



June 19, 1998

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:

Enclosed for official filing in Docket No. 980001-EI are an original and ten copies of the following:

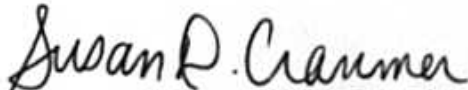
1. Petition of Gulf Power Company for Approval of Final Fuel Cost Recovery True-up Amounts and GPIF Adjustment for October 1997 through March 1998; Estimated Fuel Cost Recovery True-up Amounts for April 1998 through September 1998; Projected Fuel Cost Recovery Amounts for October 1998 through December 1998; Final Purchased Power Capacity Cost Recovery True-up Amounts for October 1996 through September 1997; Estimated Purchased Power Capacity Cost Recovery True-up Amounts for October 1997 through September 1998; Projected Purchased Power Capacity Cost Recovery True-up Amounts for October 1998 through December 1998; GPIF Targets and Ranges for October 1998 through December 1998; Estimated As-available Avoided Energy Costs and Fuel Cost Recovery Factors to be applied beginning with the period October 1998 through December 1998; Capacity Cost Recovery Factors to be applied to with the period October 1998 through December 1998. *06567-98*
2. Prepared direct testimony and exhibit of M. F. Oaks. *06568-98*
3. Prepared direct testimony and exhibit of G. D. Fontaine. *06569-98*
4. Prepared direct testimony and exhibit of M. W. Howell. *06570-98*
5. Prepared direct testimony and exhibit of S. D. Cranmer. *06571-98*

ACK _____
AFA _____
APP _____
CAF _____
CMU _____
CTR _____
EAG _____
LEG _____
LIN _____
OPC _____
RCH _____
SEC _____
WAS _____
OTH _____

Ms. Blanca S. Bayo
June 19, 1998
Page Two

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

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Cranmer".

Susan D. Cranmer
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clause with Generating)
Performance Incentive Factor)
_____)

Docket No. 980001-EI

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 14th day of June 1998 on the following:

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

Jack Shreve, Esquire
Office of Public Counsel
111 W. Madison St., Suite 812
Tallahassee FL 32399-1400

James McGee, Esquire
Florida Power Corporation
P. O. Box 14042
St. Petersburg FL 33733-4042

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

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

Joseph A. McGlothlin, Esq.
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
117 S. Gadsden Street
Tallahassee FL 32301

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

John W. McWhirter, Jr., Esq.
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
P. O. Box 3350
Tampa FL 33601-3350

Kenneth A. Hoffman, Esq.
Rutledge, Ecenia, Underwood,
Purnell & Hoffman, P.A.
P. O. Box 551
Tallahassee FL 32302-0551



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

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clauses and Generating) Docket No.: 980001-EI
Performance Incentive Factor) Filed: June 22, 1998
_____)

**PETITION OF GULF POWER COMPANY FOR APPROVAL OF
FINAL FUEL COST TRUE-UP AMOUNTS AND GPIF ADJUSTMENT
FOR OCTOBER 1997 THROUGH MARCH 1998;
ESTIMATED FUEL COST TRUE-UP AMOUNTS
FOR APRIL 1998 THROUGH SEPTEMBER 1998;
PROJECTED FUEL COST RECOVERY AMOUNTS
FOR OCTOBER 1998 THROUGH DECEMBER 1998;
FINAL PURCHASED POWER CAPACITY COST TRUE-UP AMOUNTS
FOR OCTOBER 1996 THROUGH SEPTEMBER 1997;
ESTIMATED PURCHASED POWER CAPACITY COST TRUE-UP
FOR OCTOBER 1997 THROUGH SEPTEMBER 1998;
PROJECTED PURCHASED POWER CAPACITY COST RECOVERY AMOUNT
FOR OCTOBER 1998 THROUGH DECEMBER 1998;
GPIF TARGETS AND RANGES FOR OCTOBER 1998 THROUGH DECEMBER 1998;
ESTIMATED AS-AVAILABLE AVOIDED ENERGY COSTS AND FUEL COST
RECOVERY FACTORS TO BE APPLIED BEGINNING WITH THE PERIOD
OCTOBER 1998 THROUGH DECEMBER 1998; CAPACITY COST RECOVERY
FACTORS TO BE APPLIED BEGINNING WITH THE PERIOD OCTOBER 1998
THROUGH DECEMBER 1998**

Notices and communications with respect to this petition and docket should be addressed to:

Jeffrey A. Stone
Russell A. Badders
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32576-2950

Susan D. Cranmer
Assistant Secretary and Assistant Treasurer
Gulf Power Company
One Energy Place
Pensacola, FL 32520-0720

