

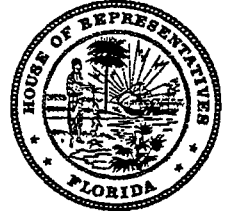
ORIGINAL

TOM LEE
President

ALLEN BENSE
Speaker



STATE OF FLORIDA
OFFICE OF PUBLIC COUNSEL



c/o THE FLORIDA LEGISLATURE
111 WEST MADISON ST.
ROOM 812
TALLAHASSEE, FLORIDA 32399-1400
850-488-9330

Harold McLean
Public Counsel

EMAIL: OPC_WEBSITE@LEG.STATE.FL.US
WWW.FLORIDAOPC.GOV

May 11, 2006

Blanca S. Bayo, Director
Division of Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

RECEIVED-FPSC
MAY 11 PM 4:22
COMMISSION
CLERK

Re: Docket No. 060154-EI

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are the original and 5 copies of the Joint Petition and Approval of Stipulation and Settlement and Motion to Toll Proceedings. A diskette in Word format is also submitted.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

CMP _____
COM 5
CTR _____
ECR _____
GCL _____
OPC _____
RCA _____
SCR _____ PAC:bsr
SGA _____
SEC 1
DTH Kim P.

Sincerely,

Patricia A. Christensen
Associate Public Counsel

DOCUMENT NUMBER-DATE
04153 MAY 11 06
FPSC-COMMISSION CLERK

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Gulf Power Company's petition for a)	
financing order pursuant to Section 366.8260)	Docket No.: 060154-EI
of the Florida Statutes (2005) relating to)	Date filed: May 11, 2006
storm-recovery financing.)	
_____)	

JOINT PETITION FOR APPROVAL OF STIPULATION AND SETTLEMENT AND MOTION TO TOLL PROCEEDINGS

The Citizens of the State of Florida, through the Office of Public Counsel ("OPC"), the Florida Industrial Power Users Group ("FIPUG"), the Florida Retail Federation ("FRF"), the AARP and Gulf Power Company ("Gulf Power", "Gulf", or "the Company"), (collectively, the "Parties") through their respective undersigned counsel, hereby jointly petition the Florida Public Service Commission ("Commission") for entry of a final order approving the attached Stipulation and Settlement Agreement as the full and complete resolution of any and all matters and issues raised in this proceeding relating to Gulf's requested recovery of incurred costs for storm-recovery activities associated with Hurricane Dennis and Hurricane Katrina ("2005 Storm Costs") and the replenishment of Gulf's depleted property insurance reserve. In support of this joint petition and motion, the Parties hereby state the following:

1. The Parties have been engaged in negotiations for the purpose of reaching a comprehensive stipulation in settlement of all issues raised in this proceeding including the manner and amount of recovery of Gulf's incurred 2005 storm costs related to Hurricane Dennis and Hurricane Katrina and the replenishment of Gulf's depleted property insurance reserve and thereby avoiding the need for expensive, time consuming litigation of these issues in hearings before the Commission. These negotiations have

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FPSC-COMMISSION CLERK

culminated in the execution of the attached Stipulation and Settlement Agreement (Attachment A).

2. The Stipulation and Settlement Agreement provides for an extension of Gulf's storm cost recovery surcharge currently being collected on all customers' bills (and otherwise scheduled to expire immediately following the last billing cycle of March 2007) such that the current surcharge applicable under Rate Schedule STORM would continue through the last billing cycle in June 2009. The additional funds resulting from the extended collection of this surcharge (net of interest on the unrecovered balance) will first be credited to the unrecovered balance of the stipulated storm-recovery costs associated with Hurricane Ivan until these costs have been fully recovered and thereafter be credited to Gulf's Accumulated Provision for Property Insurance, Account No. 228.1 (for purposes of this joint petition and the Stipulation and Settlement Agreement referred to as the "Reserve") for recovery of the jurisdictional portion of the storm-recovery costs associated with Hurricane Dennis and Hurricane Katrina of \$53.3 million charged to the Reserve. To the extent that the revenues received by Gulf through the agreed extension of the existing surcharge exceed the storm-recovery costs associated with Hurricane Dennis and Hurricane Katrina, such excess shall be credited to the Reserve. The annual accrual to the Reserve of \$3.5 million included in base rate revenues and Gulf's limited discretionary authority to make additional accruals to the Reserve are not altered by this Agreement and shall continue as previously approved by the Commission.

3. Effective January 1, 2006, Gulf shall calculate interest on the after-tax balance of the deficiency in the Reserve on a monthly basis as more fully described in paragraph 2 of the Stipulation and Settlement Agreement. Once the deficiency balance has been

eliminated, Gulf shall accrue interest on the funded portion of the Reserve as more fully described in paragraph 3 of the Stipulation and Settlement Agreement with such accrued interest credited to the Reserve.

4. The Stipulation and Settlement Agreement includes provisions that for future storms, in the event that Gulf incurs cumulative costs for storm-recovery activities in excess of \$10 million during any calendar year, Gulf shall be able to collect, upon thirty days notice to its customers and subject to refund, an interim surcharge for 80% of the claimed costs for storm-recovery activities determined as more fully described in paragraph 4 of the Stipulation and Settlement Agreement. Gulf may also petition the Commission to similarly recover the remaining 20% also subject to refund.

5. Gulf shall calculate and collect interest on the claimed costs for storm-recovery activities by applying the 30-day commercial paper rate on the average unrecovered balance of the storm reserve as more fully described in paragraph 5 of the Stipulation and Settlement Agreement.

6. In order to preserve the status quo of the Parties in the pending litigation and avoid the Parties' time and expense associated with meeting the remaining requirements of the Order Establishing Procedure, Order No. PSC-06-0152-PCO-EI, pending the Commission's consideration of this joint petition and the associated Stipulation and Settlement Agreement, the Parties hereby move that the Prehearing Officer immediately toll the remaining 11 days of discovery period established pursuant to said order and further suspend the obligations of any of the Parties to file and/or serve any further responses to pending discovery requests, prehearing statements, and any rebuttal testimony/exhibits. In the event the Commission has not approved the Stipulation and

Settlement Agreement attached hereto within the timeframe set forth in paragraph 9 of the Stipulation and Settlement Agreement, the Parties request that the Prehearing Officer enter an order establishing a new date for filing prehearing statements and rebuttal testimony/exhibits, authorizing the recommencement of the remaining 11 days of the discovery period and establishing new dates for the prehearing conference and technical hearing. After the remaining 11 days of the discovery period is recommenced, the Parties will respond to any and all outstanding discovery requests within the time frame remaining for such response at the time that the discovery period was suspended.

CONCLUSION

The Parties represent that the Stipulation and Settlement Agreement fairly and reasonably balances the various positions of the parties and serves the best interests of the customers they represent and the public interest in general. The Stipulation and Settlement Agreement is fully consistent with and supportive of this Commission's long standing policy of encouraging the settlement of contested proceedings in a manner that benefits the ratepayers of utilities subject to the Commission's regulatory jurisdiction and that avoids the need for costly, time consuming and inefficient litigation of matters before the Commission. Additionally, tolling the obligations of the Parties that exist pursuant to the existing Order Establishing Procedure will serve the interests of administrative efficiency and will conserve the Commission's and the Parties' funds and personnel resources during the period that the Stipulation and Settlement Agreement is under Commission consideration for approval. For these reasons, the Parties respectfully suggest that the prehearing officer should immediately grant the Parties motion to toll the


proceedings as requested by the Parties and the Commission should approve the Stipulation and Settlement Agreement attached to this petition.

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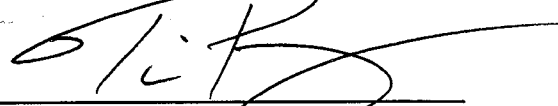
WHEREFORE, the Parties respectfully request that the prehearing officer immediately grant the Parties' joint motion to toll the proceedings and that the Commission undertake its review of the Stipulation and Settlement Agreement and act upon this petition for its approval at the earliest practicable date in order to allow for the orderly implementation of the Agreement and to provide certainty to the parties and their respective constituents and customers with respect to the outcome of this proceeding.

Respectfully Submitted,


Office of Public Counsel

By 
Harold McLean, Esquire
Public Counsel
111 W. Madison Street, Room 812
Tallahassee, Florida 32399
(850) 488-9330

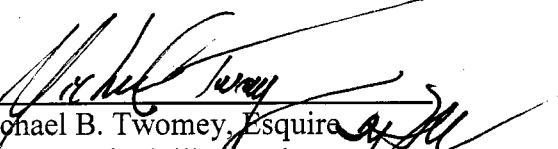
Florida Industrial Power Users Group

By 
John W. McWhirter, Jr., Esquire
Timothy J. Perry, Esquire
McWhirter, Reeves
P. O. Box 3350
Tampa, Florida 33601
(813) 224-0866

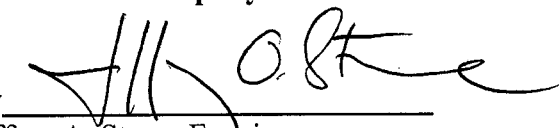
Florida Retail Federation

By 
Robert Scheffel Wright, Esquire
Young van Assenderp, P.A.
225 South Adams Street, Suite 200
Tallahassee, Florida 32301
(850) 222-7206

AARP

By 
Michael B. Twomey, Esquire
8903 Crawfordville Road
Tallahassee, Florida 32305
(850) 421-9530

Gulf Power Company

By 
Jeffrey A. Stone, Esquire
Beggs & Lane
Post Office Box 12950
Pensacola, FL 32576-2950
(850) 432-2451

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Gulf Power Company's petition for a)
 financing order pursuant to Section 366.8260) Docket No.: 060154-EI
 of the Florida Statutes (2005) relating to)
 storm-recovery financing.)
 _____)

STIPULATION AND SETTLEMENT AGREEMENT

WHEREAS, as a result of Hurricane Ivan during the 2004 hurricane season, Gulf Power Company ("Gulf Power", "Gulf", or "the Company") depleted its Accumulated Provision for Property Insurance, Account No. 228.1 (for purposes of this Agreement referred to as the "property insurance reserve" or the "Reserve") and, as a result of Hurricane Dennis and Hurricane Katrina during the 2005 hurricane season, the resulting 2004 deficit in Gulf's property insurance reserve increased even further; and

WHEREAS, pursuant to PSC Order No. PSC-05-0250-PAA-EI issued March 4, 2005 in Docket No. 050093-EI, the Florida Public Service Commission (the "Commission") approved a Stipulation and Settlement regarding the Company's 2004 storm costs and authorized Gulf to recover approximately \$51.4 million (jurisdictional, excluding interest and revenue taxes), in 2004 storm costs through a surcharge on customers' bills commencing in April 2005 and concluding in March 2007; and

WHEREAS, on February 22, 2006 the Company initiated a proceeding before the Commission in this docket seeking either (a) a financing order pursuant to Section 366.8260 of the Florida Statutes to securitize through the issuance of storm-recovery bonds: (i) the remaining balance of the stipulated recovery amount of Gulf's storm-recovery costs associated with Hurricane Ivan; (ii) Gulf's storm-recovery costs associated with Hurricanes Dennis and Katrina; and (iii) the addition of approximately \$70 million

to Gulf's property insurance reserve; or (b) two additional surcharges designed to recover (i) Gulf's storm-recovery costs associated with Hurricanes Dennis and Katrina; and (ii) the addition of approximately \$70 million to Gulf's property insurance reserve; and

WHEREAS, the Office of Public Counsel ("OPC"), the Florida Industrial Power Users Group ("FIPUG"), the Florida Retail Federation ("FRF"), the AARP, and the Company, (hereafter collectively referred to as the "Parties") have undertaken through this Stipulation and Settlement Agreement (the "Agreement") to resolve the issues pending between the parties in this proceeding without the need for litigation;

NOW, THEREFORE, in consideration of the foregoing and the covenants contained herein, the Parties hereby agree and stipulate as follows:

1. Gulf will extend the storm cost recovery surcharge currently being collected on all customers' bills (and otherwise scheduled to expire immediately following the last billing cycle of March 2007) such that the current surcharge applicable under Rate Schedule STORM would continue through the last billing cycle in June 2009. The additional funds resulting from the extended collection of this surcharge (net of interest on the unrecovered balance as set forth in paragraph 2 below) will first be credited to the unrecovered balance of the stipulated storm-recovery costs associated with Hurricane Ivan until these costs have been fully recovered and thereafter be credited to the Reserve for recovery of the jurisdictional portion of the storm-recovery costs associated with Hurricane Dennis and Hurricane Katrina of \$53.3 million charged to the Reserve. To the extent that the revenues received by Gulf through the agreed extension of the existing surcharge exceed the storm-recovery costs associated with Hurricane Dennis and Hurricane Katrina, such excess shall be credited to the Reserve. The annual accrual to

the Reserve of \$3.5 million included in base rate revenues and Gulf's limited discretionary authority to make additional accruals to the Reserve are not altered by this Agreement and shall continue as previously approved by the Commission.

2. Effective January 1, 2006, Gulf shall calculate interest on the after-tax balance of the deficiency in the Reserve on a monthly basis by applying the 30-day commercial paper rate in the following manner: Using a 30-day Dealer Commercial Paper rate equivalent to Gulf's actual rating (e.g. A1/P1) at the time of the calculation, as published by the Federal Reserve at (<http://www.federalreserve.gov/releases/cp/>).

3. The parties agree that Gulf shall accrue earnings on the funded portion of the Reserve equal to the actual amount earned by the Company on the investment in which the funded portion of the Reserve is placed, with such accrued earnings credited to the Reserve. The Parties further agree that their agreement regarding this interest treatment on the storm Reserve shall remain in effect at least until such time as new permanent base rates are set by the Commission, and that the Parties are free to advocate any position regarding interest treatment on Gulf's property insurance reserve in any future base rate proceeding.

4. The Parties agree that for future storms, in the event that Gulf incurs cumulative costs for storm-recovery activities in excess of \$10 million during any calendar year, Gulf shall be able to collect, subject to refund, an interim surcharge for 80% of the claimed costs for storm-recovery activities based on a recovery period of not less than 24 months and not greater than 36 months, upon 30 days notice to Gulf's customers and on the first billing cycle following the thirtieth day after customer

notification is given, while the total claim is being formally evaluated by the Commission in a full hearing, if any such hearing is requested.

5. Gulf shall calculate and collect interest on the claimed costs for storm-recovery activities by applying the 30-day commercial paper rate on the average unrecovered balance of such costs in the following manner: Using a 30-day Dealer Commercial Paper rate equivalent to Gulf's actual rating (e.g. A1/P1) at the time of the calculation, as published by the Federal Reserve at (<http://www.federalreserve.gov/releases/cp/>).

6. Gulf retains all rights to petition the Commission for cost recovery of any future storm damages and to replenish any storm reserve account either through securitization, surcharge, base rate relief or other cost recovery mechanism and nothing in the settlement shall be construed to limit such rights or any other rights as set forth in the Ivan Storm Costs Stipulation and Settlement Agreement or in any way modify the terms of the Ivan Storm Costs Stipulation and Settlement Agreement. Except as otherwise provided in Section 4 above, the other parties to this Agreement retain all rights to contest the collection of any amounts by Gulf.

7. This Stipulation and Settlement Agreement has been entered into in an effort to avoid further unnecessary time and expense associated with the litigation that is pending on Gulf's petition for a financing order in this docket. The Parties acknowledge and accept Gulf's representation that it has charged or will charge the Reserve with only that portion of the costs the Company has incurred for storm-recovery activities associated with Hurricane Dennis and Hurricane Katrina that are consistent with the criteria and guidelines contained in Exhibit A to the Ivan Storm Costs Stipulation and Settlement Agreement approved by the Commission in Order No. 05-0250-PAA-EI. As

further consideration for the compromises set forth in this Agreement, the Parties further agree that with regard to the incremental costs the Company has incurred in support of and otherwise associated with its petition for a financing order in this docket, including but not limited to travel expenses, fees for expert witnesses, etc., Gulf shall limit the amount that it may charge to the Reserve for such incremental costs to 50%.

Notwithstanding the foregoing, Gulf's charges to the reserve for such incremental costs permitted hereunder shall not exceed \$300,000.

