

ORIGINAL

050093-27

TOM LEE
President

ALLAN BENSE
Speaker



STATE OF FLORIDA
OFFICE OF PUBLIC COUNSEL



c/o THE FLORIDA LEGISLATURE
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Harold McLean
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February 2, 2005

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

RECEIVED-1PSC
05 FEB -2 AM 9:06
COMMISSION
CLERK

RE:

Dear Ms. Bayó:

Enclosed please find the original and 15 copies of a Joint Petition for Approval of Stipulation and Settlement dated February 1, 2005. Please accept this filing on behalf of the Office of Public Counsel, Gulf Power Company and the Florida Industrial Power Users Group.

Please indicate receipt of filing by date-stamping the attached copy of this letter and returning it to this office. Thank you for your assistance in this matter.

RECEIVED & FILED
Oh
FPSC-BUREAU OF RECORDS

Sincerely,
[Signature]
Harold McLean
Public Counsel

HMcl/dsb
Enclosure

cc: Jeffrey A. Stone, Esquire
Vicki Gordon Kaufman, Esquire
John W. McWhirter, Esquire

DOCUMENT NUMBER-DATE
01205 FEB-28
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint petition for approval of special)
accounting treatment and recovery of costs)
associated with Hurricane Ivan's impact on) Docket No. 05 0093-EI
Gulf Power Company.) Date filed: _____
_____)

**JOINT PETITION FOR APPROVAL
OF STIPULATION AND SETTLEMENT**

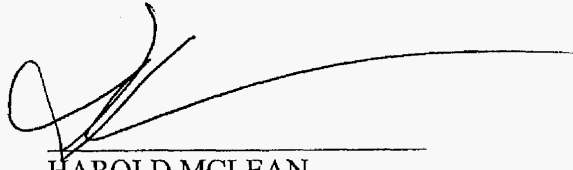
The Citizens of the State of Florida, through the Office of Public Counsel, the Florida Industrial Power Users Group through its undersigned counsel, and Gulf Power Company, through its undersigned counsel, jointly petition the Florida Public Service Commission for entry of a final order approving the attached Stipulation and Settlement as full and complete resolution of any and all matters and issues which might be addressed in connection with the matters set forth therein regarding the effects of Hurricane Ivan on Gulf Power Company's Accumulated Provision for Property Insurance, Account No. 228.1 in accordance with Section 120.57(4), Florida Statutes (2003).

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DOCUMENT NUMBER-DATE
01205 FEB-23
FPSC-COMMISSION CLERK

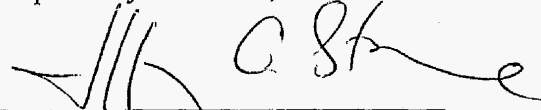
WHEREFORE, the undersigned parties respectfully urge the Florida Public Service Commission to approve the attached Stipulation and Settlement in all respects.

DATED this 1st day of February, 2005.

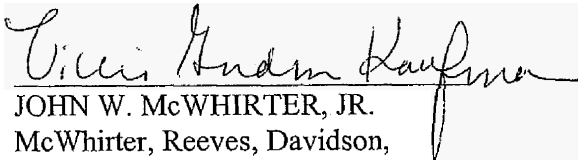


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FOR THE CITIZENS OF THE
STATE OF FLORIDA

Respectfully submitted,



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ATTORNEYS FOR GULF
POWER COMPANY



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ATTORNEYS FOR THE FLORIDA
INDUSTRIAL POWER USERS GROUP

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of special)
accounting treatment and recovery of costs)
associated with Hurricane Ivan's impact on) Docket No. 05 _____ -EI
Gulf Power Company's property insurance) Date filed: _____
reserve.)
_____)

STIPULATION AND SETTLEMENT

The Office of Public Counsel ("OPC"), the Florida Industrial Power Users Group ("FIPUG"), and Gulf Power Company ("Gulf Power", "Gulf", or "the Company") (collectively, "the Parties"), pursuant to Section 120.57(4), Florida Statutes (2003), have entered into this Stipulation and Settlement to effect an informal disposition and complete and binding resolution of any and all matters and issues which might be addressed in connection with the matters set forth herein regarding the effects of Hurricane Ivan on the Company's Accumulated Provision for Property Insurance, Account No. 228.1 ("property insurance reserve").