GULF POWER COMPANY ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned counsel, hereby petitions this Commission for approval of the Company's final fuel adjustment true-up amounts and GPIF adjustment for the period October 1997 through March 1998; for approval of its estimated fuel cost true-up amounts for the period April 1998 through September 1998; for approval of its projected fuel cost recovery amounts for the period

DOCUMENT NUMBER-DATE

06567 JUN 22 88

FPSC-RECORDS/REPORTING

October 1998 through December 1998; for approval of its final purchased power capacity cost true-up amounts for the period October 1996 through September 1997; for approval of its estimated purchased power capacity cost true-up amounts for the period October 1997 through September 1998; for approval of its projected purchased power capacity cost recovery amounts for the period October 1998 through December 1998; for approval of its GPIF targets and ranges for October 1998 through December 1998; for approval of its estimated as-available avoided energy costs for QF's; for approval of its fuel cost recovery factors to be applied beginning with the period October 1998 through December 1998; and for approval of its capacity cost recovery factors to be applied beginning with the period October 1998 through December 1998.

As grounds for the relief requested by this petition, the Company would respectfully show:

(1) The recovery periods identified in this petition reflect the Commission's Order Approving Change in Frequency and Timing of Cost Recovery Hearings, Order no. PSC-98-0691-FOF-EI, issued in Docket no. 980269-PU on May 19, 1998 ("Frequency Change Order"). The Frequency Change Order became final by its own terms on June 9, 1998. The testimony and exhibits submitted in conjunction with this petition show the calculation of new fuel and purchased energy cost recovery factors and purchased power capacity cost recovery factors for the transition recovery period October 1998 through December 1998. As discussed more specifically in paragraph 13 below, Gulf is requesting in this petition (and in the companion petition for Docket 980007-EI) that the approved factors currently in effect for Gulf Power continue to be applied during the period October 1998 through December 1998 in lieu of implementing the newly calculated factors for the transition recovery period.

FINAL FUEL ADJUSTMENT TRUE-UP

(2) By vote of the Commission at the February 1998 hearings, estimated fuel true-up amounts were approved by the Commission, subject to establishing the final fuel true-up amounts. According to the data filed by Gulf for the period ending March 31, 1998, the actual fuel true-up amount for the subject six months should be an under recovery of \$1,352,420 instead of the estimated under recovery of \$1,127,041 as approved previously by this Commission. The difference between these two amounts, \$225,379, is submitted for approval by the Commission to be collected in the next period. The supporting data has been prepared in accordance with the uniform system of accounts as applicable to the Company's fuel cost procedures and fairly presents the Company's fuel and purchased energy expenses for the period. Amounts spent by the Company for fuel and purchased energy are reasonable and prudent, and the Company makes every effort to secure the most favorable price for all of the fuel it purchases and for its energy purchases.

GPIF ADJUSTMENT

(3) On May 20, 1998, Gulf filed the testimony and exhibit of G.D. Fontaine containing the Company's actual operating results for the period October 1997 through March 1998. Based on the actual operating results for the period October 1997 through March 1998, Gulf should receive a reward in the amount of \$62,632. The methodology used by Gulf in determining the various factors required to compute the GPIF is in accordance with the requirements of the Commission.

ESTIMATED FUEL COST TRUE-UP

(4) Gulf has calculated its estimated fuel cost true-up amount for the period April 1998 through September 1998. Based on two months actual experience and four months projected data, the Company's estimated fuel cost true-up amount for the current period (April 1998 through September 1998) is an over recovery of \$1,097,022. The supporting data is provided in the testimony and schedules of S. D. Cranmer filed herewith. The estimated fuel cost true-up for the current period is combined with the net final fuel adjustment true-up for the period ending March 31, 1998 to reach the total fuel cost true-up that would normally be addressed in the next fuel cost recovery period. Pursuant to paragraph 13 below, Gulf is requesting that the Commission approve this total true-up amount, \$871,643, for refund during the period of January 1999 through December 1999.

PROJECTED FUEL COST RECOVERY AMOUNTS

(5) Gulf has calculated its projected fuel cost recovery amounts for the months October 1998 through December 1998 for fuel and purchased energy in accordance with the procedures set out in this Commission's Orders Nos. 6357, 7890, 7501, and 9273 of Docket No. 74680-EI and with the orders entered in this ongoing cost recovery docket. The computations thereof are attached as Schedule E-1 of the exhibit to the testimony of S. D. Cranmer filed herewith. Included within the Company's projected cost recovery is the special contract recovery amount of \$41,233 determined in accordance with this Commission's Order Nos. 19613 and 25148, as shown on Schedule E-12. The supporting data prepared in accordance with the Commission Staff's suggested procedures and format is attached as Schedules E-1 through E-12

of the exhibit to the testimony of S. D. Cranmer filed herewith. Said schedules are by reference made a part hereof. The proposed amounts and supporting data have been prepared in accordance with the uniform system of accounts as applicable to the Company's fuel cost projection procedures and fairly present the Company's best estimate of fuel and purchased energy expense for the projected period. Amounts projected by the Company for fuel and purchased energy are reasonable and prudent, and the Company continues to make every effort to secure the most favorable price for all of the fuel it purchases and for its purchased energy.

