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September 8, 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 for official filing in Docket No. 040001-EI are an original and ten copies of the following:

- 09842-04 1. The Petition of Gulf Power Company.
- 09843-04 2. Prepared direct testimony and exhibit of H. R. Ball.
- 09844-04 3. Prepared direct testimony and exhibit of L. S. Noack.
- 09845-04 4. Prepared direct testimony and exhibit of H. Homer Bell.
- 09846-04 5. Prepared direct testimony and exhibit of T. A. Davis.

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

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Ritenour". The signature is written in black ink on a light-colored background.

db

Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER-DATE
09842 SEP-9 8
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 040001-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 8th day of September 2004 on the following:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clauses and Generating Performance) Docket No.: 040001-EI
Incentive Factor) Filed: September 9, 2004
)

**PETITION OF GULF POWER COMPANY FOR APPROVAL OF
FINAL FUEL COST TRUE-UP AMOUNTS AND GPIF ADJUSTMENT
FOR JANUARY 2003 THROUGH DECEMBER 2003;
ESTIMATED FUEL COST TRUE-UP AMOUNTS
FOR JANUARY 2004 THROUGH DECEMBER 2004;
PROJECTED FUEL COST RECOVERY AMOUNTS
FOR JANUARY 2005 THROUGH DECEMBER 2005;
FINAL PURCHASED POWER CAPACITY COST TRUE-UP AMOUNTS
FOR JANUARY 2003 THROUGH DECEMBER 2003;
ESTIMATED PURCHASED POWER CAPACITY COST TRUE-UP AMOUNTS
FOR JANUARY 2004 THROUGH DECEMBER 2004;
PROJECTED PURCHASED POWER CAPACITY COST RECOVERY AMOUNTS
FOR JANUARY 2005 THROUGH DECEMBER 2005;
ESTIMATED AS-AVAILABLE AVOIDED ENERGY COSTS;
GPIF TARGETS AND RANGES FOR JANUARY 2005 THROUGH DECEMBER 2005;
FUEL COST RECOVERY FACTORS TO BE APPLIED BEGINNING WITH THE
PERIOD JANUARY 2005 THROUGH DECEMBER 2005; AND
CAPACITY COST RECOVERY FACTORS TO BE APPLIED BEGINNING WITH THE
PERIOD JANUARY 2005 THROUGH DECEMBER 2005**

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

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Susan D. Ritenour
Secretary and Treasurer
Gulf Power Company
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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 January 2003 through

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FPSC-COMMISSION CLERK

December 2003; for approval of its estimated fuel cost true-up amounts for the period January 2004 through December 2004; for approval of its projected fuel cost recovery amounts for the period January 2005 through December 2005; for approval of its final purchased power capacity cost true-up amounts for the period January 2003 through December 2003; for approval of its estimated purchased power capacity cost true-up amounts for the period January 2004 through December 2004; for approval of its projected purchased power capacity cost recovery amounts for the period January 2005 through December 2005; for approval of its GPIF targets and ranges for January 2005 through December 2005; for approval of its estimated as-available avoided energy costs for QFs; for approval of its fuel cost recovery factors to be applied beginning with the period January 2005 through December 2005; and for approval of its capacity cost recovery factors to be applied beginning with the period January 2005 through December 2005.

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

FINAL FUEL ADJUSTMENT TRUE-UP

(1) By vote of the Commission at the November 2003 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 December 31, 2003, the actual fuel true-up amount for the subject twelve months should be an under recovery of \$21,388,487 instead of the estimated under recovery of \$23,923,505 as approved previously by this Commission. The difference between these two amounts, \$2,535,018, 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

(2) On April 1, 2004, Gulf filed the testimony and exhibit of L.S. Noack containing the Company's actual operating results for the period January 2003 through December 2003. Based on the actual operating results for the period January 2003 through December 2003, Gulf should receive a reward in the amount of \$625,280. 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

(3) Gulf has calculated its estimated fuel cost true-up amount for the period January 2004 through December 2004. Based on six months actual experience and six months projected data, the Company's estimated fuel cost true-up amount for the current period (January 2004 through December 2004) is an under recovery of \$29,107,969. The supporting data is provided in the testimony and schedules of T. A. Davis 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 December 2003 to reach the total fuel cost true-up to be addressed in the factors for the next fuel cost recovery period. The proposed fuel cost recovery factors reflect the collection of this total true-up amount, \$26,572,951, during the period of January 2005 through December 2005.

