

One Energy Place  
Pensacola, Florida 32520

Tel 850.444.6111



October 22, 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. 990007-EI

Enclosed are an original and ten copies of the Prehearing Statement of Gulf Power Company to be filed in the above docket.

Also enclosed is a 3.5 inch double sided, high density diskette containing the Statement in WordPerfect 8 for Windows 6.1 format as prepared on a Windows NT based computer.

Sincerely,

*Susan D. Ritenour (ew)*

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

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Enclosure

cc: Beggs and Lane  
J. A. Stone, Esquire

DOCUMENT NUMBER-DATE  
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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery )  
Clause )  
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Docket No. 990007-EI  
Date Filed: October 22, 1999

**PREHEARING STATEMENT OF GULF POWER COMPANY**

Gulf Power Company, ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned attorneys, and pursuant to Rule 25-22.038(3), Florida Administrative Code, 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:

<u>Witness</u> <u>(Direct)</u>	<u>Subject Matter</u>	<u>Issues</u>
1. J. O. Vick (Gulf)	Environmental compliance activities (True-up and Projections)	1, 2, 4, 11, 13, 13B, 13D, 13F
2. S. D. Ritenour (Gulf)	Environmental compliance cost recovery calculations (True-up and Projections)	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13A, 13C, 13E, 13F, 13G

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**C. EXHIBITS:**

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
_____ (SDR-2)	Ritenour	Schedules 42-1P through 42-7P (1/00-12/00); 42-1E through 42-8E (1/99-12/99)

**D. STATEMENT OF BASIC POSITION**

**Gulf Power Company's Statement of Basic Position:**

It is the basic position of Gulf Power Company that the proposed environmental cost recovery factors present the best estimate of Gulf's environmental compliance costs recoverable through the environmental cost recovery clause for the period January 2000 through December 2000 including the true-up calculations and other adjustments allowed by the Commission.

**E. STATEMENT OF ISSUES AND POSITIONS**

**Generic Environmental Cost Recovery Issues**

**ISSUE 1:** What are the appropriate final environmental cost recovery true-up amounts for the period ending December, 1998?

**GULF:** Under recovery \$14,963 for October, 1997 through September 1998  
Over recovery \$ 65,238 for October 1998 through December 1998  
(Vick, Ritenour)

**ISSUE 2:** What are the estimated environmental cost recovery true-up amounts for the period January, 1999, through December, 1999?

**GULF:** Over recovery of \$303,910. (Vick, Ritenour)

**ISSUE 3:** What are the total environmental cost recovery true-up amounts to be collected or refunded during the period January, 2000, through December, 2000?

**GULF:** Refund of \$354,185. (Excluding revenue taxes) (Ritenour)

**ISSUE 4:** What are the appropriate projected environmental cost recovery amounts for the period January, 2000, through December, 2000?

**GULF:** \$11,570,838. (Vick, Ritenour)

**ISSUE 5:** What should be the effective date of the environmental cost recovery factors for billing purposes?

**GULF:** The factors should be effective beginning with the specified billing cycle and thereafter for the period January, 2000 through December, 2000. Billing cycles may start before January 1, 2000 and the last cycle may be read after December 31, 2000 so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Ritenour)

**ISSUE 6:** What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery true-up amounts to be collected?

**GULF:** The depreciation rates used to calculate the depreciation expense should be the rates that are in effect during the period the allowed capital investment is in service. (Ritenour)

**ISSUE 7:** What are the appropriate Environmental Cost Recovery Factors for the period January, 2000, through December, 2000, for each rate group?

**GULF:** See table below: (Ritenour)

<b>RATE CLASS</b>	<b>ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH</b>
RS, RST, RSVP	0.125
GS, GST	0.125
GSD, GSDT	0.114
LP, LPT	0.104
PX, PXT, RTP, SBS	0.098
OSI, OSII	0.082
OSIII	0.103
OSIV	0.160

**ISSUE 8:** Should the Commission require utilities to petition for approval of recovery of new projects through the Environmental Cost Recovery Clause at least three months prior to the due date for projection filing testimony?

**GULF:** No. (Ritenour)

**ISSUE 9:** Should the Commission set minimum filing requirements for utilities upon a petition for approval of recovery of new projects through the Environmental Cost Recovery Clause?

**GULF:** Any MFRs set by the Commission should address questions to be answered such as what legal requirement is being met and what alternatives, if any, were available. They should not be a prescriptive set of forms to be filled out with data requests that may not be applicable or pertinent. (Ritenour)

**ISSUE 10:** What is the appropriate methodology for making an adjustment to ECRC project costs to reflect retirements or replacements of plant-in-service that are being recovered through base rates?

**GULF:** It is not necessary or appropriate to make an adjustment to the cost of a capital project recoverable through ECRC to reflect retirements or replacement of plant-in-service being recovered through base rates. (Ritenour)

**ISSUE 11:** Have the companies made the appropriate adjustments to remove ECRC project costs that are being recovered through base rates?

**GULF:** Yes. (Ritenour)

### **Company - Specific Environmental Cost Recovery Issues**

#### **Gulf Power Company**

**ISSUE 13:** Should the Commission approve Gulf Power Company's request for recovery of costs of the Gulf Coast Ozone Study project through the Environmental Cost Recovery Clause?

**GULF:** Yes. This is a prudent environmental compliance activity resulting from Gulf's compliance with new, more stringent environmental requirements of Title I of the Clean Air Act Amendments of 1990 which will become applicable to Gulf as a result of its having facilities in counties that may be designated as ozone non-attainment areas with regard to ambient air quality standards. This project is an operating and maintenance expense which arose since Gulf Power's last rate case and is not recovered through any other cost recovery mechanism or through base rates. This project is appropriate for recovery through the Environmental Cost Recovery Clause. (Vick)

**ISSUE 13A:** How should the newly proposed environmental costs for the Gulf Coast Ozone Study project be allocated to the rate classes?

**GULF:** This project should be allocated to the rate classes on an energy basis. (Ritenour)

**ISSUE 13B:** Should the Commission approve Gulf Power Company's request for recovery of costs of the Mercury Emissions Information Collection Effort through the Environmental Cost Recovery Clause?

**GULF:** Yes. The Commission approved this project for cost recovery in Order PSC-99-0912-PAA-EI. (Vick)

**ISSUE 13C:** How should the newly proposed environmental costs for the Mercury Emissions Information Collection Effort be allocated to the rate classes?

**GULF:** This project should be allocated to the rate classes on an energy basis. (Ritenour)

**ISSUE 13D:** Should the Commission approve Gulf Power Company's request for recovery of costs of the Plant Smith Sodium Injection System project through the Environmental Cost Recovery Clause?

**GULF:** Yes. The Commission approved this project for cost recovery in Order PSC-99-1954-PAA-EI. (Vick)

**ISSUE 13E:** How should the newly proposed environmental costs for the Plant Smith Sodium Injection System project be allocated to the rate classes?

**GULF:** This project should be allocated to the rate classes on an energy basis. (Ritenour)

**ISSUE 13F:** What adjustment, if any, should be made to the Environmental Cost Recovery Clause to reflect an amount which may be in base rates for the costs of the underground fuel storage tanks which have been replaced by above ground fuel storage tanks as reported in Audit Disclosure No. 1 of the Florida Public Service Commission's Environmental Cost Recovery Clause Audit Report for the Period Ended September 30, 1997?

**GULF:** No adjustment should be made to the Environmental Cost Recovery Clause. The Underground Fuel Tank Replacement Project (PE 4397) was approved in Order No. PSC-94-0044-FOF-EI as a project that is in response to new environmental regulations and that was not considered in Gulf's last rate case. The underground fuel tanks were retired prior to the end of their useful economic life due to the more strict dictates of new environmental regulations. Consistent with standard utility group accounting practices, the rate base recovered through base rates has not been reduced as a result of this premature retirement of underground storage tanks that were, but for the new environmental regulations, still viable for fuel

storage. Therefore, the entire cost of the new above ground storage tanks represents the increased cost to Gulf Power resulting from the new environmental requirements that became effective since the last rate case. The carrying cost for this new investment is not currently being recovered through any other cost recovery mechanism or through base rates and is therefore appropriate for recovery through the Environmental Cost Recovery Clause. (Vick, Ritenour)

**ISSUE 13G:** Is Gulf in compliance with Order No. PSC-0044-FOF-EI, regarding the maintenance of separate subaccounts consistent with the Uniform System of Accounts for all items included in the environmental compliance cost recovery factor?

**GULF:** Yes. (Ritenour)

**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.

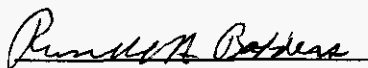


H. OTHER MATTERS:

**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 November 22-23, 1999, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 22nd day of October, 1999.

Respectfully submitted,



**JEFFREY A. STONE**

Florida Bar No. 325953

**RUSSELL A. BADDERS**

Florida Bar No. 007455

**Beggs & Lane**

P. O. Box 12950

(700 Blount Building)

Pensacola, FL 32576-2950

(850) 432-2451

**Attorneys for Gulf Power Company**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery )  
Clause )  
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Docket No. 990007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished  
this 22nd day of October 1999 by U.S. Mail or hand delivery to the following:

Leslie J. Paugh, Esquire  
Staff Counsel  
FL Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0863

Matthew M. Childs, Esquire  
Steel, Hector & Davis  
215 South Monroe, Suite 601  
Tallahassee FL 32301-1804

John Roger Howe, Esquire  
Office of Public Counsel  
c/o The Florida Legislature  
111 W. Madison St., Room 812  
Tallahassee FL 32399-1400


Lee L. Willis, Esquire  
Ausley & McMullen  
P. O. Box 391  
Tallahassee FL 32302

Joseph A. McGlothlin, Esquire  
McWhirter, Reeves, McGlothlin,  
Davidson, Decker, Kaufman,  
Arnold & Steen, P.A.  
117 S. Gadsden Street  
Tallahassee FL 32301

John W. McWhirter, Esquire  
McWhirter, Reeves, McGlothlin,  
Davidson, Decker, Kaufman,  
Arnold & Steen, P.A.  
P. O. Box 3350  
Tampa FL 33601-3350

Suzanne Brownless, Esquire  
Miller & Brownless, P.A.  
1311-B Paul Russell Road  
Suite 201  
Tallahassee FL 32301

Ms. Gail Kamaras  
LEAF  
1114 Thomasville Rd, Suite E  
Tallahassee FL 32303

  
\_\_\_\_\_  
JEFFREY A. STONE  
Florida Bar No. 325953  
RUSSELL A. BADDERS  
Florida Bar No. 0007455  
Beggs & Lane  
P. O. Box 12950  
Pensacola FL 32576  
850 432-2451  
Attorneys for Gulf Power Company