WHEREAS, in the early morning hours of September 16, 2004 Hurricane Ivan struck Northwest Florida with a storm surge of approximately 16 feet and winds of approximately 130 miles per hour, causing widespread catastrophic damage to infrastructure, buildings, and other property; and

WHEREAS, the hurricane inflicted extensive damage to Plant Crist, Gulf Power's largest generating plant, and to 790 miles of transmission lines, 211 of 249 main distribution feeders, and 79 substations throughout Gulf Power's service area, as well as many of Gulf's office buildings and other facilities and equipment, ultimately disrupting the electric service of 90% of Gulf Power's customers (including all customers in Escambia and Santa Rosa counties); and

WHEREAS, the hurricane also damaged bridges and highways as well as hotels ordinarily relied upon to house outside workers, rendering efforts to restore service more difficult; and

WHEREAS, Hurricane Ivan was the third major storm to strike Florida and the southeastern United States in a little over four weeks, making outside assistance difficult to secure because of the previous commitments to restoring service interrupted by the two previous storms; and

WHEREAS, in order to restore service to its customers as rapidly as possible, Gulf Power was able to bring in more than 4,000 outside workers and related equipment to augment the efforts of Gulf's more than 1,400 employees; and

WHEREAS, Gulf Power estimates the costs of repairing its system and restoring service to customers will reach \$141.5 million once all repairs have been completed and all costs are known (compared to a combined cost of \$25 million incurred in 1995 as a result of Hurricanes Erin and Opal that struck the area over the course of two months in 1995); and

WHEREAS, pursuant to Rule 25-6.143, Florida Administrative code, Gulf Power maintains a property insurance reserve account (Account No. 228.1, Accumulated Provision for Property Insurance, hereinafter "property insurance reserve") for the purpose of covering the costs of property losses not covered by insurance; and

WHEREAS, prior to Hurricane Ivan, Gulf Power over time had accumulated \$27.8 million in its property insurance reserve account; and

WHEREAS, pursuant to Rule 25-6.0143, Gulf Power would ordinarily charge to its property insurance reserve all of its 2004 storm damage costs that qualify for inclusion, thereby resulting in a substantial negative balance; and

WHEREAS, through the operation of Rule 25-6.0143 the Florida Public Service Commission (“Commission”) allows electric utilities subject to the rule, including Gulf Power, to defer recognition of the storm damage expenses to future periods that are reflected in a negative property insurance reserve balance in anticipation of future recovery; and

WHEREAS, Gulf Power’s normal annual accrual to the property insurance reserve of \$3.5 million is insufficient to eliminate the negative balance of the property insurance reserve resulting from Hurricane Ivan and build a reasonable balance to be available for future storm events within a reasonable period of time; and

WHEREAS, Gulf Power has a need to eliminate the negative balance in the property insurance reserve within a reasonable time, and to begin to accumulate a positive reserve balance; and

WHEREAS, the parties are receptive to a compromise that would address the negative reserve balance in a manner that takes into account the specific concerns of OPC and FIPUG regarding (i) the appropriate costs for recovery and (ii) a mechanism to share the burden for the costs associated with Hurricane Ivan between customers and shareholders; and

WHEREAS, to avoid the time, expense and uncertainty associated with potential adversarial litigation regarding the matters addressed herein, the Parties entered into negotiations designed to reach an agreement that will address the needs and objectives identified above while protecting their respective interests; and

WHEREAS, for purposes of this Stipulation and Settlement the Parties have agreed to the application of certain guidelines designed to identify certain categories of costs and exclude them from the property insurance reserve; and

WHEREAS, because not all costs are fully known or reviewable as of the execution date of this document, OPC and FIPUG should have an opportunity to review final costs to ensure they qualify for inclusion in the property insurance reserve account pursuant to the criteria established herein; and

