

Susan D. Ritenour
Secretary and Treasurer
and Regulatory Manager

One Energy Place
Pensacola, Florida 32520-0781

Tel 850.444.6231
Fax 850.444.6026
SDRITENO@southernco.com



September 15, 2005

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. 050007-EI are an original and ten copies of the following:

1. The Petition of Gulf Power Company. 08738-05
2. Prepared direct testimony of J. O. Vick. 08739-05
3. Prepared direct testimony and exhibit of T. A. Davis. 08740-05

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,

Susan D. Ritenour

lw

Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER-DATE

08738 SEP 16 05

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery)
Clause)
_____)

Docket No. 050007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 15th day of September 2005 by U.S. Mail or hand delivery to the following:

Marlene Stern, Esquire
Staff Counsel
FL Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0863

John T. Butler, Esquire
Steel, Hector & Davis LLP
200 S. Biscayne Blvd., Ste 4000
Miami FL 33131-2398

Patricia Ann Christensen, Esquire
Office of Public Counsel
111 W. Madison St., Room 812
Tallahassee FL 32399-1400

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

Vicki Gordon Kaufman, Esquire
McWhirter Reeves, P.A.
117 S. Gadsden Street
Tallahassee FL 32301

John W. McWhirter, Jr., Esquire
McWhirter Reeves, P.A.
400 N Tampa St Suite 2450
Tampa FL 33602

Gary V. Perko, Esquire
Hopping Green & Sams
P. O. Box 6526
Tallahassee FL 32314

James McGee, Esquire
Progress Energy Service Co., LLC
P. O. Box 14042
St. Petersburg FL 33733-4042


JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 0007455
Beggs & Lane
P. O. Box 12950
Pensacola FL 32591-2950
850 432-2451
Attorneys for Gulf Power Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery Clause)
)
) Docket No.: 050007-EI
) Filed: September 16, 2005
)

**PETITION OF GULF POWER COMPANY FOR APPROVAL OF
FINAL ENVIRONMENTAL COST RECOVERY TRUE-UP AMOUNT FOR
JANUARY 2004 THROUGH DECEMBER 2004; ESTIMATED ENVIRONMENTAL
COST RECOVERY TRUE-UP AMOUNT FOR JANUARY 2005 THROUGH
DECEMBER 2005; PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS
FOR JANUARY 2006 THROUGH DECEMBER 2006 INCLUDING NEW
ENVIRONMENTAL ACTIVITIES/PROJECTS; AND ENVIRONMENTAL COST
RECOVERY FACTORS TO BE APPLIED BEGINNING WITH THE PERIOD
JANUARY 2006 THROUGH DECEMBER 2006**

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 2004 through December 2004; for approval of the Company’s estimated environmental cost recovery true-up amount for the period January 2005 through December 2005; for approval of the Company’s projected environmental cost recovery amounts for the period January 2006 through December 2006 including new environmental activities/projects; and for approval of environmental cost recovery factors to be applied in customer billings beginning with the period January 2006 through December 2006. As grounds for the relief requested by this petition, the Company would respectfully show:

DOCUMENT NUMBER-DATE

08738 SEP 16 05

FPSC-COMMISSION CLERK

FINAL ENVIRONMENTAL COST RECOVERY TRUE-UP

(1) By vote of the Commission following hearings in November 2004, estimated true-up environmental cost recovery amounts were approved by the Commission for the period January 2004 through December 2004, subject to establishing the final environmental cost recovery true-up amounts. According to the data filed by Gulf for the period ending December 31, 2004, the final environmental cost recovery true-up amount for the period ending December 31, 2004, should be an actual over recovery of \$628,050. 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, 2004 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 2005 through December 2005. Based on six months actual and six months projected data, the Company's estimated environmental cost recovery true-up amount for the period January 2005 through December 2005 is an over-recovery of \$646,587. The estimated environmental cost recovery true-up is combined with the final environmental cost recovery true-up for the period ending December 31, 2004 to reach the total environmental cost recovery true-up that is to be addressed in the next cost recovery period (January 2006 through December 2006). Gulf is requesting that the Commission approve this total environmental cost recovery true-up amount excluding revenue taxes, \$1,274,637 for refund during the January 2006 through December 2006 recovery period.

PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS

(3) Gulf has calculated its projected environmental cost recovery amounts for the months January 2006 through December 2006 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 \$41,572,348 for the period January 2006 through December 2006, 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 T.A. Davis 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 2006 through December 2006. 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.

