

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery Clause)
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Docket No.: 000007-EI
Filed: September 22, 2000

**PETITION OF GULF POWER COMPANY FOR APPROVAL OF
FINAL ENVIRONMENTAL COST RECOVERY TRUE-UP AMOUNTS FOR
JANUARY 1999 THROUGH DECEMBER 1999; ESTIMATED ENVIRONMENTAL
COST RECOVERY TRUE-UP AMOUNTS FOR JANUARY 2000 THROUGH
DECEMBER 2000; PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS
FOR JANUARY 2001 THROUGH DECEMBER 2001 INCLUDING A NEW
ENVIRONMENTAL PROJECT; AND ENVIRONMENTAL COST RECOVERY
FACTORS TO BE APPLIED BEGINNING WITH THE PERIOD JANUARY 2001
THROUGH DECEMBER 2001**

Notices and communications with respect to this petition and docket 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 this Commission for approval of the Company's final environmental cost recovery true-up amounts for the period January 1999 through December 1999; estimated environmental cost recovery true-up amounts for the period January 2000 through December 2000; for approval of its projected environmental cost recovery amounts for the period January 2001 through December 2001; for approval of the Generic NOx Control Intelligent System (GNOCIS) project; and for approval of environmental cost recovery factors to be applied in customer billings beginning with the period January 2001 through December 2001. As grounds for the relief requested by this petition, the Company would respectfully show:

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

FINAL ENVIRONMENTAL COST RECOVERY TRUE-UP

(1) By vote of the Commission following hearings in November 1999, estimated true-up environmental cost recovery amounts were approved by the Commission for period January 1999 through December 1999, subject to establishing the final environmental cost recovery true-up amounts. According to the data filed by Gulf for the period ending December 31, 1999, the final environmental cost recovery true-up amount for the period ending December 31, 1999, should be an actual over recovery of \$868,570 instead of the previous estimated over-recovery of \$326,978. The difference between these two amounts, \$541,592, is submitted for approval by the Commission to be refunded in 2001. The supporting data has been prepared in accordance with the uniform system of accounts as applicable to the Company's environmental cost recovery and fairly presents the Company's environmental costs to be considered for recovery through the Environmental Cost Recovery ("ECR") clause for the period. The environmental activities and related expenditures reflected in the true-up amounts shown for the period ending December 31, 1999 are reasonable and necessary to achieve or maintain compliance with environmental requirements applicable to Gulf Power Company and therefore, the amounts identified are prudent expenditures which have been incurred for utility purposes.

ESTIMATED ENVIRONMENTAL COST RECOVERY TRUE-UP

(2) Gulf has calculated its estimated environmental cost recovery true-up amounts for the period January 2000 through December 2000. Based on seven months actual and five months projected data, the Company's estimated environmental cost recovery true-up amount for the period January 2000 through December 2000 is an over-recovery of \$1,272,530. The estimated environmental cost recovery true-up is combined with the final environmental cost

recovery true-up for the period ending December 31, 1999 to reach the total environmental cost recovery true-up that is to be addressed in the next cost recovery period (January 2001 through December 2001). Gulf is requesting that the Commission approve this total environmental cost recovery true-up amount excluding revenue taxes, \$1,814,122, for refund during the January 2001 through December 2001 recovery period.

PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS

(3) Gulf has calculated its projected environmental cost recovery amounts for the months January 2001 through December 2001 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 projected environmental cost recovery amount plus the net true-up amount during the period January 2001 through December 2001.

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. Ritenour 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 2001 through December 2001. 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 Generic NOx Control Intelligent System (GNOCIS), for cost recovery through the Environmental Cost Recovery Clause. This project involves the addition of GNOCIS to Plant Smith Unit 1. This system continuously and automatically adjusts boiler controls in order to optimize NOx emissions with other boiler operating parameters. This system will be added to Smith Unit 1 in 2001, and is expected to help offset NOx emissions from the proposed Smith Unit 3 combined cycle. GNOCIS is explicitly required by the air construction permit for Smith Unit 3. Additionally, this system will further ensure compliance with the NOx averaging plan required by the Clean Air Act Amendment of 1990. GNOCIS is a capital expenditure which is not recovered through any other cost recovery mechanism or through base rates. The capital expenditures associated with the Program are projected to be approximately \$1,200,000 for calendar year 2001. The expenditures associated with this project will be allocated to the rate classes based on energy.

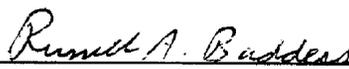
ENVIRONMENTAL COST RECOVERY FACTORS

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

RATE CLASS	ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH
RS, RST, RSVP	.096
GS, GST	.095
GSD, GSDT	.087
LP, LPT	.082
PX, PXT, RTP, SBS	.077
OSI, OSII	.063
OSIII	.081
OSIV	.069

WHEREFORE, Gulf Power Company respectfully requests the Commission to approve the final environmental cost recovery true-up amounts for the period January 1999 through December 1999; estimated environmental cost recovery true-up amounts for the period January 2000 through December 2000; the projected environmental cost recovery amounts for the period January 2001 through December 2001; the Generic NOx Control Intelligent System (GNOCIS) project and the environmental cost recovery factors to be applied in customer billings beginning with the period January 2001 through December 2001.

Dated the 21st day of September, 2000.



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