WHEREAS, such opportunity should be limited to the period reasonably necessary to accomplish said review, so that this matter may be concluded without unnecessary delay;

NOW THEREFORE, Gulf Power, OPC, and FIPUG agree, stipulate and bind themselves to the following:

1. Gulf Power, OPC, and FIPUG hereby approve and adopt all of the foregoing recitations.
2. This Stipulation and Settlement will become effective on the day following the vote of the Florida Public Service Commission approving this Stipulation and Settlement. The starting date for the full term of this Stipulation and Settlement will be 30 days following said vote and will be referred to as the "Implementation Date."
3. Beginning on the Implementation Date, Gulf shall initiate recovery of the amount agreed to in this Stipulation and Settlement (the "Ivan Deficit Cost Recovery Amount") through a monthly surcharge to apply to customer bills based on a twenty-four month recovery period. The recovery authorized by the approval of this Stipulation and Settlement shall be, subject to true-up, the Total Estimated Ivan Deficit shown on line 18 of Exhibit B (consisting of (1) the

total costs of Hurricane Ivan net of insurance proceeds, less (2) the amount in Gulf's property insurance reserve as of August 31, 2004), less adjustments for certain specific amounts Gulf has agreed to exclude as further set forth in this Stipulation and Settlement and shown on the attached Exhibit C. The resulting Ivan Deficit Cost Recovery Amount, including allowances for related financing costs and adjustments for jurisdictionalization and revenue taxes is also set forth on the attached Exhibit C. The amounts recovered by Gulf pursuant to the surcharge established by this Stipulation and Settlement prior to such time as the Commission's order approving this Stipulation and Settlement is rendered final and no longer subject to further administrative or judicial proceedings shall be considered subject to refund by Gulf unless and until such order becomes final and no longer subject to further administrative or judicial proceedings. In the event that the Commission's order approving this Stipulation and Settlement does not become final and is ultimately reversed or otherwise overturned, Gulf hereby agrees that it shall refund the amounts considered subject to refund in accordance with this paragraph to its customers in accordance with the directions of the Commission.

4. For the sole purpose of this Stipulation and Settlement, and without prejudice to the right and ability of any party to assert how such charges associated with future storms should be charged to the property insurance reserve, the parties adopt and agree to apply the criteria and guidelines contained in Exhibit A to this document. The parties acknowledge and accept that their agreement to adhere to these guidelines and exclude certain charges is reasonable under the circumstances. The Parties further agree that the willingness of each of them to enter this Stipulation and Settlement is contingent on the approval of this Stipulation and Settlement in its entirety. Among the specific charges that consistent with Exhibit A, Gulf shall exclude are: (1)

that portion of the capital expenditures and cost of removal related to recovery from Hurricane Ivan equal to the normal amount that would be charged to capital accounts under normal operating conditions (that portion of the otherwise capitalized charges that exceeds the normal amount that would be charged to capital accounts under normal operating conditions has been charged against the property insurance reserve and will be part of the recovery amount addressed by this Stipulation and Settlement), (2) the straight time labor costs for Gulf Power employees associated with storm recovery activity (any overtime labor charges associated with Hurricane Ivan restoration have been charged against the property insurance reserve and are part of the recovery amount addressed by this Stipulation and Settlement subject to the adjustment for normal budgeted levels of overtime that is the subject of (4) below), (3) \$400,000 representing transportation costs associated with Company-owned vehicles, (4) \$600,000 representing other normal operating costs not chargeable to the property insurance reserve under the principles agreed to in Exhibit A including the normal levels of budgeted overtime identified in (2) above, and (5) \$14 million, which will be accomplished by an additional accrual to the property insurance reserve for 2004 over the annual accrual of \$3.5 million as reflected in Gulf's current base rates.¹ The additional accrual for 2004 is made pursuant to Commission authority granted in Docket No. 951433-EI, Order No. PSC-96-0023-FOF-EI dated January 8, 1996, which provides Gulf with the flexibility to increase the annual accrual to the reserve. As shown on

¹The parties agree that in lieu of eliminating (i) all normal, budgeted overtime from bargaining unit labor costs charged to the property insurance reserve in accordance with paragraph D of Exhibit A; (ii) normal materials and supplies expense in accordance with paragraph E of Exhibit A; and (iii) any amounts excludable in accordance with paragraph G of Exhibit A, such costs will be considered part of the \$15.0 million removed from the Ivan Deficit Cost Recovery Amount pursuant to enumerated items (3), (4) and (5) within this paragraph 4 of the Stipulation and Settlement.

