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**GULF  
POWER**

A SOUTHERN COMPANY

March 10, 2004

Ms. Blanca S. Bayo, Director  
Division of the Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0870

Dear Ms. Bayo:

Enclosed are an original and fifteen copies of the Gulf Power Company's  
Petition for Authority to Increase the Annual Accrual Rate for Account No. 228.2  
– Accumulated Provision for Injuries and Damages.

Also enclosed is a 3.5 inch double sided, high density diskette containing the  
Petition in Microsoft Word format as prepared on a Windows NT based computer.

Sincerely,

*Susan D. Ritenour (lw)*

lw

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire  
Florida Public Service Commission  
Tim Devlin

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Gulf Power Company's petition for )  
authority to increase the annual accrual rate for )  
Account No. 228.2 – Accumulated Provision ) Docket No.: 04 \_\_\_\_\_-EI  
for Injuries and Damages. ) Filed: March 11, 2004  
\_\_\_\_\_ )

**GULF POWER COMPANY'S PETITION FOR AUTHORITY TO INCREASE  
THE ANNUAL ACCRUAL RATE FOR ACCOUNT NO. 228.2 – ACCUMULATED  
PROVISION FOR INJURIES AND DAMAGES**

GULF POWER COMPANY ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned counsel, hereby petitions the Florida Public Service Commission ("Commission") pursuant to Rule 25-6.0143(4)(a) for authorization to increase the annual accrual rate for Account No. 228.2 - Accumulated Provision for Injuries and Damages. In support of this petition, the Company states:

1. 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 32591-2950

Susan D. Ritenour  
Secretary and Treasurer  
Gulf Power Company  
One Energy Place  
Pensacola, FL 32520-0780

2. Gulf Power is an investor-owned electric utility providing retail electric service to customers within northwest Florida and, pursuant to the provisions of Chapter 366 of the Florida Statutes, is subject to economic regulation by the Commission. The Company's principal offices are physically located at 500 Bayfront Parkway, Pensacola, Florida 32501. The Company's mailing address for its corporate headquarters is One Energy Place, Pensacola, Florida 32520.

3. With prior authority from the Commission, Gulf has established Account No. 228.2 “Accumulated Provision for Injuries and Damages” as a mechanism designed to protect against the cost of losses not covered by insurance for deaths or injuries to employees or others and for damages to property that is not owned or under lease by Gulf Power. Pursuant to Rule 25-6.0143 F.A.C., charges to this account are required for all losses covered by the reserve. The amount of the current annual accrual is \$1.2 million and has not been adjusted since this amount was initially approved by the Commission more than 22 years ago in Order No. 10557 issued February 1, 1982 in Docket No. 810136-EU.<sup>1</sup> As of December 31, 2003, the balance in the injuries and damages reserve was approximately \$82,000.

4. Rule 25-6.0143 F.A.C. authorizes Gulf to petition the Commission for a change to the annual accrual amount outside a rate proceeding. At the time of Gulf’s last full revenue requirements rate proceeding, the Company believed that its current annual accrual amount would be sufficient to maintain a reserve balance in a target range between \$1.5 million to \$4.0 million.<sup>2</sup> Since the filing of that case, Gulf has experienced a continuing decline in the balance of the reserve. As shown in the following table, from 1999 through 2003 Gulf has experienced an average annual deficit in excess of \$250,000 when its annual accrual is compared to actual charges against the reserve:

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<sup>1</sup> Order No. 10557 also removed the \$1.0 million cap on the reserve previously established by the Commission in Order 7978 issued September 27, 1977 in Docket No. 760858-EU (CR).

<sup>2</sup> In the Company’s last full revenue requirements rate proceeding, Docket No. 010949-EI, Schedule C-28 of the Company’s Minimum Filing Requirements (MFRs) reflected a target range for the injuries and damages reserve balance of from \$1.5 to \$4.0 million. At that time, it was expected that the existing annual accrual of \$1.2 million would be sufficient to keep the reserve in the desired range.

As the foregoing analysis demonstrates, an increase to the annual accrual amount of at least \$250,000 is necessary simply to keep the reserve balance from continuing to decline. In order for the reserve balance to increase to the targeted range, an additional increase is warranted.

<sup>3</sup> Gulf does not have any present plans to file a rate case. In the event that a rate case becomes necessary at some future date, the Company would intend to seek rates that would, among other things, cover the full cost of the annual accrual to the injuries and damages reserve. Such a request would include the presently requested increase in the annual accrual as well as any other increases in the annual accrual amount that may be approved between now and the Company's next rate case proceeding if such a proceeding becomes necessary in the future.

WHEREFORE, Gulf Power Company respectfully requests (1) that the Florida Public Service Commission authorize the Company to increase its annual accrual to Account No. 228.2 by \$400,000 on an annual basis effective January 1, 2004, whereupon the new annual accrual amount will be \$1.6 million; (2) that the Commission authorize Gulf to supplement its annual accrual to this accumulated provision account from time to time when the Company believes that, from an earnings standpoint, it is in a position to do so; and (3) grant to the Company such other and further relief as the Commission may find to be reasonable and proper pursuant to the authority granted to the Commission under Chapter 366 of the Florida Statutes.

Respectfully submitted the 10<sup>th</sup> day of March, 2004.



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**JEFFREY A. STONE**

Florida Bar No. 325953

**RUSSELL A. BADDERS**

Florida Bar No. 007455

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**Attorneys for Gulf Power Company**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

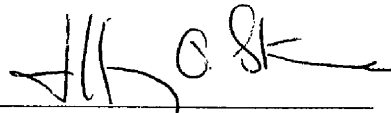
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\_\_\_\_\_ )

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true copy of the foregoing petition was provided by U.S. Mail  
this 10<sup>th</sup> day of March 2004 to the following:

Richard D. Melson, Esquire  
General Counsel  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Harold A. McLean, Esquire  
Public Counsel  
Office of the Public Counsel  
111 Madison Street, Room 812  
Tallahassee, Florida 32399-1400



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