

One Energy Place
Pensacola, Florida 32520

850.444.6111



October 16, 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. 991779-EI

Enclosed are an original and fifteen copies of Gulf Power Company's Request for Clarification/Modification of Order No. PSC-00-1744-PAA-EI or in the Alternative Petition for a Formal Proceeding.

Also enclosed is a 3.5 inch double sided, high density diskette containing the Request in WordPerfect for Windows 8.0 format as prepared on a Windows NT based computer.

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Ritenour".

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

cc: Beggs and Lane
Jeffrey A. Stone

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of the appropriate)
application of incentives to wholesale power) Docket No.: 991779-EI
sales by investor-owned electric utilities.) Filed: October 17, 2000
_____)

**GULF POWER COMPANY'S REQUEST FOR
CLARIFICATION/MODIFICATION OF ORDER NO. PSC-00-1744-PAA-EI
OR IN THE ALTERNATIVE
PETITION FOR A FORMAL PROCEEDING**

GULF POWER COMPANY ("Gulf Power," "Gulf," or "the Company"), by and through its undersigned counsel, hereby requests the Florida Public Service Commission ("Commission") to clarify and/or modify its Order No. PSC-00-1744-PAA-EI, issued in this docket on September 26, 2000. In the alternative, if the Commission declines to clarify/modify Order No. PSC-00-1744-PAA-EI as detailed below, Gulf Power, as a party whose substantial interests are affected by the action proposed by said order, hereby petitions the Commission for a formal proceeding in accordance with said order, Rule 25-22.029, Florida Administrative Code and Rule 28-106.201, Florida Administrative Code. As grounds for the relief requested by this request and/or petition, the Company would respectfully show:

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

Jeffrey A. Stone
Russell A. Badders
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32576-2950

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer
Gulf Power Company
One Energy Place
Pensacola, FL 32520-0780

2. Gulf is a corporation with its headquarters located at 500 Bayfront Parkway, Pensacola, Florida 32501. The Company is an investor-owned electric utility operating under the jurisdiction of this Commission.

3. Investor-owned electric utilities (IOUs) making short-term wholesale energy sales are required to measure the gain from their non-separated wholesale power sales by subtracting the sum of the incremental costs for each sale from the revenue received for each sale. The calculation of incremental costs for these sales is to include, but not be limited to: incremental fuel cost, incremental SO₂ emission allowance cost, incremental O&M cost, and separately-identified transmission or capacity charges.

4. In Order No. PSC-00-1744-PAA-EI, the Commission proposed as part of the regulatory treatment of the revenues and expenses from short-term wholesale energy sales that “except for FPC, each IOU shall credit its environmental cost recovery clause for an amount equal to the incremental SO₂ emission allowance cost of generating the energy for each such sale. FPC, because it does not have an environmental cost recovery clause, shall credit this cost to its fuel and purchased power cost recovery clause.”

5. It appears to Gulf that the intent of the language referenced in paragraph number 4 is to offset the actual SO₂ emission allowance costs associated with Gulf’s generation with a credit reflecting the actual costs of the SO₂ emission allowances associated with short-term wholesale sales. The Commission’s proposal that each IOU shall credit its environmental cost recovery clause for an amount equal to the incremental SO₂ emission allowance cost of generating the energy for each such sale is fair and reasonable for certain utilities. However, an exception to the Commission’s proposed regulatory treatment of this credit in the environmental cost recovery clause should be permitted under certain circumstances. Gulf is not a regular purchaser of SO₂

emission allowances. Gulf's SO₂ emission allowance bank consists primarily of allowances that are allocated to the Company each year by the Environmental Protection Agency at no cost. Consequently, the weighted-average cost for each allowance is extremely low. This weighted-average cost is used to calculate the expense of allowances as they are used in generation. The **total** dollar amount in 1999 for SO₂ emission allowance expense for all of Gulf's generation was less than \$7,400 and should be less than \$45,000 in 2000¹. Only a fraction of this cost would relate to the non-separated wholesale power sales addressed in Order No. PSC-00-1744-PAA-EI. In any year the SO₂ allowance expense is less than one percent of Gulf's recoverable environmental costs. The amounts involved are immaterial, especially when compared to the resources necessary to calculate and apply a credit to the environmental cost recovery clause. In addition, there is no impact on the customer regardless of whether the allowance costs associated with short-term wholesale sales are credited through the fuel clause or through the environmental cost recovery clause. In both cases, the credit would be allocated to the customers based on energy. In Gulf's situation, the Commission should allow an exception to the proposed regulatory treatment of SO₂ emission allowances.