Exhibit C, the adjustments agreed to by the Parties as set forth herein have reduced the Ivan Deficit Cost Recovery Amount by \$44.8 million from \$96.5 million to \$51.7 million (before adjustments for interest, jurisdictionalization and revenue taxes). Except for adjustments for interest, jurisdictionalization and revenue taxes and the operation of the true-up mechanism as provided below, the Ivan Deficit Cost Recovery Amount shall not be subject to further change.

5. The computation of the stipulated surcharge is shown on the attached Exhibit D, Ivan Deficit Cost Recovery Surcharge Computation. The Ivan Deficit Cost Recovery Surcharge shall be allocated among rate classes based on the cost of service methodology approved in Gulf Power's most recent rate case in Docket No. 010949-EI.

6. In a report to be filed with the Commission and served on the parties not later than July 1, 2005, Gulf shall compare the actual amounts incurred for storm restoration costs included in the Recoverable Ivan Deficit (before interest and revenue taxes) to the estimate set forth on line 10 of Exhibit C in order to determine the amount necessary to true-up the estimate forming the basis for this Stipulation and Settlement. No later than 60 days after the filing of such report, any party to this Stipulation and Settlement may, through a written notice filed with the Commission, challenge any actual costs included in the Recoverable Ivan Deficit (before interest and revenue taxes) on the grounds that such costs do not conform to this Stipulation and Settlement or that such costs were not reasonable and prudent. Any determination as to whether costs included in the Recoverable Ivan Deficit (before interest and revenue taxes) were reasonable and prudent shall be made with reference to the general public interest in, and the scope of effort required to provide, the safe and expeditious restoration of electric service. If the parties are not able to resolve any such challenge through settlement within 30 days after the

written notice of such challenge, the matter shall be brought before the Commission for resolution. It is the intent and desire of the parties that the Commission render a final order resolving such dispute at least 90 days prior to the end of the first 12 months of the recovery period.

7. At least 60 days prior to end of the first 12 months of the recovery period, Gulf Power shall submit a revised computation of the Ivan Deficit Cost Recovery Surcharge designed to collect the remaining unrecovered portion of the Ivan Deficit Cost Recovery amount over the final 12 months of the 24 month recovery period. Such subsequent calculation shall take into account adjustments for the difference between projected and actual costs (including the final resolution, if known, of a challenge brought pursuant to paragraph 6 above), and for the difference between projected and actual revenues collected pursuant to the Ivan Deficit Cost Recovery Surcharge. Within sixty days following expiration of the 24 month recovery period, Gulf shall file the final true-up calculation. Any remaining under- or over- recovery amounts will be treated as part of the true-up in the next fuel and purchased power cost recovery proceedings.

8. In order to facilitate the purpose and intent of this Stipulation and Settlement, the agreed upon Jurisdictional Recoverable Ivan Deficit (before interest and revenue taxes) shown on line 12 of Exhibit C shall be transferred to a separate subaccount designated as the Ivan Deficit Recovery, such subaccount balance to constitute a regulatory asset for which recovery is authorized by the Commission pursuant to this Stipulation and Settlement. The parties agree that the regular monthly accrual to the property insurance reserve, and any additional accruals made pursuant to the authority granted in Docket No. 951433-EI, Order No. PSC-96-0023-FOF-EI

dated January 8, 1996, shall be used in the normally anticipated manner to accumulate a property insurance reserve for future losses and such accruals shall not affect the total amount to be recovered pursuant to this Stipulation and Settlement.

