



September 5, 2003

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. 030007-EI are an original and ten copies of the following:

1. The Petition of Gulf Power Company.
2. Prepared direct testimony of J. O. Vick.
3. Prepared direct testimony and exhibit of S. D. Ritenour.

Also enclosed is a 3.5 inch double sided, double density diskette containing the Petition in WordPerfect8 for Windows format as prepared on a NT computer.

Sincerely,

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

Susan D. Ritenour
Secretary and Treasurer and Regulatory Manager

lw

Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER DATE
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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery)
Clause)
_____)

Docket No. 030007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 5th day of September 2003 by U.S. Mail or hand delivery to the following:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery Clause)
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_____)

Docket No.: 030007-EI
Filed: September 8, 2003

**PETITION OF GULF POWER COMPANY FOR APPROVAL OF
FINAL ENVIRONMENTAL COST RECOVERY TRUE-UP AMOUNT FOR
JANUARY 2002 THROUGH DECEMBER 2002; ESTIMATED ENVIRONMENTAL
COST RECOVERY TRUE-UP AMOUNT FOR JANUARY 2003 THROUGH
DECEMBER 2003; PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS
FOR JANUARY 2004 THROUGH DECEMBER 2004 INCLUDING NEW
ENVIRONMENTAL ACTIVITIES/PROJECTS; AND ENVIRONMENTAL COST
RECOVERY FACTORS TO BE APPLIED BEGINNING WITH THE PERIOD
JANUARY 2004 THROUGH DECEMBER 2004**

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

Susan D. Ritenour
Secretary and 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 the Florida Public Service Commission ("Commission") for approval of the Company's final environmental cost recovery true-up amount for the period January 2002 through December 2002; for approval of the Company's estimated environmental cost recovery true-up amount for the period January 2003 through December 2003; for approval of the Company's projected environmental cost recovery amounts for the period January 2004 through December 2004 including new environmental activities/projects; and for approval of environmental cost recovery factors to be applied in customer billings beginning with the period January 2004 through December 2004. As grounds

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

FINAL ENVIRONMENTAL COST RECOVERY TRUE-UP

(1) By vote of the Commission following hearings in November 2002, estimated true-up environmental cost recovery amounts were approved by the Commission for the period January 2002 through December 2002, subject to establishing the final environmental cost recovery true-up amounts. According to the data filed by Gulf for the period ending December 31, 2002, the final environmental cost recovery true-up amount for the period ending December 31, 2002, should be an actual over recovery of \$229,600. This amount 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 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 ("ECR") clause for the period. The environmental activities and related expenditures reflected in the true-up amounts shown for the period ending December 31, 2002 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

(2) Gulf has calculated its estimated environmental cost recovery true-up amounts for the period January 2003 through December 2003. Based on six months actual and six months projected data, the Company's estimated environmental cost recovery true-up amount for the period January 2003 through December 2003 is an over-recovery of \$209,163. The estimated

environmental cost recovery true-up is combined with the final environmental cost recovery true-up for the period ending December 31, 2002 to reach the total environmental cost recovery true-up that is to be addressed in the next cost recovery period (January 2004 through December 2004). Gulf is requesting that the Commission approve this total environmental cost recovery true-up amount excluding revenue taxes, \$438,763, for refund during the January 2004 through December 2004 recovery period.

PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS

(3) Gulf has calculated its projected environmental cost recovery amounts for the months January 2004 through December 2004 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 projected environmental cost recovery amount of \$14,108,217 for the period January 2004 through December 2004, plus the net true-up amount adjusted for revenue taxes.

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. Ritenour 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 projection period are based on reasonable projections of the costs for environmental compliance activities that are expected to

be incurred during the period January 2004 through December 2004. 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 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 that have been or will be incurred for utility purposes and for which the Company should be allowed to recover the associated revenue requirements.

NEW ENVIRONMENTAL ACTIVITIES/ PROJECTS

(4) Gulf seeks approval of the following new activities/projects for cost recovery through the Environmental Cost Recovery Clause:

