU to participate in the study no matter which standard controls. By engaging in the study, Gulf potentially can minimize or even optimize future environmental compliance costs.

By approving the expenses of the GCOS for cost recovery, however, we do not believe that the entire amount requested is appropriate for cost recovery through the ECRC. Gulf continues to collect \$178,000 annually in base rates for environmental studies that it no longer is pursuing. Therefore, the estimated recoverable amount for the GCOS of \$250,000 for 2000 and \$250,000 for the next four years shall be reduced annually by the \$178,000 that is in base rates for environmental studies.

Our decision to include the GCOS for cost recovery renders Gulf's Petition for Deferred Accounting moot.

Based upon the foregoing, it is therefore

ORDERED by the Florida Public Service Commission that Gulf Power Company's Petition for Deferred Accounting Treatment for the

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Gulf Coast Ozone Study is moot. It is further

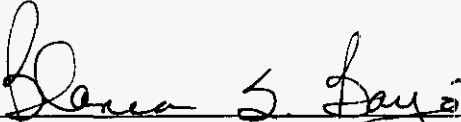
ORDERED that the costs associated with the Gulf Coast Ozone Study are approved for cost recovery through the Environmental Cost Recovery Clause. It is further

ORDERED that Gulf Power Company may recover only those annual costs of the Gulf Coast Ozone Study in excess of the \$178,000 already in base rates for environmental studies. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission this 6th day of March, 2000.



BLANCA S. BAYO, Director
Division of Records and Reporting

(S E A L)

GAJ

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on March 27, 2000.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.