9. In the event that the Florida Legislature enacts legislation that will allow for the securitization of storm recovery financing under terms of a financing order that provides for the establishment of storm recovery property and a resulting storm recovery surcharge, Gulf Power shall have the right, in its sole discretion and notwithstanding this Stipulation and Settlement, to petition the Commission for the entry of such an order in accordance with and under the terms of such legislation to securitize the recovery of the amount agreed to in this Stipulation and Settlement (\$51.7 million before interest and revenue taxes) and, subject to the limitations set forth in this paragraph, additional amounts not to exceed \$27.8 million (before interest and revenue taxes). To the extent Gulf Power requests in its petition authority to finance and recover from its customers amounts in addition to the Jurisdictional Recoverable Ivan Deficit (before interest and revenue taxes) identified herein, said request shall not be deemed a violation of this Stipulation and Settlement so long as the additional amounts requested are intended and are used for the sole purpose of replenishing \$27.8 million (the level that existed immediately prior to the occurrence of Hurricane Ivan) to the property insurance reserve, or such other lesser amount authorized by the Commission consistent with the legislation. Each party will be free to participate in the proceeding on Gulf Power's petition and assert any position with regard to the additional relief requested therein that it deems consistent with its interests. Notwithstanding the foregoing, each party agrees to meet with the others early in the proceeding on said petition for the purpose of exploring the possibility of settling the issues raised by the petition.

10. Except under circumstances provided for within this Stipulation and Settlement, Gulf Power agrees that it will not petition for an increase in its base rates and charges, including interim rate increases, to take effect until after March 1, 2007. Notwithstanding the foregoing, Gulf shall not be precluded from seeking and receiving rate relief in the form of an increase in its base rates and charges, additional surcharge, or any other rate recovery mechanism if the area served by Gulf Power is struck by another catastrophic storm or other property casualty event and as a result thereof, Gulf incurs costs related to the replacement of property damaged or destroyed through such catastrophic event and/or the restoration of electric service taking into account the general public interest in the safe and expeditious restoration of electric service interrupted by such catastrophic event unless there are sufficient accumulated amounts in Gulf's property insurance reserve or available insurance to cover the full amount of the costs reasonably and prudently incurred by Gulf in consideration of the stated general public interest. Parties to this Stipulation and Settlement are not precluded from participating in a proceeding initiated through Gulf's request for rate relief made under such circumstances.

11. No party to this Stipulation and Settlement will request, support or seek to impose a change in the application of any provision hereof, including without limitation, the determination of the Ivan Deficit Cost Recovery Amount set forth in paragraph 4 above. Subject to the approvals of the Florida Public Service Commission set forth in the paragraphs below, and with the exception of any challenges to individual costs as provided herein, all parties hereto waive any right to request further administrative or judicial proceedings in regards to the establishment or implementation of this Stipulation and Settlement. Such requests for further administrative or judicial proceedings shall include (but not be limited to): a petition for a formal proceeding, in

the form provided by Rule 28-106.201, Florida Administrative Code; a motion for reconsideration of the decision in this matter in the form prescribed by Rule 25-22.060, Florida Administrative Code; or a notice of appeal to initiate judicial review by the Florida Supreme Court pursuant to Rule 9.110, Florida Rules of Appellate Procedure, in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

12. This Stipulation and Settlement Agreement is contingent upon approval in its entirety by the Florida Public Service Commission. This Stipulation and Settlement will resolve all matters discussed herein pursuant to and in accordance with Section 120.57(4), Florida Statutes (2003). If this Stipulation and Settlement is not accepted and approved without modification by an order not subject to further proceedings or judicial review, then this Stipulation and Settlement shall be considered null and void and of no further force or effect.

13. It is understood and explicitly agreed that the Parties have entered this Stipulation for purposes of settlement, and their participation shall not prejudice the right and ability of any party hereto to take any position in any other proceeding in any venue.


14. This Stipulation and Settlement, dated as of February 1, 2005, may be executed in counterpart originals and a facsimile of an original signature shall be deemed an original.