FDEP/GULF POWER COMPANY AGREEMENT COMPLIANCE

(4) Gulf continues to implement the agreement between itself and the Florida Department Environmental Protection (FDEP) dated August 28, 2002 (Agreement) which was approved for cost recovery through the environmental cost recovery clause in Order PSC-02-1396-PAA-EI. The sixth and final activity described in the Agreement is the implementation of NOx emission reduction strategies on Crist Units 4, 5 and/or 6 by May 1, 2006. FDEP has agreed that the SNCR, low NOx burner/overfire air technologies for Plant Crist Unit 6, and Units 4 and 5 if necessary, satisfy the Agreement and are prudent measures for obtaining compliance with the terms of the Agreement regarding the 8-hour ozone ambient air quality standard in the Escambia/Santa Rosa area. The Crist Unit 6 SNCR, low NOx burner/overfire air technologies is expected to be placed in service in December 2005. A determination as to the need for SNCR on Units 4 and 5 will occur after the Unit 6 SNCR is placed in service. If the facility is unable to meet the 0.2 lb/mmBtu limit set in the Agreement, then the Unit 4 and 5 SNCR may be necessary.

NEW ENVIRONMENTAL ACTIVITIES/ PROJECTS

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

(A.) Plant Groundwater Investigation: The Florida Department of Environmental Protection has adopted a new more stringent arsenic groundwater standard effective January 2005. Gulf is currently conducting groundwater studies at Plant Scholz and Plant Crist to determine the nature of potential impacts to groundwater and to identify potential actions to meet the new arsenic standard. The Plant Groundwater Investigation 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 \$500,000 in 2006. The expenditures associated with this project will be allocated to the rate classes on a demand

basis.

(B.) Plant Crist Water Conservation Project: Gulf must implement the Plant Crist Water Conservation Project in order to comply with new environmental requirements set forth in the Plant Crist Individual Water Use Permit No. 19850074 (Permit) issued by the North West Florida Water Management District (NFWFMD) on January 27, 2005. Specifically, condition six of the Permit requires Gulf to implement measures to increase water conservation and efficiency at Plant Crist. The NFWFMD has agreed that the installation of automatic level controls on the fire tanks at Plant Crist is a valid measure for continued implementation of the water conservation effort required in the Permit. Overall, a 1.3 million gallon reduction in ground water consumption is estimated to result from this new project. Plant Crist Water Conservation 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 \$100,000 in 2006. The expenditures associated with this project will be allocated to the rate classes on a demand basis.

(C.) Plant Crist Condenser Tubes Project: More stringent water quality standards were adopted in Chapter 62 Part 302, Florida Administrative Code in May 2002. The more stringent copper and hardness requirements from Chapter 62, Part 302, FAC, were made a part of Gulf's existing Plant Crist NPDES Industrial Wastewater Permit No. FL0002275 and will be included in the new permit which is expected to be issued by year end 2005. Compliance with the copper and water hardness requirements at Plant Crist was not a compliance issue until recent years when the area began to receive a significant amount of rainfall. Rainfall drives the river water hardness down, along with the calculated copper limit. Since 2003, Gulf has conducted water studies to determine the source of aqueous copper in the Plant Crist effluent discharge. The conclusion reached through these studies is that the condenser tubes are the main source of the copper increase at Plant Crist. The installation of stainless steel condenser tubes on Plant Crist unit 6 is being undertaken to address the copper increase. The Plant Crist Condenser Tubes 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 \$5,500,000 in 2006. The expenditures associated with this project will be allocated to the rate classes on an energy basis.

ENVIRONMENTAL COST RECOVERY FACTORS

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

RATE CLASS	ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH
RS, RSVP	.364
GS	.362
GSD, GSDT, GSTOU	.356
LP, LPT	.346
PX, PXT, RTP, SBS	.337
OS-I/II	.334
OSIII	.345

WHEREFORE, Gulf Power Company respectfully requests the Commission to approve the final environmental cost recovery true-up amounts for the period January 2004 through December 2004; estimated environmental cost recovery true-up amounts for the period January 2005 through December 2005; the projected environmental cost recovery amounts for the period January 2006 through December 2006; 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 2006 through December 2006.

Dated the 15th day of September, 2005.



JEFFREY A. STONE

Florida Bar No. 325953

RUSSELL A. BADDERS

Florida Bar No. 007455

STEVEN R. GRIFFIN

Florida Bar No. 0627569

Beggs & Lane

P. O. Box 12950

Pensacola, FL 32591

(850) 432-2451

Attorneys for Gulf Power Company