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Pensacola, Florida 32520

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COMMISSION  
CLERK



September 19, 2001

Ms. Blanca S. Bayo, Director  
Division of the Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0870

Dear Ms. Bayo:

Enclosed for official filing in Docket No. 010007-EI are an original and ten copies of the following:

1. The Petition of Gulf Power Company.
2. Prepared direct testimony of J. O. Vick.
3. Prepared direct testimony and exhibit of S. D. Ritenour.

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

Sincerely,

A handwritten signature in blue ink that reads "Susan D. Ritenour".

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire

*Petition*  
DOCUMENT NUMBER-DATE  
11743 SEP 20 01  
FPSC-COMMISSION CLERK

*Vick*  
DOCUMENT NUMBER-DATE  
11744 SEP 20 01  
FPSC-COMMISSION CLERK

*Ritenour*  
DOCUMENT NUMBER-DATE  
11745 SEP 20 01  
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery )  
Clause )  
\_\_\_\_\_ )

Docket No. 010007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished  
this 19th day of September 2001 by U.S. Mail or hand delivery to the following:

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JEFFREY A. STONE

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Pensacola FL 32576

850 432-2451

Attorneys for Gulf Power Company

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IN RE: Environmental Cost Recovery Clause )  
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Docket No.: 010007-EI  
Filed: September 20, 2001

**PETITION OF GULF POWER COMPANY FOR APPROVAL OF  
FINAL ENVIRONMENTAL COST RECOVERY TRUE-UP AMOUNT FOR  
JANUARY 2000 THROUGH DECEMBER 2000; ESTIMATED ENVIRONMENTAL  
COST RECOVERY TRUE-UP AMOUNT FOR JANUARY 2001 THROUGH  
DECEMBER 2001; PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS  
FOR JANUARY 2002 THROUGH DECEMBER 2002 INCLUDING NEW  
ENVIRONMENTAL ACTIVITIES/PROJECTS; AND ENVIRONMENTAL COST  
RECOVERY FACTORS TO BE APPLIED BEGINNING WITH THE PERIOD  
JANUARY 2002 THROUGH DECEMBER 2002**

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

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 amount for the period January 2000 through December 2000; estimated environmental cost recovery true-up amount for the period January 2001 through December 2001; for approval of its projected environmental cost recovery amounts for the period January 2002 through December 2002; 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 2002 through December 2002. As grounds for the relief requested

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by this petition, the Company would respectfully show:

**FINAL ENVIRONMENTAL COST RECOVERY TRUE-UP**

(1) By vote of the Commission following hearings in November 2000, estimated true-up environmental cost recovery amounts were approved by the Commission for period January 2000 through December 2000, subject to establishing the final environmental cost recovery true-up amounts. According to the data filed by Gulf for the period ending December 31, 2000, the final environmental cost recovery true-up amount for the period ending December 31, 2000, should be an actual over recovery of \$643,068. This amount is submitted for approval by the Commission to be refunded in the next period. 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, 2000 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 2001 through December 2001. Based on seven months actual and five months projected data, the Company's estimated environmental cost recovery true-up amount for the period

January 2001 through December 2001 is an over-recovery of \$684,892. The estimated environmental cost recovery true-up is combined with the final environmental cost recovery true-up for the period ending December 31, 2000 to reach the total environmental cost recovery true-up that is to be addressed in the next cost recovery period (January 2002 through December 2002). Gulf is requesting that the Commission approve this total environmental cost recovery true-up amount excluding revenue taxes, \$1,327,960, for refund during the January 2002 through December 2002 recovery period.

**PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS**

(3) Gulf has calculated its projected environmental cost recovery amounts for the months January 2002 through December 2002 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 of \$11,097,405 for the period January 2002 through December 2002, plus the net true-up amount adjusted for revenue taxes..

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 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 2002 through December 2002. 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 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 filed for approval of a new project, the Generic NOx Control Intelligent System (GNOCIS), for cost recovery through the Environmental Cost Recovery Clause in its petition dated September 22, 2000. A decision on Gulf's request for approval of GNOCIS for recovery through the Environmental Cost Recovery Clause was deferred by the Commission at the prehearing conference on November 3, 2000. Gulf requests the Commission to consider the cost recovery of GNOCIS at the November 2001 hearing in this docket. 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 in-service by December 2001 and is expected to help offset NOx emissions from the Smith Unit 3 combined cycle. Installation of GNOCIS is explicitly required by the Florida Department of Environmental Protection in one of the

air permits applicable to the Company. 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 \$1,200,000. In accordance with Order No. PSC-00-2391-FOF-EI in Docket No. 000007-EI, the expenditures associated with this project will be allocated to the rate classes based on energy.

**ENVIRONMENTAL COST RECOVERY FACTORS**

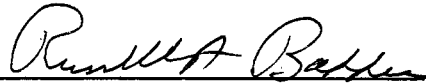
(5) The calculated environmental cost recovery factors by rate class, including true-up, are:

<b>RATE CLASS</b>	<b>ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH</b>
RS, RST, RSVP	.104
GS, GST	.104
GSD, GSDT	.094
LP, LPT	.088
PX, PXT, RTP, SBS	.083
OSI, OSII	.067
OSIII	.087
OSIV	.074



WHEREFORE, Gulf Power Company respectfully requests the Commission to approve the final environmental cost recovery true-up amounts for the period January 2000 through December 2000; estimated environmental cost recovery true-up amounts for the period January 2001 through December 2001; the projected environmental cost recovery amounts for the period January 2002 through December 2002; 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 2002 through December 2002.

Dated the 19th day of September, 2001.



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