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The Parties evidence their acceptance and agreement with the provisions of this

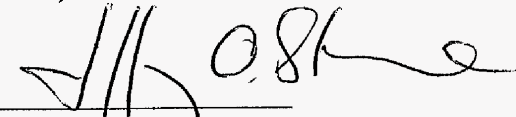
Stipulation and Settlement by their signatures:

Office of Public Counsel
111 W. Madison Street, Room 812
Tallahassee, Florida 32399-1400

By: 
Harold A. McLean

Gulf Power Company
One Energy Place
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P. O. Box 12950
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By: 
Jeffrey A. Stone

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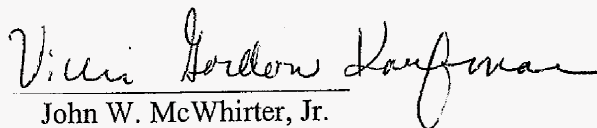
By: 
John W. McWhirter, Jr.
Vicki Gordon Kaufman

EXHIBIT A

AGREED GUIDELINES GOVERNING IVAN-RELATED CHARGES TO PROPERTY INSURANCE RESERVE

A. Gulf Power will book all capital additions to plant in service at an amount equal to the normal amount for material, labor and other charges that would be charged to capital accounts under normal operating conditions. Only additional, extraordinary capital-related expenses will be booked to the property insurance reserve.

B. Gulf Power will book all retirements resulting from 2004 storms based on its existing, approved depreciation/retirement procedures.

C. Gulf Power will exclude from storm recovery expenses charged to the property insurance reserve the cost of removal expense related to said plant items that have been retired due to 2004 storm damage.

D. Gulf Power will eliminate all base salaries and normal, budgeted overtime from all bargaining unit labor costs charged to the property insurance reserve.

E. Gulf Power will charge to the property insurance reserve only those costs of materials and supplies not part of capitalized projects that exceed the material and supplies expense anticipated under normal operations.

F. Gulf Power will eliminate all insurance recoveries, less deductibles, from the storm recovery amounts.

G. Gulf Power will exclude from the amount charged to the property insurance reserve any expenses associated with the following activities:

- 1. Operating expenses and overheads for company-owned vehicles.**
- 2. Storeroom expense.**
- 3. Advertising expense.**
- 4. Employee training expense.**
- 5. Management overheads except for overtime when working on storms.**
- 6. All other allocated expenses included in normal operations and existing budgets.**
- 7. Labor costs associated with repairs and replacements that have been identified as job or work orders, but that have not yet been worked and that will be completed by existing, full time employees or regular, budgeted contract personnel.**

8. Labor costs associated with any work or activity related to the storm other than the jobs or work orders identified in (7) above that will be completed by any employees as part of their regular job duties.
9. Call center activities shall be excluded except for non-budgeted overtime or other incremental costs associated with the storm event.

H. Gulf Power shall not book any uncollectible expenses or lost revenues to the property insurance reserve.

I. Gulf Power shall not book to the property insurance reserve cash advances made to employees. Storm related expenses paid with these advances and documented with expense accounts shall be chargeable to the property insurance reserve.

**Gulf Power Company
Calculation of Total Estimated Ivan Deficit**

Estimated Transmission and Distribution Costs

| | | |
|---|--|------------------------------|
| 1 | External Costs including Contractors and Equipment | \$ 90,000,000 |
| 2 | Food, Lodging, Transportation, & Other | 14,200,000 |
| 3 | Materials | 9,900,000 |
| 4 | Company - Straight Time Labor, Payroll Taxes and Benefits | 3,400,000 |
| 5 | Company - Overtime & Payroll Taxes | 3,300,000 |
| 6 | Fuel | 1,600,000 |
| 7 | Total Estimated Transmission and Distribution Costs (Lines 1-6) | <u>\$ 122,400,000</u> |

