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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. 980007-EI are an original and ten copies of the following:

1. Petition of Gulf Power Company for Approval of Final Environmental Cost Recovery True-up Amounts for October 1996 through September 1997; Estimated Environmental Cost Recovery True-up Amounts for October 1997 through September 1998; Projected Environmental Cost Recovery Amounts for October 1998 through December 1998; and Environmental Cost Recovery Factors to be applied beginning with the period October 1998 through December 1998. *06504-98*
2. Prepared direct testimony of J. O. Vick. *06505-98*
3. Prepared direct testimony and exhibit of S. D. Cranmer. *06506-98*

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.

ACK _____
AFA Handwritten Sincerely,
APP _____
CAF _____ *Susan D. Cranmer*
CMU _____ Susan D. Cranmer
CTR _____ Assistant Secretary and Assistant Treasurer
EAG Handwritten
LEG 1
LIN 3 Enclosures
OPC _____ cc: Beggs and Lane
RCH _____ Jeffrey A. Stone, Esquire
SEC 1
WAS _____
OTH _____

THOMPSON
CYCLED

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery)
Clause)
_____)

Docket No. 980007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 19th day of June 1998 by U.S. Mail or hand delivery to the following:

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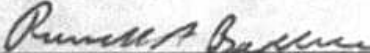
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery Clause)
)
)
)
_____)

Docket No.: 980007-EI
Filed: June 22, 1998

**PETITION OF GULF POWER COMPANY FOR APPROVAL OF
FINAL ENVIRONMENTAL COST RECOVERY TRUE-UP AMOUNTS
FOR OCTOBER 1996 THROUGH SEPTEMBER 1997;
ESTIMATED ENVIRONMENTAL COST RECOVERY TRUE-UP AMOUNTS
FOR OCTOBER 1997 THROUGH SEPTEMBER 1998;
PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS
FOR OCTOBER 1998 THROUGH DECEMBER 1998;
AND ENVIRONMENTAL 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
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Susan D. Cranmer
Assistant Secretary and Assistant Treasurer
Gulf Power Company
One Energy Place
Pensacola, FL 32520-0780

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 environmental cost recovery true-up amounts for the period October 1996 through September 1997; for approval of its estimated environmental cost recovery true-up amounts for the period October 1997 through September 1998; for approval of its projected environmental cost recovery amounts for the period October 1998 through December 1998; and for approval of environmental cost recovery factors to be applied in customer billings 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 environmental cost recovery factors for the transition recovery period October 1998 through December 1998. As discussed more specifically in paragraph 6 below, Gulf is requesting in this petition (and in the companion petition for Docket 980001-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 ENVIRONMENTAL COST RECOVERY TRUE-UP

(2) By vote of the Commission following hearings in August 1997, projected environmental cost recovery amounts were approved by the Commission for the period October 1997 through September 1998, subject to establishing the final environmental cost recovery true-up amounts. According to the data filed by Gulf for the period ending September 30, 1997, the actual environmental cost recovery true-up amount for the period ending September 30, 1997, should be an over recovery of \$448,251 instead of the estimated over recovery amount of \$88,687 as approved previously by the Commission. The difference between these two amounts, \$359,564, is submitted for approval by the Commission to be refunded, pursuant to the request in paragraph 6 below, in the January 1999 through December 1999 period. The supporting data has been prepared in accordance with the uniform system of accounts as applicable to the Company's environmental cost recovery and fairly presents the Company's environmental costs to be

considered for recovery through the Environmental Cost Recovery Clause ("ECRC") for the period. The environmental activities and related expenditures reflected in the true-up amounts shown for the period ending September 30, 1997 are reasonable and necessary to achieve or maintain compliance with environmental requirements applicable to Gulf Power Company and therefore, the amounts identified are prudent expenditures which have been incurred for utility purposes.

ESTIMATED ENVIRONMENTAL COST RECOVERY TRUE-UP

(3) Gulf has calculated its estimated environmental cost recovery true-up amounts for the period October 1997 through September 1998. Based on eight months actual and four months projected data, the Company's estimated environmental cost recovery true-up amount for the current period (October 1997 through September 1998) is \$420,896 over recovery. The estimated environmental cost recovery true-up for the current period is combined with the net final environmental cost recovery true-up for the period ending September 30, 1997 to reach the total environmental cost recovery true-up that would normally be addressed in the next cost recovery period. Pursuant to paragraph 6 below, Gulf is requesting that the Commission approve this total environmental cost recovery true-up amount excluding revenue taxes, \$780,460, for refund during the January 1999 through December 1999 recovery period.

PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS

(4) Gulf has calculated its projected environmental cost recovery amounts for the months October 1998 through December 1998 in accordance with the principles and policies for environmental cost recovery found in §366.8255 of the Florida Statutes and Commission Order No. PSC-93-0044-FOF-EI. The calculated factors reflect the recovery of the net environmental

cost recovery amount of \$2,289,807 for the period October 1998 through December 1998.

The computations and supporting data for the Company's environmental cost recovery factors are set forth on Schedules attached as part of the exhibit to the testimony of S. D. Cranmer filed herewith. Additional supporting data for the environmental cost recovery factors is provided in the testimony of J. O. Vick also filed herewith. The methodology used by Gulf in determining the amounts to include in these factors and the allocation to rate classes is in accordance with the requirements of the Commission as set forth in Order No. PSC-94-0044-FOF-EI. The amounts included in the calculated factors for the projected period are based on reasonable projections of the costs for environmental compliance activities that are expected to be incurred during the period October 1998 through December 1998. The calculated factors and supporting data have been prepared in accordance with the uniform system of accounts and fairly present the Company's best estimate of environmental compliance costs for the projected period. The activities described in the testimony and exhibits of Mr. Vick are reasonable and necessary to achieve or maintain compliance with environmental requirements applicable to Gulf Power Company and the projected costs resulting from the described compliance activities are also reasonable and necessary. Therefore, the costs identified are prudent expenditures which have been or will be incurred for utility purposes and for which the Company should be allowed to recover the associated revenue requirements.

ENVIRONMENTAL COST RECOVERY FACTORS

(5) The calculated environmental cost recovery factors by rate class, including true-up, are:

RATE CLASS	ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH
RS, RST	0.126
GS, GST	0.125
GSD, GSDT	0.110
LP, LPT	0.097
PX, PXT, RTP, SBS	0.089
OSI, OSII	0.064
OSIII	0.093
OSIV	0.176

As discussed more specifically in paragraph 6 below, in lieu of the foregoing calculated environmental 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.

(6) 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 environmental cost recovery true-up amounts for the period October 1996 through September 1997; the estimated environmental cost recovery true-up amounts for the period October 1997 through September 1998; the projected environmental cost recovery amounts for the period October 1998 through December 1998; and the environmental cost recovery factors to be applied in customer billings beginning with the period October 1998 through December 1998.

Respectfully submitted the 19th day of June, 1998.

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