FINAL PURCHASED POWER CAPACITY COST TRUE-UP

(5) By vote of the Commission at the August 1997 hearings, estimated purchased power capacity cost true-up amounts were approved by the Commission, subject to establishing the final purchased power capacity cost true-up amounts. According to the data filed by Gulf for the twelve-month period ending September 30, 1997, the final purchased power cost true-up amount for the subject twelve months should be an actual over recovery of \$4,270,156 instead of the net estimated over recovery of \$2,791,701 as approved previously by this Commission. The supporting data has been prepared in accordance with the uniform system of accounts and fairly presents the Company's purchased power capacity expenses for the period. Amounts spent by the Company for purchased power capacity are reasonable and prudent, and in the best long-term interests of Gulf's general body of ratepayers.

ESTIMATED PURCHASED POWER CAPACITY COST TRUE-UP

(7) Gulf has calculated its estimated purchased power capacity cost true-up amount for the period October 1997 through September 1998. Based on eight months actual and four months projected data, the Company's estimated capacity cost true-up amount for the current period (October 1997 through September 1998) is an under recovery of \$2,389,778. The net estimated capacity cost true-up for the current period is combined with the net final capacity cost true-up for the period ending September 30, 1997 to reach the total capacity cost true-up that would normally be addressed in the next cost recovery period. Pursuant to paragraph 13 below, Gulf is requesting that the Commission approve this total capacity cost true-up amount, \$911,323, for collection during the period of January 1999 through December 1999.

PROJECTED PURCHASED POWER CAPACITY COST RECOVERY AMOUNTS

(8) Gulf has calculated its projected purchased power capacity cost recovery amounts for the months October 1998 through December 1998 in accordance with the procedures set out in this Commission's Order No. 25773 and Order No. PSC-93-0047-FOF-EI. The proposed net capacity cost recovery amount projected for the period October 1998 through December 1998 is \$2,148,430.

The computations and supporting data for the Company's purchased power capacity cost recovery clause are set forth on Schedules CCE-1 (including CCE-1a and CCE-1b) and CCE-2 attached as part of the exhibit to the testimony of S. D. Cranmer filed herewith. Additional supporting data for the calculated purchased power capacity cost recovery factors is provided in the testimony and exhibit of M. W. Howell also filed herewith. The methodology used by Gulf

in determining the amounts to include in these calculated factors and the allocation to rate classes, based 12/13th on demand and 1/13th on energy, is in accordance with the requirements of the Commission as set forth in Order No. 25773. The amounts included in the calculated factors for this projection period are based on reasonable projections of the capacity transactions that are expected to occur during the period October 1998 through December 1998. The proposed factors and supporting data have been prepared in accordance with the uniform system of accounts and fairly present the Company's best estimate of purchased power capacity costs for the projected period. Amounts projected by the Company for purchased power capacity are reasonable and prudent, and in the best long-term interests of Gulf's general body of ratepayers.

ESTIMATED AS-AVAILABLE AVOIDED ENERGY COSTS

(9) Pursuant to Order 13247 (entered May 1, 1984) in Docket No. 830377-EI and Order No. 19548 (entered June 21, 1988) in Docket No. 880001-EI, Gulf has calculated estimates of as-available avoided energy costs for QF's in accordance with the procedures required in said orders. The resultant costs are attached to the testimony of S. D. Cranmer as Schedule E-11 and by reference made a part hereof. Gulf Power requests that the Commission approve the estimates for these costs set forth on Schedule E-11.

GPIF TARGETS AND RANGES

(10) Gulf also seeks approval of the GPIF targets and ranges for the period October 1998 through December 1998 set forth below:

Unit	EAF	POF	EUOF	Heat Rate
Crist 6	85.9	9.8	4.3	10,737
Crist 7	76.8	9.8	13.4	10,156
Smith 1	98.1	0	1.9	10,207
Smith 2	87.1	9.8	3.1	10,246
Daniel 1	17.3	80.4	2.2	10,655
Daniel 2	83.1	9.8	7.2	10,300

EAF = Equivalent Availability Factor
POF = Planned Outage Factor
EUOF = Equivalent Unplanned Outage Factor

FUEL COST RECOVERY FACTORS

(11) The calculated levelized fuel and purchased energy cost recovery factor, including GPIF and True-Up, is 1.604¢/KWH. The calculated factors by rate schedule would be:

Group	Rate Schedules*	Line Loss Multipliers	Fuel Cost Factors ¢/KWH		
			Standard	Time of Use	
				On-Peak	Off-Peak
A	RS, GS, GSD, SBS OSIII, OSIV	1.01228	1.624	1.707	1.593
B	LP, LPT, SBS	0.98106	1.574	1.655	1.544
C	PX, PXT, RTP, SBS	0.96230	1.544	1.623	1.514
D	OSI, OSII	1.01228	1.618	N/A	N/A

*The recovery factor applicable to customers taking service under Rate Schedule SBS is determined as follows: customers with a Contract Demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; customers with a Contract Demand in the range of 500 to 7,499 KW will use the recovery factor applicable to Rate Schedule LP; and customers with a Contract Demand over 7,499 KW will use the recovery factor applicable to Rate Schedule PX.

As discussed more specifically in paragraph 13 below, in lieu of the foregoing calculated fuel and purchased energy cost recovery factors, Gulf requests that the factors currently in effect for Gulf Power continue to be used during the transition recovery period of October 1998 through December 1998.

CAPACITY COST RECOVERY FACTORS

(12) The calculated purchased power capacity cost recovery factors by rate class, including true-up, are:

RATE CLASS	CAPACITY COST RECOVERY FACTORS ¢/KWH
RS, RST	0.126
GS, GST	0.124
GSD, GSDT	0.101
LP, LPT	0.083
PX, PXT, RTP, SBS	0.072
OSI, OSII	0.031
OSIII	0.076
OSIV	0.203

As discussed more specifically in paragraph 13 below, in lieu of the foregoing calculated purchased power capacity cost recovery factors, Gulf requests that the factors currently in effect for Gulf Power continue to be used during the transition recovery period of October 1998 through December 1998.

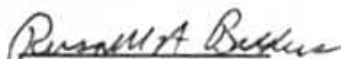
(13) Pursuant to the Frequency Change Order, the short recovery period October 1998 through December 1998 is a transitional period accommodating the change to a common calendar year recovery cycle for three of Gulf Power's cost recovery clauses.¹ Prior to this

¹The Fuel and Purchased Power Cost Recovery Clause and Generating Performance Incentive Factor, Capacity Cost Recovery Clause, and the Environmental Cost Recovery Clause. Ultimately, the Company's Energy Conservation Cost Recovery Clause will also be converted to a calendar year recovery cycle.

transition period, Gulf Power's fuel and purchased energy cost recovery factors were subject to regular revision twice each year, on April 1 and on October 1. The Company's purchased power capacity cost recovery factors and its environmental cost recovery factors were subject to regular revision once each year, on October 1. After the transitional period, the Company's factors in all three clauses will be subject to regular revision once each year, on January 1. In order to smooth the transition for Gulf's customers, the Company is proposing that the approved factors in effect for all three clauses for the period ending September 1998 remain effective until December 31, 1998. This will provide stability in rates for Gulf's customers by avoiding one change in factors for the three month transitional period to be followed by another change in factors effective January 1, 1999. Overall, the calculated factors for all three clauses combined would constitute an increase of approximately 1% over the combined factors currently in effect. Deferral of this 1% percent increase for three months has no material impact on Gulf's customers. Deferral would minimize the potential for customer confusion that would otherwise result from increasing one set of factors (purchase power capacity) and decreasing two others (fuel & purchased energy and environmental) with only a minimal overall change. In addition, deferral would allow the Company to avoid the administrative activities required to implement changes in the factors effective October 1998. The supplemental direct testimony of S. D. Cranmer in Dockets 980001-EI and 980007-EI is submitted in support of Gulf's proposal not to change the cost recovery factors for the transitional period October 1998 through December 1998.

WHEREFORE, Gulf Power Company respectfully requests the Commission to approve the final fuel adjustment true-up for the period October 1997 through March 1998; the GPIF adjustment for the period October 1997 through March 1998; the estimated fuel cost true-up for the period April 1998 through September 1998; the projected fuel cost recovery amount for the period October 1998 through December 1998; the final purchased power capacity cost true-up amount for the period October 1996 through September 1997; the estimated purchased power capacity cost recovery true-up amount for the period October 1997 through September 1998; the projected purchased power capacity cost recovery amount for the period October 1998 through December 1998; the GPIF targets and ranges for the period October 1998 through December 1998; the estimated as-available avoided energy costs for QF's; the fuel cost recovery factors to be applied beginning with the period October 1998 through December 1998; and the capacity cost recovery factors to be applied beginning with the period October 1998 through December 1998.

Dated the 19th day of June, 1998.



JEFFREY A. STONE

Florida Bar No. 325953

RUSSELL A. BADDERS

Florida Bar No. 007455

Beggs & Lane

P. O. Box 12950

Pensacola, FL 32576-2950

(850) 432-2451

Attorneys for Gulf Power Company