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ORIGINAL



December 3, 1999

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

991834-EI

Dear Ms. Bayo:

RE: Docket No. ~~990007-EI~~

Enclosed are an original and ten copies of the Petition of Gulf Power Company for Approval of Deferred Accounting Treatment for the Gulf Coast Ozone Study Program to be filed in the above docket.

Also enclosed is a 3.5 inch double sided, high density diskette containing the Petition in WordPerfect for Windows 8 format as prepared on a Windows NT based computer.

Sincerely,

*Susan D. Ritenour*

- AFA
  - APP
  - CAF
  - CMU
  - CTR
  - EAG
  - LEG
  - MAS
  - OPC
  - RRR
  - SEC
  - WAW
  - OTH
- Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer
- Enclosure
- cc: Beggs and Lane  
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER-DATE

14854 DEC-6

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery Clause )  
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991834-EI  
Docket No.: 990007-EI  
Filed: December 6, 1999

**PETITION OF GULF POWER COMPANY FOR APPROVAL  
OF DEFERRED ACCOUNTING TREATMENT  
FOR THE GULF COAST OZONE STUDY PROGRAM**

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

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GULF POWER COMPANY ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned counsel, hereby petitions the Florida Public Service Commission ("Commission") for approval of deferred accounting treatment for the costs incurred by the Company pursuant to the Gulf Coast Ozone Study ("GCOS") Program. This petition is submitted as an alternative to the current recovery of projected expenses proposed in Gulf's petition filed on October 1, 1999, and discussed during the hearing on November 22, 1999. As grounds for the relief requested by this petition, the Company respectfully shows:

(1) Gulf is participating in the GCOS with the Florida Department of Environmental Protection ("FDEP") and various state agencies and utilities in Louisiana, Mississippi and Alabama. GCOS is a computer modeling analyses directed at developing an improved basis for assessment of the formation of ozone in Northwest Florida and for the coastal regions in Louisiana, Mississippi, and Alabama. The project will model past episodes of high ozone levels

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in Northwest Florida and in other areas in the surrounding region. The resulting model will then be used in developing potential control strategies for both stationary and mobile sources to provide a comprehensive evaluation of the area as required under Title I of the Clean Air Act. The baseline model developed in this project will be used as a starting point for current and future compliance strategies involving ambient air ozone air standards by Gulf and the FDEP. Revisions to FDEP's State Implementation Plan ("SIP") will utilize the modeling protocol developed by GCOS.

(2) The GCOS project is a prudent activity required to effectively meet a newly promulgated environmental standard. The GCOS project was initiated in response to the Environmental Protection Agency's ("EPA") adoption of the new eight-hour ambient air ozone standard in 1997. The new standard was purportedly adopted pursuant to EPA's authority under the Clean Air Act Amendments of 1990. Gulf would be impacted by this standard as a result of its having facilities in Escambia County, Florida. Escambia County and Santa Rosa County have been jointly identified as a potential ozone non-attainment area under the new standard. Gulf and FDEP began participation in GCOS in March 1999 in an effort to determine what control strategies can be pursued in Florida to meet the EPA's newly promulgated eight-hour ambient ozone air standard. This evaluation is pre-engineering work necessary to evaluate the most viable, low cost emission control strategies available to meet the new eight-hour ambient air ozone standard. The project will allow Gulf, FDEP and other project members to determine the most cost-effective control strategies to meet the new standard in a timely manner. The EPA's promulgated standard requires that SIP revisions to meet the new eight-hour ambient air ozone standard be complete by 2003. Initiating the GCOS project in 1999 allows time to all

participants, state and utility, to achieve compliance with the new standard. If the GCOS project had not been undertaken at the time it was initiated, the GCOS participants would be forced to implement control strategies and SIP revisions without knowing whether those activities will be effective in achieving the new EPA standard. This pre-engineering analysis will allow the GCOS participants to develop an understanding of the problem they are required to remedy and of the potential of the various control technologies to affect that remedy. This information is vital to the formation of control strategies that are cost-effective and viable. The GCOS project is essential to Gulf (and the other GCOS participants) to achieve compliance with the new standard. The GCOS project is a prudent activity in direct response to a new ambient air ozone standard promulgated by EPA and is necessary to achieve cost effective compliance with that standard. At the time the GCOS project was initiated, it met the requirements of section 366.8255, Florida Statutes, for cost recovery through the environmental cost recovery clause. The GCOS activity and its costs are incurred by Gulf in order to comply with a new environmental law or regulation. Specifically, these prudently incurred costs are being incurred in order to be able to comply with Clean Air Act ambient ozone air standards promulgated by EPA. In addition, these costs or expenses are not currently being recovered through base rates or another cost recovery clause.

