



April 16, 1998

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. 980007-EI Gulf Power Company Environmental Cost Recovery Clause  
Audit Report, Audit Control #98-022-1-1

The following is Gulf Power Company's response to Disclosure No. 1 of the Environmental Cost  
Recovery Clause Audit Report.

Contrary to the audit disclosure, Gulf Power did not replace the tanks based on a "risk  
management analysis" of Chapter 62-761, Florida Administrative Code (F.A.C.). The existing  
underground tanks were replaced with new above ground tanks as the most cost effective means  
of complying with the new requirements of Chapter 62-761. Although the old fuel tanks served  
basically the same function as the new tanks, the old tanks did not comply with Chapter 62-761.  
If it were not for the new environmental requirements, Gulf Power would not have been legally  
required to do anything.

ACK \_\_\_\_\_ The Underground Fuel Tank Replacement Project meets the criteria detailed in Order No.

AFA 1 \_\_\_\_\_ PSC-94-0044-FOF-EI in Docket No. 930631-EI.

APP \_\_\_\_\_ The order states in part:

CAF \_\_\_\_\_

CMU \_\_\_\_\_

CTR \_\_\_\_\_

EAG 1 \_\_\_\_\_

LED 1 \_\_\_\_\_

LIN 3 \_\_\_\_\_

OPC \_\_\_\_\_

RCH \_\_\_\_\_

SEC 1 \_\_\_\_\_

WAS \_\_\_\_\_

OTH \_\_\_\_\_

"Upon petition, we shall allow the recovery of costs associated with an environmental  
compliance activity through the environmental cost recovery factor if:

1. such costs were prudently incurred after April 13, 1993;
2. the activity is legally required to comply with a governmentally imposed  
environmental regulation enacted, became effective, or whose effect was triggered  
after the company's last test year upon which rates are based; and,
3. such costs are not recoverable through some other cost recovery mechanism or  
through base rates."

DOCUMENT NUMBER-DATE

04452 APR 20 88

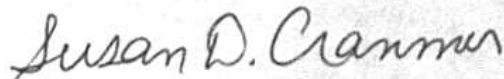
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Based on this criteria the Commission approved PE No. 4397 "Underground Fuel Tank Replacement" in Order No. PSC-94-0044-FOF-EI and as such, the expenses associated with the entire project should continue to be allowed for recovery, including those referenced in Disclosure No. 1.

Thank you for the opportunity to respond to the audit report. Please let me know if you have any questions.

Sincerely,



Susan D. Cranmer  
Assistant Secretary and Assistant Treasurer

lw

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire