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September 24, 1998

Leslie J. Paugh, Esquire
 Division of Legal Services
 Florida Public Service Commission
 2540 Shumard Oak Boulevard
 Tallahassee, Florida 32399-0850

Re: 980001-EI; Transmission Revenues

Dear Leslie:

This letter follows the issue identification conference held September 10, 1998 in connection with the Transmission Reconsideration phase of this docket. The purpose of this letter is to seek guidance from the staff as to how Gulf Power should treat transmission revenues associated with economy sales in the upcoming projection filing for the fuel cost recovery hearing to be held in November 1998.

As a result of the staff's discussion of the issues during the issue identification meeting, Gulf Power discovered that the staff had only intended that transactions over the Florida Broker/EBN would be included in the issues that led initially to Order No. PSC-98-0073-FOF-EI. As you know, that order has been modified and the record has been reopened for further evidentiary hearings by the order on reconsideration, Order No. PSC-98-1080-FOF-EI. The clarification offered by staff may affect Gulf Power's participation in the evidentiary hearing related to the transmission reconsideration. As we stated at the issue identification meeting, Gulf Power does not participate in the Florida Broker/EBN. With the clarification offered by staff at the issue identification meeting, Gulf does not have any transactions that were intended to be addressed by Order No. PSC-98-0073-FOF-EI. As a result, Gulf would not have any transmission revenues subject to the treatment specified in that order.

With the clarification offered by staff at the issue identification meeting, Gulf finds itself in a quandary as to how it should handle transmission revenues in the upcoming projection filing for the November fuel hearing. We need confirmation from staff that Gulf should discontinue incorporating transmission revenue associated with economy-type energy sales that are not part of the Florida Broker/EBN in the Company's

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projection filing for fuel cost recovery. We also need direction from the staff with regard to how we should address such transmission revenues that Gulf has previously passed through the fuel cost recovery clause since the issuance of Order No. PSC-98-0073-FOF-EI.

As you know, Gulf's projection filing and testimony are due October 5, 1998. If at all possible, we need direction from staff in response to this letter prior to close of business September 30, 1998. We appreciate your assistance in this regard.

Very truly yours,



Jeffrey A. Stone
For the firm

Cc: Parties of Record