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ORIGINAL



May 25, 2000

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. 980643-EI

Enclosed are an original and fifteen copies of Gulf Power Company's Comments regarding Notice of Rulemaking.

Also enclosed is a 3.5 inch double sided, high density diskette containing the Comments in WordPerfect for Windows 6.1 format as prepared on a Windows NT based computer.

Sincerely,

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

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cc: Ausley & McMullen
Lee L. Willis, Esquire
Beggs and Lane
Jeffrey A. Stone, Esquire
Florida Power Corporation
James McGee, Esquire
Florida Public Service Commission
Mary Anne Helton, Esquire
Steel, Hector & Davis
Matthew M. Childs, Esquire

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed amendments to Rules 25-6.135, F.A.C., Annual Reports; 25-6.1351, F.A.C., Cost Allocation and Affiliate Transactions; and 25-6.0436, F.A.C., Depreciation.

Docket No. 980643-EI
Filed: May 26, 2000

GULF POWER COMPANY'S COMMENTS REGARDING NOTICE OF RULEMAKING

GULF POWER COMPANY ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned counsel, and pursuant to Order No. PSC-00-0832-NOR-EI issued April 27, 2000 by the Florida Public Service Commission ("Commission"), hereby submits the following written comments or suggestions on the rules to the Director, Division of Records and Reporting, for consideration by the Commission prior to issuing a final rule in this matter.

As stated in the Company's prior comments in this docket, Gulf Power does not believe additional rules and requirements related to affiliate transactions are needed. Although Gulf will not reiterate all of its previous comments at this time, it is important to call the Commission's attention to several changes which were added in the current proposed rule that will result in a rule that is not feasible for Gulf or the Commission to reasonably administer. Gulf has stated in its prior comments and reaffirms in these comments the Company's position that any added rules regarding this subject should not apply to transactions between a utility and its affiliated service company or its utility affiliates. The vast majority of Gulf's affiliated transactions are with the service company and the other utility affiliates of the Southern electric system and are related to providing regulated utility services (as opposed to venturing into unregulated enterprises). As such, these transactions are conducted to benefit the utility ratepayer. The pricing of these transactions are regulated on a federal level by the Securities and Exchange Commission ("SEC") under the Public Utility Holding Company Act of 1935. This federal legislation and

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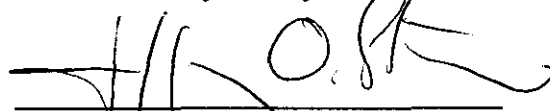
FPSC-RECORDS/REPORTING

related regulations require these transactions to be made at cost. Gulf's utility ratepayers would be harmed by requiring these type transactions to be provided at market.

The proposed rule set forth in the notice of rulemaking differs from previous drafts. The current version added the requirement (in subparagraphs 3b and 3d) to notify the Division of Auditing and Financial Analysis within 30 days of any transaction in which the utility charges less than market price. It would not make sense and would be cost prohibitive for Gulf to establish a system and process to repeatedly make market evaluations and commission filings for transactions which are required by federal law to be priced at cost. Furthermore, it would be costly and difficult to track and make repeated notifications related to the various transactions within 30 days as required by the proposed rule.

For the reasons stated above, Gulf again requests that the Commission consider excluding affiliate transactions between a utility and its service company or between a utility and its other regulated utility affiliates. Alternatively, the requirement to notify the Commission within 30 days of each transaction should be eliminated. Although Gulf is not requesting a formal hearing, Gulf does intend to participate in a hearing if one is held pursuant to a request submitted by other interested parties.

Respectfully submitted the 25th day of May, 2000,



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