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Pensacola, Florida 32520

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ORIGINAL



August 4, 1998

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

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FLORIDA PUBLIC
SERVICE COMMISSION
98 AUG -5 AM 8:00
MAIL ROOM

Dear Ms. Bayo:

RE: Docket No. 980007-EI

Enclosed are an original and ten copies of the Prehearing Statement of Gulf Power Company to be filed 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 Windows NT based computer.

Sincerely,

Susan D. Cranmer

Susan D. Cranmer
Assistant Secretary and Assistant Treasurer

- ACK _____
- AFA Andrew
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG ten
- LEG 1
- LIN 3
- QPC _____
- RCH _____
- SEC 1
- WAS _____
- OTH _____

cc: Beggs and Lane
J. A. Stone, Esquire

DOCUMENT NUMBER-DATE
08250 AUG -5 98
FPSC-RECORDS/REPORTING

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 980007-EI
Filed: August 5, 1998

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's testimony, are as follows:

	<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
(Direct)			
1.	J. O. Vick (Gulf)	Environmental Compliance Activities, true-up and projections	1, 2, 11
2.	S. D. Cranmer (Gulf)	Environmental Compliance Cost Recovery calculations, true-up and projections	1, 2, 3, 4, 5, 6, 7, 8, 9, 11

C. EXHIBITS:

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
_____ (SDC-1)	Cranmer	Schedules 1A-8A (10/96-9/97)
_____ (SDC-2)	Cranmer	Schedules 42-1P through 42-7P (10/98 - 12/98); 42-1E through 42-8E (10/97 - 9/98)

DOCUMENT NUMBER-DATE

08250 AUG-5 98

FPSC-RECORDS/REPORTING

D. STATEMENT OF BASIC POSITION

Gulf Power Company's Statement of Basic Position:

It is the basic position of Gulf Power Company that the environmental cost recovery factors currently in effect for the period ending September 30, 1998, remain in effect through the period ending December 31, 1998.

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 ending September 30, 1997?

GULF: Over recovery \$359,564. (Vick, Cranmer)

ISSUE 2: What are the estimated environmental cost recovery true-up amounts for the period October, 1997 through September, 1998?

GULF: Over recovery \$420,896 (Vick, Cranmer)

ISSUE 3: What are the total environmental cost recovery true-up amounts to be collected/refunded?

GULF: See Issue 5. (Cranmer)

ISSUE 4: What are the appropriate projected environmental cost amounts to be included in the recovery factors for the period October, 1998, through December, 1998?

GULF: See Issue 5. (Cranmer)

ISSUE 5: Should the Commission allow the electric utilities to keep their environmental cost recovery factors at the rate set by Order Nos. PSC-97-1047-FOF-EI and PSC-98-0408-FOF-EI for the projected period October 1998, through December, 1998?

GULE: Yes. This will provide stability in rates for Gulf's customers by avoiding one change in factors for the three month transitional period to be followed by another change in factors effective January 1, 1999. Overall, the calculated factors for the fuel, capacity and environmental clauses combined would constitute an increase of approximately 1% over the combined factors currently in effect. Deferral of this 1% increase for three months has no material impact on Gulf's customers. Deferral would minimize the potential for customer confusion that would otherwise result from increasing one set of factors (purchased power capacity) and decreasing two others (fuel & purchased energy and environmental) with only minimal overall change. In addition, deferral would allow the Company to avoid the administrative activities required to implement changes in the factors effective October 1998. (Cranmer)

ISSUE 6: What is the appropriate recovery period to collect the total environmental cost recovery true-up amounts?

GULE: See Issue 5. (Cranmer)

ISSUE 7: What should be the effective date of the new environmental cost recovery factors for billing purposes?

GULE: The approved factors in effect for the period ending September 1998 should remain in effect through the period ending December 31, 1998. (Cranmer)

ISSUE 8: What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts to be collected?

GULE: The depreciation rates used to calculate depreciation expense were those rates in effect at the time the schedules were filed. Order No. PSC-98-0921-FOF-EI, issued July 7, 1998 (after the projection was filed) sets forth new depreciation rates that are effective retroactively to January 1, 1998. Future filings will reflect an adjustment to depreciation expense retroactive to January 1, 1998 and going forward for the newly approved depreciation rates. (Cranmer)

ISSUE 9: What are the appropriate Environmental Cost Recovery Factors for each rate group?

GULF: The approved factors in effect for the period ending September 1998 should remain in effect through the period ending December 31, 1998. (Cranmer)

Company-Specific Environmental Cost Recovery Issues

Gulf Power Company

ISSUE 11: What adjustment, if any, should be made to the Environmental Cost Recovery Clause to reflect an amount which may be in base rates for the costs of the underground fuel storage tanks which have been replaced by aboveground fuel storage tanks as reported in Audit Disclosure No. 1 of the Florida Public Service Commission's Environmental Cost Recovery Clause Audit Report for the Period Ended September 30, 1997?

GULF: No adjustment should be made to the Environmental Cost Recovery Clause. The Underground Fuel Tank Replacement Project (PE 4397) was approved in Order No. PSC-94-0044-FOF-EI as a project that is in response to new environmental regulations and that was not considered in Gulf's last rate case. (Vick, Cranmer)

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.

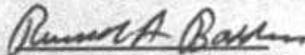
H. OTHER MATTERS:

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 26-28, 1998, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 4rd day of August, 1998.

Respectfully submitted,



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Attorneys for Gulf Power Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery)
Clause)
_____)

Docket No. 980007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 4th day of August 1998 by U.S. Mail or hand delivery to the following:

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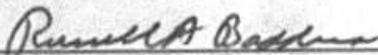
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