



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

RECORDS AND REPORTING

RECEIVED-FPSC
MAY - 4 AM 8:10

DATE: MAY 4, 2000

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (MERTA) *SM DM*
DIVISION OF ELECTRIC AND GAS (BREMAN) *RLT*
DIVISION OF LEGAL SERVICES (CLEMONS) *QMC RUE*

RE: DOCKET NO. 991834-EI - PETITION FOR APPROVAL OF DEFERRED ACCOUNTING TREATMENT FOR THE GULF COAST OZONE STUDY PROGRAM BY GULF POWER COMPANY.

AGENDA: 05/16/00 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\AFA\WP\991834.RCM

CASE BACKGROUND

At the November 22, 1999 hearing in Docket No. 990007-EI, the Commission deferred a decision on the inclusion of the costs for the Gulf Coast Ozone Study ("GCOS") Program in Gulf Power Company's ("Gulf" or "the Company") Environmental Cost Recovery Clause ("ECRC") factor for 2000. 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. On March 6, 2000, the Commission issued Order No. PSC-00-0476-PAA-EI, authorizing recovery of the GCOS costs through the ECRC and authorizing recovery of only those annual costs of the GCOS in excess of the \$178,000 already in base rates for environmental studies. On March 27, 2000, Gulf filed a request for clarification/modification of Order No. PSC-00-0476-PAA-EI or in the alternative petition for a formal proceeding.

DOCUMENT NUMBER-DATE

05563 MAY-48

FPSC-RECORDS/REPORTING

DISCUSSION OF ISSUES

ISSUE 1: Should Gulf Power Company's request for clarification and/or modification of Order No. PSC-00-0476-PAA-EI be granted?

RECOMMENDATION: Yes. The Commission should grant Gulf Power Company's request for clarification and/or modification of Order No. PSC-00-0476-PAA-EI. (MERTA, BREMAN)

STAFF ANALYSIS: At the February 15, 2000, Commission Agenda Conference, the Commission voted to allow Gulf to recover the GCOS expenses in excess of a level of costs for environmental studies that was included in the Company's rate case test year to the extent that the Company is no longer incurring costs for such environmental studies in its base rates. The Company identified \$178,000 of expenditures for environmental studies contained in the Company's test year budget for its last rate case; and stated that Gulf was no longer incurring costs for environmental studies as a base rate item.

The belief that Gulf was no longer incurring costs for environmental studies as a base rate item was the result of an error made by the Company in answering a staff interrogatory. In its petition, the Company stated that it had mistakenly overlooked four ongoing non-ECRC environmental activities for which the costs were included in Gulf's monthly surveillance report. For the period ending November 1999, the associated costs totaled \$242,049; for 2000, the costs are expected to be more than \$300,000 according to the Company. This mistake was discovered after the February 15 agenda conference.

In consideration of the above, Staff recommends that Order No. PSC-00-0476-PAA-EI be clarified to allow recovery of only those annual costs of the Gulf Coast Ozone Study in excess of the amount included in the rate case test year reduced by the amount actually spent by the Company on environmental studies in base rates during the relevant recovery period. If the amount reflected in surveillance reports by the Company for expenditures on environmental studies during the relevant recovery period exceeds the amount included in the rate case test year, there would be no adjustment to the amount of expenses associated with environmental studies for recovery through the ECRC. The amount included in the rate case test year and the amount actually spent by the Company on environmental studies in base rates during the relevant recovery period will be reviewed by staff.

DOCKET NO. 991834-
DATE: May 4, 2000

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (CLEMONS)

STAFF ANALYSIS: At the conclusion of the protest period, if no protest is filed, this docket should be closed upon the issuance of a consummating order.