8. The Parties further agree that their respective interests are best served if further activity associated with the present litigation is limited as much as possible during the period extending from the date of this Agreement until such time as the Commission either approves this Agreement as a full, final and complete settlement of all issues in this proceeding or allows this Agreement to expire without approval. It is the desire and intent of the Parties that they be relieved from having to file and/or serve any further responses to discovery requests, prehearing statements or rebuttal testimony/exhibits pending Commission consideration of this Agreement. The Parties further agree that the prehearing conference hearing currently scheduled for May 26, 2006 and the technical hearing currently scheduled for May 31 through June 2, 2006 should not be held for any purpose other than to give effect to and implement the terms of this Agreement. In the event that the Agreement is not approved by the Commission within the timeframe established in paragraph 9 below, the Parties ask that the remaining time in the discovery period be recommenced without extension of its duration by a new Order Establishing Procedure which shall also establish new dates for the prehearing statements, rebuttal testimony/exhibits, prehearing conference and technical hearing in connection with

Gulf's petition for financing order or alternative relief. After the remaining time in the discovery period is recommenced, the Parties will respond to any and all outstanding discovery requests within the time frame remaining for such response at the time that the discovery period was suspended. In order to facilitate this portion of the Agreement, the Parties agree that the time limits specified by Section 366.8260 of the Florida Statutes (2005) for a Commission decision and issuance of a financing order shall be tolled for 60 days from June 22, 2006 (decision) and July 7, 2006 (order), respectively.

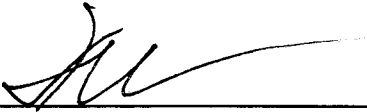
9. The provisions of this Agreement are contingent on approval of this Agreement in its entirety by the Commission prior to June 30, 2006 (unless such date is extended by mutual agreement of the Parties, in which case the tolling period for a Commission decision and issuance of a financing order shall be likewise extended). The Parties further agree that they will support this Agreement and will not request or support any order, relief, outcome, or result in conflict with the terms of this Agreement in any administrative or judicial proceeding relating to, reviewing, or challenging the establishment, approval, adoption, or implementation of this Agreement or the subject matter hereof.

10. This Agreement dated as of May 11, 2006 may be executed in counterpart originals, and a facsimile of an original signature shall be deemed an original.


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In Witness Whereof, the Parties evidence their acceptance and agreement with the provisions of this Agreement by their signatures below:


Office of Public Counsel

By 
Harold McLean, Esquire
Public Counsel
111 W. Madison Street, Room 812
Tallahassee, Florida 32399
(850) 488-9330

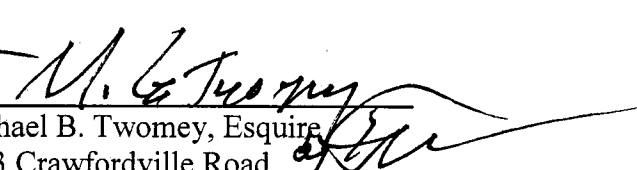
Florida Industrial Power Users Group

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John W. McWhirter, Jr. Esquire
Timothy J. Perry, Esquire
McWhirter, Reeves
P. O. Box 3350
Tampa, Florida 33601
(813) 224-0866

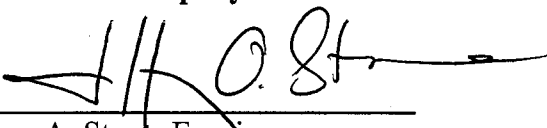
Florida Retail Federation

By 
Robert Scheffel Wright, Esquire
Young van Assenderp, P.A.
225 South Adams Street, Suite 200
Tallahassee, Florida 32301
(850) 222-7206

AARP

By 
Michael B. Twomey, Esquire
8903 Crawfordville Road
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(850) 421-9530

Gulf Power Company

By 
Jeffrey A. Stone, Esquire
Beggs & Lane
Post Office Box 12950
Pensacola, FL 32576-2950
(850) 432-2451

DOCKET NO. 060154-EI

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing has been furnished by Hand Delivery to the following parties on this 11th day of May, 2006.

Jennifer Brubaker
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Jeffrey A. Stone
Beggs & Lane Law Firm
Gulf Power Company
P.O. Box 12950
Pensacola, FL 32520-0780


Timothy J. Perry
McWhirter Reeve Law Firm
117 S. Gadsden Street
Tallahassee, FL 32301

John McWhirter, Jr.
McWhirter Reeves Law Firm
400 N. Tampa Street, Ste. 2450
Tampa, FL 33602

Susan D. Ritenour
One Energy Place
Pensacola, FL 32520-0780

Michael B. Twomey
Post Office Box 5256
Tallahassee, FL 32314-5256

Robert Scheffel Wright
John T. LaVia
Young van Assenderp
225 S. Adams Street, Ste. 200
Tallahassee, FL 32301


Patricia A. Christensen
Associate Public Counsel