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January 31, 2006

VIA ELECTRONIC FILING

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:

RE: Docket No. 050093-EI; Gulf Power Company's report submitted in compliance with paragraph 7 of the Stipulation and Settlement

This letter and the attached exhibits B, C, and D, along with the attached certificate of service, constitute Gulf Power Company's report in compliance with the terms of paragraph 7 of the Stipulation and Settlement approved by the Commission in Order No. PSC-05-0250-PAA-EI issued March 4, 2005 (see also Consummating Order No. PSC-05-0341-CO-EI issued March 29, 2005). Paragraph 7 of the Stipulation and Settlement contains the following provision:

At least 60 days prior to the 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.

In order to meet the foregoing requirements, Gulf has prepared the attached exhibits B, C, and D (corresponding to exhibits B, C, and D attached to the Stipulation and Settlement) containing the required comparison. As shown on line 10 of exhibit C, the amount necessary to true-up the estimate for actual amounts incurred is a decrease to the recoverable amount of \$565,233 before interest and revenue taxes. As shown on line 19 of exhibit C, the Ivan deficit to be recovered over the final 12 month period is projected to be \$25,958,505.

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Exhibit D shows the calculation of the revised Ivan Deficit Cost Recovery Surcharges necessary to collect the unrecovered Ivan costs over the remaining 12 months of the recovery period. The cost for a residential customer using 1,000 kwh will decrease slightly from \$2.71 to \$2.57, net of gross receipts tax.

Sincerely,



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Attachments

cc: Beggs and Lane
Jeffrey A. Stone, Esquire, jas@beggslane.com
Florida Public Service Commission
John Slemkewicz, jslemkew@psc.state.fl.us
David Wheeler, dwheeler@psc.state.fl.us

Exhibit B

Gulf Power Company
True Up Calculation of Total Ivan Deficit
January 31, 2006

	January 31, 2006 ^(A)	As Filed	Difference
<u>Estimated Transmission and Distribution Costs</u>			
1 External Costs including Contractors and Equipment	\$ 88,801,113	\$ 90,000,000	\$ (1,198,887)
2 Food, Lodging, Transportation, & Other	14,044,099	14,200,000	\$ (155,901)
3 Materials	9,334,898	9,900,000	\$ (565,102)
4 Company - Straight Time Labor, Payroll Taxes and Benefits	4,717,483	3,400,000	\$ 1,317,483
5 Company - Overtime & Payroll Taxes	3,078,979	3,300,000	\$ (221,021)
6 Fuel	1,712,682	1,600,000	\$ 112,682
7 Total Estimated Transmission and Distribution Costs (Lines 1-6)	\$ 121,689,254	\$ 122,400,000	\$ (710,746)
<u>Estimated Generating Plants and Office Facilities</u>			
8 Crist Plant Cooling Tower	\$ 6,583,698	\$ 9,300,000	\$ (2,716,302)
9 Other Damages to Plants	5,311,019	4,700,000	\$ 611,019
10 Damaged Vehicles	88,189	220,000	\$ (131,811)
11 Security Equipment	15,129	40,000	\$ (24,871)
12 Office Buildings	4,038,103	4,850,000	\$ (811,897)
13 Total Estimated Generating Plants and Office Facilities (Lines 8-12)	\$ 16,036,138	\$ 19,110,000	\$ (3,073,862)
14 Total Estimated Hurricane Ivan Costs (Line 7 + Line 13)	\$ 137,725,392	\$ 141,510,000	\$ (3,784,608)
15 Less: Estimated Insurance Reimbursement (net of \$1.9 million deductible)	14,136,138	17,210,000	\$ (3,073,862)
16 Estimated Ivan Costs net of Insurance Reimbursement (Line 14 - Line 15)	\$ 123,589,254	\$ 124,300,000	\$ (710,746)
17 Less: Balance in Property Insurance Reserve as of 8/31/04	27,800,000	27,800,000	\$ -
18 Total Estimated Ivan Deficit (Line 16 - Line 17)	\$ 95,789,254	\$ 96,500,000	\$ (710,746)

^(A) The figures include future projections of on-going activities at barrier islands, etc. that impact only the total amount incurred, not the recoverable amount.