(3) At the time GCOS was first initiated, the new eight-hour ambient ozone air standard was contained in a rule promulgated by EPA. Subsequent to the commencement of GCOS, the EPA's new 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 ("Supreme Court", "Court"). As reflected in

paragraph 1 above, the rule as promulgated by EPA requires compliance by 2003. The appeal to the Supreme Court has made this 2003 deadline uncertain. The Supreme Court could quash the remand from the Circuit Court of Appeals and reinstate the standard as originally promulgated by EPA with the 2003 deadline. Alternatively, the Court could allow EPA to reinstate the standard with a new deadline for compliance. In the event that the Supreme Court affirms the lower court's decision to remand to EPA, the standard and its deadline for compliance will be eliminated. The EPA would then likely proceed to promulgate a new standard and establish a new date for compliance. EPA has shown great interest in ambient ozone air standards and is expected to continue to pursue a newer, more stringent ambient ozone air standard than that which was in effect prior to that promulgated in 1997. It is unlikely that EPA would decide not to adopt a new, more stringent ambient ozone air standard. The baseline data collected by GCOS will be a basis of SIP revisions and utility compliance strategies for meeting any new ambient ozone air standards, regardless of whether the current standard is overturned by the courts. In other words, the result of GCOS would be necessary to support compliance efforts in connection with any new ambient ozone air standard.

(4) In its petition dated October 1, 1999, in this docket, Gulf requested approval of the GCOS project for cost recovery through the Environmental Cost Recovery Clause. That request was to allow Gulf to recover the projected costs or expenses of the project beginning in the 2000 cost recovery period. The basis for Gulf's October 1, 1999, request was that the project is necessary for Gulf to comply with the new, more stringent environmental requirements of Title I of the Clean Air Act Amendments of 1990. Testimony about GCOS was taken during the hearing held on November 22, 1999. As a result of the testimony presented at the hearing, the

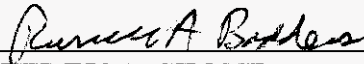
Commission deferred the issue in order to receive briefs from the parties. The concern expressed by the Commission during its deliberations was generally focused on whether Gulf had to comply with the new ambient ozone air standard promulgated by EPA. In response to the Commission's concerns, Gulf has discussed this matter with the Commission's staff and determined that instead of briefing this matter, an alternative treatment of the GCOS project may be appropriate. The alternative is deferred accounting treatment of the costs and expenses of the GCOS project and is discussed more fully herein below..

(5) Gulf is requesting the Commission's approval for deferred accounting treatment for the GCOS project pending resolution of whether the EPA's eight-hour ambient ozone air standard will be applicable. Until such time that the EPA finalizes a new ambient ozone air standard, either through the current standard becoming valid or thorough a subsequent standard becoming final, whichever comes first, Gulf will defer the expenses associated with the GCOS project in Account 182, Regulatory Assets. At the time the ambient ozone air standard becomes final as described above, Gulf will recover the costs associated with the GCOS project, including the amounts deferred and any ongoing costs, through the ECCR.

(6) Gulf proposes this alternative treatment of the GCOS project as a resolution of the issue that has been deferred by action of the Commission on November 22, 1999, in lieu of briefing the matter. In order to obviate the need to brief this matter, Gulf requests that the Commission address this petition and the alternative presented herein at the December 21, 1999, agenda conference.

WHEREFORE, Gulf Power Company respectfully requests the Commission approve for deferred accounting treatment the GCOS project consistent with this petition.

Dated the 3<sup>rd</sup> day of December, 1999.

  
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery )  
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Docket No. 990007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished this 3rd day of December 1999 by U.S. Mail or hand delivery to the following:

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