(A.) Plant Crist Storm Water Project. This project addresses storm water drainage at Plant Crist. This part of the project is necessary as a result of revisions to Title 40, Code of Federal Regulations, Part 112, which is commonly referred to as the Spill Prevention Control and Countermeasures (SPCC) regulation. On July 17, 2002, the definition of oil in the SPCC was expanded to include mineral oil. The electrical transformers and regulators in the switchyard at Plant Crist contain mineral oil. As a result, Gulf is required to meet the requirements of the newly revised SPCC. The SPCC requires Gulf to have appropriate containment and/or diversionary structures in place by February 18, 2005 to prevent a discharge of oil from the switchyard into or upon navigable waters. Currently, the switchyard at Plant Crist

drains into the combined plant water discharge canal that flows into the Escambia River. The Escambia River is a Class III fresh water body that is protected by 40 CFR 112. This project will reroute the storm water from the switchyard drain to the oil skimmer pond. Rerouting the storm water in this manner will contain any potential oil spill and prevent its discharge into the Escambia River. Gulf must also develop and/or amend an adequate comprehensive Spill Prevention, Control and Countermeasures plan by August 17, 2004. The Plant Crist Switchyard Storm Water Project is a capital expenditure which is not recovered through any other cost recovery mechanism or through base rates. The capital expenditures associated with this project are projected to be \$250,000. The expenditures associated with this project will be allocated to the rate classes on a demand basis.

(B.) SPCC Substation Storm Water Project. As a result of the revisions to Title 40 Code of Federal Regulations part 112, discussed in paragraph 4A above, Gulf must conduct environmental assessments at each of its substations to determine which substations are subject to the new requirements regarding oil discharge. Additional containment and/or diversionary structures may be required at several substations to prevent potential oil discharges into navigable waters. Though concrete curbing will be utilized at many sites as a containment structure, some sites may require more sophisticated drainage and containment systems due to specific geography or physical layout considerations. The SPCC Substation Storm Water Project is an operating and maintenance expense which is not recovered through any other cost recovery mechanism or through base rates. The expenses associated with this project are projected to be \$100,000 and will be allocated to the rate classes on a demand basis.

(C.) Plant Crist FTIR Monitor. Gulf will purchase a Fourier Transform Infrared (FTIR) spectrometer, a device used to measure certain emission gases at low concentrations. The United States Environmental Protection Agency's (EPA) new Maximum Achievable Control Technology (MACT) standards for hazardous air pollutants under Section 112 of the Clean Air Act requires Gulf to measure and monitor formaldehyde in stack emissions. This device will enable Gulf to meet the new EPA requirement regarding formaldehyde. In addition, the FTIR will allow Gulf to measure the ammonia slip emissions. The air construction permit on Plant Crist Unit 7 required in the Gulf Power - FDEP Ozone reduction Agreement mandates that Gulf measure ammonia slip emissions. The FTIR project is a capital expenditure which is not recovered through any other cost recovery mechanism or through base rates. The capital expenditures associated with this project are projected to be \$52,500 and will be allocated to the rate classes based on energy.

(D.) Plant Crist Scrubber Study. The EPA is required by Section 112 of the Clean Air Act to develop MACT standards for hazardous air pollutants. As a part of this mandate to the EPA, the EPA must propose a mercury MACT standard for coal-fired boilers, such as those used by electric utilities to generate electricity, by December 2003. A final standard must be in place by December 2004 with implementation by year-end 2007. This schedule for implementation requires Gulf and other utilities to begin working now to determine the most cost-effective strategy to comply with the new mercury standard. Research in control technologies has demonstrated that a flue gas scrubber system has the potential to remove large quantities of mercury in coal-fired boilers. In this project, Gulf will study the use of a flue gas scrubber system on Plant Crist Unit 7 to determine if this technology will provide a cost effective

means of complying with the new mercury standard. The Plant Crist Scrubber Study is a capital expenditure which is not recovered through any other cost recovery mechanism or through base rates. The capital expenditures associated with this project are projected to be \$127,000 which will be allocated to the rate classes based on energy.

ENVIRONMENTAL COST RECOVERY FACTORS

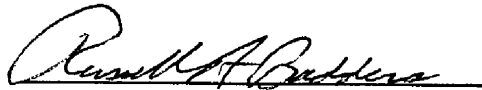
(5) The calculated environmental cost recovery factors by rate class, including true-up, are:

| RATE CLASS | ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH |
|-------------------|------------------------------------------------------|
| RS, RSVP | .136 |
| GS | .135 |
| GSD, GSDT, GSTOU | .128 |
| LP, LPT | .121 |
| PX, PXT, RTP, SBS | .116 |
| OS-I/II | .104 |
| OSIII | .120 |
| OSIV | .104 |

WHEREFORE, Gulf Power Company respectfully requests the Commission to approve the final environmental cost recovery true-up amounts for the period January 2002 through December 2002; estimated environmental cost recovery true-up amounts for the period January 2003 through December 2003; the projected environmental cost recovery amounts for

the period January 2004 through December 2004; the new environmental projects consistent with this petition; and the environmental cost recovery factors to be applied in customer billings beginning with the period January 2004 through December 2004.

Dated the 5th day of September, 2003.



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