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ORIGINAL

GULF POWER
A SOUTHERN COMPANY

January 4, 1999

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 990001-EI
Transmission Reconsideration

Enclosed are an original and ten copies of the Prehearing Statement of Gulf Power Company.

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

Sincerely,

Susan D Ritenour

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

Enclosure

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

ACK ____
AFA Vandiver
APP ____
CAF ____
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CTR ____
EAG Bohrmann
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power	)	
Cost Recovery Clauses and Generating	)	Docket No. 990001-EI
Performance Incentive Factor -	)	Filed: January 5, 1999
Transmission Reconsideration	)	
	)	

PREHEARING STATEMENT OF GULF POWER COMPANY

Gulf Power Company, ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned attorneys and pursuant to Order No. PSC-98-1270-PCO-EI, hereby files this prehearing statement, saying:

A. APPEARANCES:

JEFFREY A. STONE, Esquire, and RUSSELL A. BADDERS, Esquire, of Beggs & Lane, 700 Blount Building, 3 West Garden Street, P.O. Box 12950, Pensacola, FL 32576-2950
On behalf of Gulf Power Company.

B. WITNESSES: All witnesses known at this time, who may be called by Gulf Power Company, along with the subject matter and issue numbers which will be covered by the witness' testimony, are as follows:

	Witness	Subject Matter	Issues
(Direct)			
1.	M. W. Howell (Gulf)	FERC Requirements regarding firm transmission rates	1, 2
2.	S. D. Ritenour[1] (Gulf)	Allocation of transmission revenues associated with economy sales transactions between the retail and wholesale jurisdictions	2, 5

C. EXHIBITS:

[1]Ms. Ritenour's testimony was prefiled on October 14, 1998 as the "Prepared Direct Testimony of Susan D. Cranmer"

NONE

D. STATEMENT OF BASIC POSITION:

Gulf Power Company's Statement of Basic Position:

It is the basic position of Gulf Power Company that a transmission-related separation factor based on coincident peak demand properly allocates transmission revenues between the retail and wholesale jurisdictions. However, for administrative simplicity, Gulf proposes to allocate the transmission revenues flowed through the fuel clause based on energy sales adjusted for line losses. For Gulf Power, the energy allocator and the demand allocator are very similar. Due to the immateriality of this difference in the energy and demand allocators and the administrative costs involved in changing the allocator for the transmission revenues associated with economy sales, Gulf proposes to continue using the energy allocator to flow these transmission revenues through the fuel clause to its customers.

E. STATEMENT OF ISSUES AND POSITIONS:

ISSUE 1: Does the FERC require that revenue from non-firm transmission services subject to FERC jurisdiction be reflected as a revenue credit in the derivation of firm transmission service rates subject to FERC jurisdiction?

GULF: Yes. The FERC included this requirement in both Order No. 888 and Order No. 888-A for transmission providers using annual system peak load pricing for their transmission services. On page 304 of the FERC's Order No. 888, the FERC clearly states that as part of the mechanism to prevent over-recovery of costs ". . . revenue from non-firm services should continue to be reflected as a revenue credit in the derivation of firm transmission tariff rates. This requirement was reaffirmed by the FERC in Order No. 888-A that was issued on March 4, 1997. At page 247 of Order No. 888-A, the FERC stated that ". . . the Commission [FERC] explained that revenue from non-firm transmission services should continue to be reflected as a revenue credit in the derivation of firm transmission service rates. The Commission [FERC] noted that the combination of allocating costs to firm point-to-point service and the use of a revenue credit for non-firm transmission service will satisfy the requirements of a conforming rate proposal enunciated in our Transmission Pricing Policy Statement." Southern Companies (including Gulf Power) has filed their Open Access Transmission Service Tariff to conform to the foregoing requirements of FERC Order No. 888 and FERC Order No. 888-A. (Howell)

ISSUE 2: How should the transmission revenues associated with economy transactions over the Energy Broker Network be separated between the retail and wholesale jurisdictions?

GULF: Given the Commission's prior decision to credit such transmission revenues through the fuel clause, a transmission-related jurisdictional separation factor based on coincident peak demand properly allocates transmission revenues between the retail and wholesale jurisdictions. This is consistent with the way in which the transmission-related plant costs and O & M expenses were allocated in Gulf Power's last rate case.

Gulf continues to believe that any transmission revenues received by the Company due to economy energy transactions should be credited to operating revenues rather than through the fuel clause. In this fashion, the FPSC's surveillance mechanism would be used to ensure that such revenues do not cause the Company to over-earn. By crediting the transmission revenues to operating revenues (rather than through the fuel clause), the Company avoids the prospect of having to, in effect, give away the same revenues twice. However, given the Commission's prior decision to credit such transmission revenues through the fuel clause, and given that it is likely for the foreseeable future that non-firm transmission revenues received by Gulf Power will not be flowed back to the FERC jurisdiction through annual updates to Southern's firm transmission rates, Gulf's only remaining concern relative to this issue involves the administrative costs associated with Gulf Power's use of a transmission-related jurisdictional separation factor to allocate revenues between the wholesale and retail jurisdictions. This concern is discussed in connection with Issue 5 below. (Howell, Ritenour)

ISSUE 3: How should Florida Power Corporation allocate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions?

GULF: No position.

ISSUE 4: How should Florida Power & Light allocate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions?

GULF: No position.

ISSUE 5: How should Gulf Power Company allocate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions?

GULF: For administrative simplicity, Gulf proposes to allocate the transmission revenues flowed through the fuel clause based on energy sales adjusted for line losses, as it has been doing for transmission revenues related to economy sales effective January 1997 pursuant to FPSC Order No. PSC-98-0073-FOF-EI dated January 13, 1998. For Gulf Power, the energy allocator and the demand allocator are very similar. Use of the demand allocator for Gulf Power would not cause a material change in the amount of transmission revenues that would be flowed to customers through the fuel clause. However, changing the allocation for these transmission revenues would require fairly substantial changes to Gulf Power's over/under recovery calculation each month, and to the actual "A" schedules filed each month and the final true-up and projection schedules, each filed annually. Due to the immateriality of the difference in results between continuing to apply the energy allocator as compared to application of the demand allocator, and the administrative costs involved with changing the allocator for the transmission revenues associated with economy sales, Gulf Power is proposing to continue using the energy allocator to flow these transmission revenues through the fuel clause to its customers. (Ritenour)

ISSUE 6: How should Tampa Electric Company allocate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions?

GULF: No position.

F. STIPULATED ISSUES:

GULF: Yet to be determined. Gulf is willing to stipulate that the testimony of all witnesses whom no one wishes to cross examine be inserted into the record as though read, cross examination be waived, and the witness's attendance at the hearing be excused.

G. PENDING MOTIONS:

GULF: None.

H. OTHER MATTERS:

GULF: To the best knowledge of counsel, Gulf has complied, or is able to comply, with all requirements set forth in the orders on procedure and/or the Commission rules governing this prehearing statement. If other issues are raised for determination at the hearings set for February 12, 1999, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 4th day of January, 1999.

Respectfully submitted,

Russell A Badders

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clause with Generating)
Performance Incentive Factor) Docket No. 980001-EI
______________________________) **TRANSMISSION RECONSIDERATION**

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 4th day of January 1999 on the following:

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