PROJECTED FUEL COST RECOVERY AMOUNTS

(4) Gulf has calculated its projected fuel cost recovery amounts for the months January 2005 through December 2005 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 T. A. Davis filed herewith. The supporting data prepared in accordance with the Commission Staff's suggested procedures and format is attached as Schedules E-1 through E-11 and H-1 of the exhibit to the testimony of T. A. Davis 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 November 2003 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 December 2003, the final purchased power capacity cost true-up amount for the subject twelve months should be an actual over recovery of \$2,112,655 instead of the estimated over recovery of \$1,058,876 as approved previously by this Commission. The

difference between these two amounts, \$1,053,779, is submitted for approval by the Commission to be refunded in the next period. 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

(6) Gulf has calculated its estimated purchased power capacity cost true-up amount for the period January 2004 through December 2004. Based on seven months actual and five months projected data, the Company's estimated capacity cost true-up amount for the current period is an over recovery of \$1,797,696. 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 December 2003 to reach the total capacity cost true-up to be addressed in the factors for the next cost recovery period. The proposed capacity cost recovery factors reflect the refund of this total capacity cost true-up amount, \$2,851,475, during the period of January 2005 through December 2005.

PROJECTED PURCHASED POWER CAPACITY COST RECOVERY AMOUNTS

(7) Gulf has calculated its projected purchased power capacity cost recovery amounts for the months January 2005 through December 2005 in accordance with the procedures set out in Order No. 25773, Order No. PSC-93-0047-FOF-EI and Order No. PSC-99-2512-FOF-EI. The proposed factors reflect the recovery of the net capacity cost recovery amount of \$20,368,493 projected for the period January 2005 through December 2005.

The computations and supporting data for the Company's purchased power capacity cost recovery factors 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 T. A. Davis filed herewith. Additional supporting data for the purchased power capacity cost recovery factors is provided in the testimony and exhibit of H. H. Bell also filed herewith. The methodology used by Gulf in determining the amounts to include in these 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 factors for this projection period are based on reasonable projections of the capacity transactions that are expected to occur during the period January 2005 through December 2005. 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

(8) 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 T. A. Davis 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

(9) Gulf also seeks approval of the GPIF targets and ranges for the period January 2005 through December 2005 set forth below:

Unit	EAF	POF	EUOF	Heat Rate
Crist 4	98.8	0.0	1.2	10,610
Crist 5	96.9	0.0	3.1	10,548
Crist 6	72.9	19.7	7.4	10,416
Crist 7	70.9	21.6	7.5	10,340
Smith 1	90.0	8.2	1.8	10,273
Smith 2	72.2	19.7	8.1	10,213
Daniel 1	79.0	17.3	3.7	9,953
Daniel 2	88.2	8.2	3.6	9,742

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

FUEL COST RECOVERY FACTORS

(10) The proposed levelized fuel and purchased energy cost recovery factor, including GPIF and True-Up, herein requested is 2.822¢/KWH. The proposed factors by rate schedule are:

Group	Rate Schedules*	Line Loss Multipliers	Fuel Cost Factors ¢/KWH		
			Standard	Time of Use	
				On-Peak	Off-Peak
A	RS, GS, GSD, SBS, OSIII	1.00526	2.837	3.322	2.631
B	LP, LPT, SBS	0.98890	2.791	3.268	2.588
C	PX, PXT, RTP, SBS	0.98063	2.767	3.241	2.567
D	OSI/II	1.00529	2.808	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.

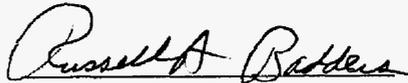
CAPACITY COST RECOVERY FACTORS

(11) The proposed purchased power capacity cost recovery factors by rate class herein requested, including true-up, are:

RATE CLASS	CAPACITY COST RECOVERY FACTORS ¢/KWH
RS, RSVP	0.210
GS	0.204
GSD, GSDT, GSTOU	0.180
LP, LPT	0.156
PX, PXT, RTP, SBS	0.131
OS-I/II	0.090
OSIII	0.135

WHEREFORE, Gulf Power Company respectfully requests the Commission to approve the final fuel adjustment true-up for the period January 2003 through December 2003; the GPIF adjustment for the period January 2003 through December 2003; the estimated fuel cost true-up for the period January 2004 through December 2004; the projected fuel cost recovery amount for the period January 2005 through December 2005; the final purchased power capacity cost true-up amount for the period January 2003 through December 2003; the estimated purchased power capacity cost recovery true-up amount for the period January 2004 through December 2004; the projected purchased power capacity cost recovery amount for the period January 2005 through December 2005; the estimated as-available avoided energy costs for QF's; the GPIF targets and ranges for the period January 2005 through December 2005; the fuel cost recovery factors to be applied beginning with the period January 2005 through December 2005; and the capacity cost recovery factors to be applied beginning with the period January 2005 through December 2005.

Dated the 9th day of September, 2004.



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