Estimated Generating Plants and Office Facilities

| | | |
|----|--|-----------------------------|
| 8 | Crist Plant Cooling Tower | \$ 9,300,000 |
| 9 | Other Damages to Plants | 4,700,000 |
| 10 | Damaged Vehicles | 220,000 |
| 11 | Security Equipment | 40,000 |
| 12 | Office Buildings | 4,850,000 |
| 13 | Total Estimated Generating Plants and Office Facilities (Lines 8-12) | <u>\$ 19,110,000</u> |
| 14 | Total Estimated Hurricane Ivan Costs (Line 7 + Line 13) | \$ 141,510,000 |
| 15 | Less: Estimated Insurance Reimbursement (net of \$1.9 million deductible) | <u>17,210,000</u> |
| 16 | Estimated Ivan Costs net of Insurance Reimbursement (Line 14 - Line 15) | \$ 124,300,000 |
| 17 | Less: Balance in Property Insurance Reserve as of 8/31/04 | <u>27,800,000</u> |
| 18 | Total Estimated Ivan Deficit (Line 16 - Line 17) | <u>\$ 96,500,000</u> |

**Gulf Power Company
Ivan Deficit Cost Recovery Amount Computation**

| | | |
|-----------|---|-----------------------------|
| 1 | Total Estimated Ivan Deficit (Exhibit B) | \$ 96,500,000 |
| 2 | Less: Company Voluntary Exclusions from Ivan Deficit Cost Recovery Surcharge | |
| 3 | Estimated Capital Costs Under Normal Operating Conditions | \$ 23,100,000 |
| 4 | Estimated Cost of Removal Under Normal Operating Conditions | \$ 3,300,000 |
| 5 | Straight Time Labor Costs | 3,400,000 |
| 6 | Company-Owned Vehicle Costs | 400,000 * |
| 7 | Other Normal Operating Costs | 600,000 * |
| 8 | Additional Accrual to Property Reserve in 2004 | <u>14,000,000 *</u> |
| 9 | Total Exclusions from Ivan Deficit Cost Recovery Surcharge (Lines 3 thru 8) | <u>44,800,000</u> |
| 10 | Recoverable Ivan Deficit Before Interest & Revenue Taxes (Line 1 - Line 9) | \$ 51,700,000 |
| 11 | Retail Jurisdictional Factor | x <u>0.9939036</u> |
| 12 | Jurisdictional Recoverable Ivan Deficit Before Interest & Revenue Taxes (Line 10 x Line 11) | \$ 51,384,816 |
| 13 | Interest on Jurisdictional Recoverable Ivan Deficit Over 2 Years | <u>1,866,963</u> |
| 14 | Jurisdictional Recoverable Ivan Deficit Including Interest (Line 12 + Line 13) | \$ 53,251,779 |
| 15 | Revenue Tax Factor | x <u>1.00072</u> |
| 16 | Ivan Deficit Cost Recovery Amount (Line 14 x Line 15) | <u>\$ 53,290,120</u> |

* Fixed Amounts As Agreed Between Parties to Stipulation and Settlement

Exhibit D

**Gulf Power Company
Calculation of Ivan Deficit Cost Recovery Surcharge**

| <u>Rate Class</u> | A % <u>Demand Allocator</u> | B \$ Ivan Deficit Cost Recovery Amount <u>Costs</u> | C 2005-2006 Projected <u>KWH Sales</u> | D (¢ / KWH) Ivan Recovery <u>Factors</u> Col. B/ Col. C |
|------------------------|---------------------------------------|---|--|--|
| RS, RSVP | 53.35737 | 28,434,207 | 10,499,638,000 | 0.271 |
| GS | 2.11880 | 1,129,111 | 615,171,000 | 0.184 |
| GSD, GSDT, GSTOU | 22.56380 | 12,024,276 | 5,217,349,000 | 0.230 |
| LP, LPT | 14.70531 | 7,836,477 | 3,848,245,000 | 0.204 |
| PX, PXT, RTP, SBS, CSA | 6.65923 | 3,548,712 | 2,161,378,000 | 0.164 |
| OS-I/II | 0.42392 | 225,907 | 214,481,000 | 0.105 |
| OS-III | <u>0.17157</u> | <u>91,430</u> | <u>53,818,000</u> | 0.170 |
| TOTAL | <u>100.00000</u> | <u>53,290,120</u> | <u>22,610,080,000</u> | 0.236 |

Demand allocator is consistent with the capacity, conservation, and environmental cost recovery clauses.