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ORIGINAL



October 30, 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:

Enclosed for official filing in Docket No. 980007-EI are an original and ten copies of the Amended Petition of Gulf Power Company for Approval of Estimated Environmental Cost Recovery True-up Amounts for October 1997 through September 1998 and for October 1998 through December 1998; Projected Environmental Cost Recovery Amounts for January 1999 through December 1999 including New Environmental Activities/Projects; and Environmental Cost Recovery Factors to be Applied Beginning with the Period January 1999 through December 1999.

Sincerely,

Susan D. Cranmer

ACK _____
AFA 2/11/99 Susan D. Cranmer
APP _____ Assistant Secretary and Assistant Treasurer

CAF _____ lw

CMU _____ Enclosures

CTR _____

EAG Feud: Beggs and Lane
LEG 1 Jeffrey A. Stone, Esquire

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FPSC-RECORDS/REPORTING

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FLORIDA PUBLIC SERVICE COMMISSION

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery Clause)
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Docket No.: 980007-EI
Filed: November 2, 1998

**AMENDED PETITION OF GULF POWER COMPANY FOR APPROVAL OF
ESTIMATED ENVIRONMENTAL COST RECOVERY TRUE-UP AMOUNTS
FOR OCTOBER 1997 THROUGH SEPTEMBER 1998
AND FOR OCTOBER 1998 THROUGH DECEMBER 1998;
PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS
FOR JANUARY 1999 THROUGH DECEMBER 1999 INCLUDING NEW
ENVIRONMENTAL ACTIVITIES/PROJECTS¹; AND ENVIRONMENTAL COST
RECOVERY FACTORS TO BE APPLIED BEGINNING WITH THE PERIOD
JANUARY 1999 THROUGH DECEMBER 1999**

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

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Susan D. Cranmer
Assistant Secretary and Assistant 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 estimated environmental cost recovery true-up amounts for the periods October 1997 through September 1998 and October 1998 through December 1998; for approval of its projected environmental cost recovery amounts for the period January 1999 through December 1999; for

¹The substantive changes in this amended petition are in the section seeking approval of new environmental activities/projects. This amended petition explicitly seeks approval of the Smith Unit 1 Low NO_x Burner Tip Upgrade project that is referenced in the direct testimony of Gulf's witness J. O. Vick and the exhibits of Gulf's witness S. D. Cranmer. In the original testimony and exhibits, there was an inadvertent reference to Smith Unit 2 as part of the low NO_x burner tip upgrade project. Smith Unit 2 is not included in the upgrade project. Amended testimony exhibit pages will be supplied to all parties to correct for the earlier error.

DOCUMENT NUMBER-DATE

12173 NOV-2 98

FPSC-RECORDS-REPORTING

approval of the Crist Units 4 - 7 Ash Pond Diversion Curtains project; for approval of the Smith Unit 1 Low NO_x Burner Tip Project; and for approval of environmental cost recovery factors to be applied in customer billings beginning with the period January 1999 through December 1999. As grounds for the relief requested by this petition, the Company would respectfully show:

(1) The recovery periods identified in this petition reflect the Commission's Order Approving Change in Frequency and Timing of Cost Recovery Hearings, Order no. PSC-98-0691-FOF-PU, issued in Docket no. 980269-PU on May 19, 1998 ("Frequency Change Order"). The Frequency Change Order became final by its own terms on June 9, 1998. The testimony and exhibits submitted in conjunction with this petition show the calculation of new environmental cost recovery factors for the recovery period January 1999 through December 1999.

ESTIMATED ENVIRONMENTAL COST RECOVERY TRUE-UP

(2) Gulf has calculated its estimated environmental cost recovery true-up amounts for the period October 1997 through September 1998 and for October 1998 through December 1998. Based on eleven months actual and one month projected data, the Company's estimated environmental cost recovery true-up amount for the period October 1997 through September 1998 is an over-recovery of \$1,366,965. This amount is offset by the estimated over-recovery of \$105,224 for the period October 1997 through September 1998 already being refunded in the current period of October through December 1998 as approved in Order No. PSC-98-122-FOF-EI dated September 17, 1998 in this docket. Based on three months of projected data, the Company's estimated environmental cost true-up amount for the period October 1998 through December 1998 is an over-recovery of \$2,411,941. The estimated environmental cost recovery

true-up is combined with 9/12 of the final environmental cost recovery true-up for the period ending September 30, 1997 as approved by the Commission at the August hearings in this docket to reach the total environmental cost recovery true-up that is to be addressed in the next cost recovery period (January 1999 through December 1999). Gulf is requesting that the Commission approve this total environmental cost recovery true-up amount excluding revenue taxes, \$3,943,355, for refund during the January 1999 through December 1999 recovery period.

PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS

(3) Gulf has calculated its projected environmental cost recovery amounts for the months January 1999 through December 1999 in accordance with the principles and policies for environmental cost recovery found in §366.8255 of the Florida Statutes and Commission Order No. PSC-93-0044-FOF-EI. The calculated factors reflect the recovery of the net environmental cost recovery amount of \$8,333,794 for the period January 1999 through December 1999.

The computations and supporting data for the Company's environmental cost recovery factors are set forth on Schedules attached as part of the exhibit to the testimony of S. D. Cranmer filed herewith. Additional supporting data for the environmental cost recovery factors is provided in the testimony and exhibit of J. O. Vick also filed herewith. The methodology used by Gulf in determining the amounts to include in these factors and the allocation to rate classes is in accordance with the requirements of the Commission as set forth in Order No. PSC-94-0044-FOF-EI. The amounts included in the calculated factors for the projection period are based on reasonable projections of the costs for environmental compliance activities that are expected to be incurred during the period January 1999 through December 1999. The calculated

factors and supporting data have been prepared in accordance with the uniform system of accounts and fairly present the Company's best estimate of environmental compliance costs for the projected period. The activities described in the testimony and exhibits of Mr. Vick are reasonable and necessary to achieve or maintain compliance with environmental requirements applicable to Gulf Power Company and the projected costs resulting from the described compliance activities are also reasonable and necessary. Therefore, the costs identified are prudent expenditures which have been or will be incurred for utility purposes and for which the Company should be allowed to recover the associated revenue requirements.

NEW ENVIRONMENTAL ACTIVITIES/ PROJECTS

(4) Gulf seeks approval of a new project, the Crist 4 - 7 Ash Pond Diversion Curtains, for cost recovery through the Environmental Cost Recovery Clause. This project is necessary for Gulf to comply with the new, more stringent requirements of Chapter 62-4.246 Florida Administrative Code. Pursuant to these new requirements, Gulf must comply with the more stringent effluent limits established in its National Pollutant Discharge Elimination System (NPDES) permit. The use of flow diversion curtains will increase the retention time of water flow through the ash pond and therefore increase the natural sedimentation/precipitation process. The overall affect is to reduce the discharge of pollutants from the ash pond. The use of flow diversion curtains to achieve compliance is a standard engineering method.

(5) Gulf hereby petitions for approval of the upgrade of burners on Smith Unit 1 to incorporate Low NO_x burner tips and the expenses associated therewith. The upgrade to Low NO_x burner tips is necessary to ensure compliance with new governmentally imposed

environmental requirements which will become effective in the year 2000. The Clean Air Act Amendments of 1990, specifically that part directed at Title IV Acid Rain Phase II, impose new NO_x emission specifications which will become effective in the year 2000. Upgrading the burner tips on Smith Unit 1 to Low NO_x burner tips will permit Gulf Power Company to meet the new NO_x emission specifications and achieve compliance with the aforementioned federal regulations. The upgrade to Low NO_x burner tips is an Operating and Maintenance expense which is not recovered through any other cost recovery mechanism or through base rates.

ENVIRONMENTAL COST RECOVERY FACTORS

(6) The calculated environmental cost recovery factors by rate class, including true-up, are:

RATE CLASS	ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH
RS, RST	.097
GS, GST	.096
GSD, GSDT	.086
LP, LPT	.078
PX, PXT, RTP, SBS	.072
OSI, OSII	.057
OSIII	.076
OSIV	.129

WHEREFORE, Gulf Power Company respectfully requests the Commission to approve the estimated environmental cost recovery true-up amounts for the periods October 1997 through September 1998 and October 1998 through December 1998; the projected environmental cost recovery amounts for the period January 1999 through December 1999; the Crist 4 - 7 Ash Pond Diversion Curtains project; the Smith 1 Low NO_x Burner Tip project and the environmental cost recovery factors to be applied in customer billings beginning with the period January 1999 through December 1999.

Dated the 30th day of October, 1998.



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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 30th day of October 1998 by U.S. Mail or hand delivery to the following:

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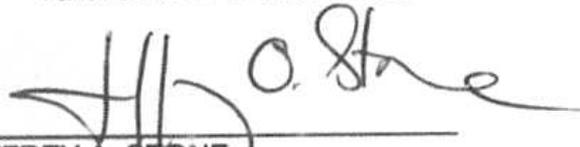
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