6. Gulf respectfully requests that the Commission clarify/modify Order No. PSC-00-0476-PAA-EI, to permit an exception to the requirement that each IOU shall credit its environmental cost recovery clause for an amount equal to the incremental SO₂ emission allowance cost of generating the energy for each such sale. The exception would allow an IOU to forego crediting its environmental cost recovery clause for an amount equal to the incremental

¹The increase in allowances cost for 2000 is higher than previous years as a result of all of Gulf's generating units requiring allowances in Phase II of the Clean Air Act Amendments. The expected allowance cost for future years should be at or near the cost experienced in 2000.

SO2 emission allowance cost of generating the energy for each such sale when the SO2 emission allowance cost is immaterial small such as in Gulf's case. Gulf would continue to credit the allowance costs in the fuel cost recovery clause.

7. If the Commission declines to clarify/modify Order No. PSC-00-0476-PAA-EI as requested herein above by the Company, Gulf Power hereby petitions for formal proceedings pursuant to Sections 120.569 and 120.57(1), Florida Statutes. In support of this alternative petition for formal proceedings and pursuant to Rule 25-22.029, Florida Administrative Code and Rule 28-106.201, Florida Administrative Code, the Company states:

- a. The agency affected is the Florida Public Service Commission. The agency's address is 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850. The agency's file number is Docket No. 991834-EI.
- b. The petitioner is Gulf Power Company. The petitioner's mailing address is One Energy Place Pensacola, FL 32520-0780. The petitioner's telephone number is 850/444-6231.

The petitioner's representatives and their respective addresses and telephone numbers are:

Jeffrey A. Stone	Susan D. Ritenour
Russell A. Badders	Assistant Secretary and Assistant Treasurer
Beggs & Lane	Gulf Power Company
P. O. Box 12950	One Energy Place
Pensacola, FL 32576-2950	Pensacola, FL 32520-0780
850/432-2451	850/444-6231

The petitioner's substantial interests will be affected by the proposed agency action set forth in Order No. PSC-00-1744-PAA-EI because the implementation of the new policy articulated in the Order would result in increased costs to petitioner with no benefit to any affected party, agency or the ratepayers of Gulf or in Florida as a whole without first affording the petitioner an opportunity for an evidentiary hearing on disputed issues of material fact and applicable law.

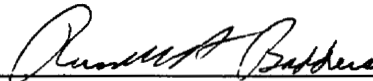
- c. Petitioner received written notice of the agency decision that is protested by this petition via Order No. PSC-00-1744-PAA-EI issued by the agency's Division of Records and Reporting on September 26, 2000. Petitioner received a copy of said

order by fax and/or U.S. Mail on or before September 29, 2000.

- d. The disputed issue of material fact is whether an IOU should be required to credit its environmental cost recovery clause for an amount equal to the incremental SO2 emission allowance cost of generating the energy for each non-separated wholesale power sale where to do so results in increased administrative burden without a corresponding benefit to an affected party.
- e. Petitioner seeks relief in the form of an order that eliminates the obligation to credit its environmental cost recovery clause for an amount equal to the incremental SO2 emission allowance cost of generating the energy for each non-separated wholesale power sale where to do so results in increased administrative burden without a corresponding benefit to an affected party. Gulf seeks an exception to this obligation when an IOU can establish that the amount of the allowances for credit to the environmental cost recovery clause are so small so as to be insignificant when compared to the administrative burden associated therewith.

WHEREFORE, Gulf Power Company respectfully requests the Commission to clarify/modify the language in Order No. PSC-00-1744-PAA-EI as set forth above or, in the alternative, to hold formal evidentiary proceedings.

Respectfully submitted the ^{16th} day of October 2000.



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Review of the appropriate application)
of incentives to wholesale power sales by) Docket No. 991779-EI
investor-owned electric utilities)
_____)

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 16th day of October 2000 on the following:

Cochran Keating, Esquire
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