Gulf Power Company
Ivan Deficit Cost Recovery True Up Amount Computation
January 31, 2006

	<u>Jan-2006</u>	<u>As Filed</u>	<u>Difference</u>
1 Total Estimated Ivan Deficit (Exhibit B)	\$ 95,789,254	\$ 96,500,000	\$ (710,746)
2 Less: Company Voluntary Exclusions from Ivan Deficit Cost Recovery Surcharge			
3 Estimated Capital Costs Under Normal Operating Conditions	\$ 21,438,167	\$ 23,100,000	\$ (1,661,833)
4 Estimated Cost of Removal Under Normal Operating Conditions	3,498,837	3,300,000	198,837
5 Straight Time Labor Costs	4,717,483	3,400,000	1,317,483
6 Company-Owned Vehicle Costs	400,000 *	400,000 *	-
7 Other Normal Operating Costs	600,000 *	600,000 *	-
8 Additional Accrual to Property Reserve in 2004	<u>14,000,000 *</u>	<u>14,000,000 *</u>	<u>-</u>
9 Total Exclusions from Ivan Deficit Cost Recovery Surcharge (Lines 3 thru 8)	\$ 44,654,487	\$ 44,800,000	\$ (145,513)
10 Recoverable Ivan Deficit Before Interest & Revenue Taxes (Line 1 - Line 9)	\$ 51,134,767	\$ 51,700,000	\$ (565,233)
11 Retail Jurisdictional Factor	x 0.9939036	x 0.9939036	
12 Jurisdictional Recoverable Ivan Deficit Before Interest & Revenue Taxes (Line 10 x Line 11)	\$ 50,823,029	\$ 51,384,816	\$ (561,787)
13 Interest on Jurisdictional Recoverable Ivan Deficit Over 2 Years	<u>2,201,746 ^(A)</u>	<u>1,866,963</u>	<u>334,783</u>
14 Jurisdictional Recoverable Ivan Deficit Including Interest (Line 12 + Line 13)	\$ 53,024,775	\$ 53,251,779	\$ (227,004)
15 Revenue Tax Factor	x 1.00072	x 1.00072	
16 Ivan Deficit Cost Recovery Amount (Line 14 x Line 15)	<u>\$ 53,062,953</u>	<u>\$ 53,290,120</u>	<u>\$ (227,167)</u>
17 Revenues Billed Through December 2005	\$ 21,229,913		
18 Projected Billings January - March 2006 at current factors	<u>\$ 5,874,535</u>		
19 Ivan Deficit to be Recovered in final 12 Months of Recovery Period (Line 16 - Lines 17 thru 18)	<u>\$ 25,958,505</u>		

* Fixed Amounts As Agreed Between Parties to Stipulation and Settlement

^(A) Includes actual interest through December 2005 and an estimate for January 2006 through March 2007

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

<u>Rate Class</u>	A %	B \$	C Apr 2006 - Mar 2007	D (¢ / KWH) Ivan Recovery Factors Col. B/ Col. C
	<u>Demand Allocator</u>	<u>Ivan Deficit Balance Recovery Amount Costs</u>	<u>Projected KWH Sales</u>	
RS, RSVP	53.29630	13,834,923	5,383,110,000	0.257
GS	3.01420	782,441	309,345,000	0.253
GSD, GSDT, GSTOU	22.42767	5,821,888	2,601,070,000	0.224
LP, LPT	14.14918	3,672,916	1,871,893,000	0.196
PX, PXT, RTP, SBS, CSA	6.52407	1,693,551	1,027,371,000	0.165
OS-I/II	0.41976	108,963	106,185,000	0.103
OS-III	<u>0.16882</u>	<u>43,823</u>	<u>28,074,000</u>	0.156
TOTAL	<u>100.00000</u>	<u>25,958,505</u>	<u>11,327,048,000</u>	0.229

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