

Matilda Sanders

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Sent: Friday, October 21, 2005 2:37 PM
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Subject: Gulf Power Company's 050007 Amendment/Addendum to Petition
Attachments: 050007 AmendmentAddendum.pdf



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Attached is the Amendment/Addendum to Petition of Gulf Power Company in Docket No. 050007-EI. It consists of seven (7) pages.

If there are any questions concerning this filing, please do not hesitate to contact Jeffrey A. Stone or Russell A. Badders of Beggs & Lane at 850-432-2451, counsel for Gulf Power Company.

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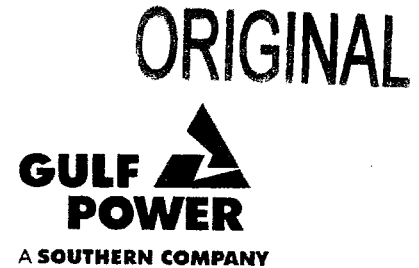
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October 21, 2005

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:

Re: Docket No. 050007-EI

Enclosed are an original and fifteen copies of Amendment/Addendum to
Petition of Gulf Power Company to be filed in the above referenced docket.

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,

lw

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery Clause)
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Docket No.: 050007-EI
Filed: October 21, 2005

AMENDMENT/ADDENDUM TO PETITION OF GULF POWER COMPANY

GULF POWER COMPANY ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned counsel, hereby seeks authorization to file this amendment/addendum to its Petition filed on September 16, 2005 with the Florida Public Service Commission ("Commission") in order to specifically request approval of two additional new environmental projects, the Scrubber Project and the Plant Smith Baghouse Project, as projects qualifying for recovery treatment in the Environmental Cost Recovery Clause. As grounds for the relief requested by this amendment/addendum to petition, the Company would respectfully show:

1. Although the two projects were described in the direct testimony of James O. Vick dated September 16, 2005 that was filed with the Company's petition on September 16, 2005, Gulf inadvertently omitted the Scrubber Project and the Plant Smith Baghouse Project from the petition itself. The testimony of Mr. Vick dated September 16, 2005, including the discussion of the Scrubber Project and the Plant Smith Baghouse Project, was incorporated by reference in the petition.

2. In the Company's "Preliminary List of New Projects to be Submitted for Environmental Cost Recovery" dated July 26, 2005, Gulf included two new projects entitled "Clean Air Interstate Rule (CAIR) Implementation" and "Clean Air Mercury Rule (CAMR) Implementation". As discussed in detail below, the Scrubber Project and the Plant Smith Baghouse Project are outgrowths from and are part of the CAIR Implementation Project and/or

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the CAMR Implementation as described in the Company's filing on July 26, 2005. The parties and Commission Staff have submitted discovery requests related to these two projects. Gulf has either responded to or is in the process of responding to all such discovery requests.

3. Through this amendment/addendum to its petition, Gulf seeks to clarify the relief that it is requesting with regard to these two projects. Gulf is seeking approval of these two projects as qualifying for recovery treatment in the Environmental Cost Recovery Clause. Both projects qualify for treatment under the Commission's policy regarding Allowance for Funds Used During Construction (AFUDC) and therefore the projected expenditures in 2006 will not be included in the cost recovery factors applied to customer energy consumption for billing purposes until such time as the associated equipment goes to plant-in-service which, in both cases, is not projected to occur during the year 2006. As a result, this amendment has no impact on the factors for 2006 proposed by Gulf in its petition filed on September 16, 2005.

4. Rather than restate the entire petition filed by Gulf in this docket on September 16, 2005 as part of this pleading, that original petition is hereby incorporated herein by reference. By this pleading, Gulf seeks to amend and supplement paragraph (5) of Gulf's original petition to include the following subparagraphs (D) and (E) as though they were incorporated therein when originally filed:

(D.) Scrubber Project: The Scrubber Project, is necessary to comply with the Clean Air Interstate Rule (CAIR) promulgated by the United States Environmental Protection Agency (EPA) on March 10, 2005. The CAIR is published in Chapter 40 Code of Federal Regulations (CFR) Parts 51, 72, 73, 74, 77, 78, and 96. The new requirements of CAIR restrict sulfur dioxide ("SO₂") and nitrogen oxide ("NO_x") air emissions that contribute to fine particulate and ground level ozone in downwind states. The Florida Department of

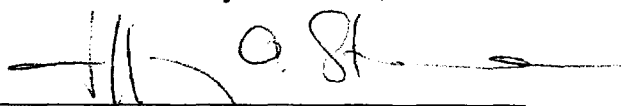
Environmental Protection (FDEP) has proposed rulemaking to adopt CAIR by January 2006 with a State Implementation Plan (SIP) due by September 2006. Based on the information available to Gulf at this time, CAIR is projected to require the installation of Scrubber technologies at Plant Crist with an in-service date of April 2010. In addition, the EPA has indicated that the Best Available Retrofit Technology (BART) emission control requirements of the Regional Haze Rule may be satisfied by compliance with CAIR. The Regional Haze Rule was promulgated on July 6, 2005. The FDEP will begin rulemaking in 2006 to adopt a SIP requiring BART-eligible sources to propose BART controls or to demonstrate through modeling why they should be exempt from BART regulation. Depending on the outcome of FDEP's actions, the Scrubber Project may also be required by BART. Given the timeline for compliance with CAIR, Gulf must begin incurring expenditures during 2006 in preparation for construction of the retrofits necessary to comply. The 2006 projected expenditures for the Scrubber Program total \$43.5 million. This amount includes expenditures for materials, contract services, and engineering and design costs regarding the retrofits needed to comply with CAIR. The amounts associated with the Scrubber Project are capital expenditures which are not recovered through any other cost recovery mechanism or through base rates. The Scrubber Project qualifies for treatment under the Commission's policy regarding Allowance for Funds Used During Construction (AFUDC) and therefore the projected expenditures in 2006 will not be included in the cost recovery factors applied to customer energy consumption for billing purposes until such time as the associated equipment goes to plant-in-service, which is not projected to occur during the year 2006. The Company will have expenditures during 2006 for activities necessary for Gulf to meet the short timeline for compliance. The engineering costs projected for 2006 are required because the Company has a limited timeframe in which to evaluate what environmental

controls are necessary and to begin construction in time to meet the anticipated environmental requirements. The expenditures associated with this project will be allocated to the rate classes on a demand basis.

(E.) Plant Smith Baghouse Project: The Baghouse Project is necessary to meet the Clean Air Mercury Rule (CAMR) (Chapter 40 CFR Parts 60, 72, and 75) requirements adopted by EPA on March 15, 2005. The CAMR requires reduction in mercury emissions from new and existing coal fired power plants. The CAMR will achieve a 70% reduction in mercury emissions in two phases, the first of which becomes effective in 2010. The FDEP will adopt a SIP by November 2006. Gulf must begin incurring costs for preliminary engineering and further development of its strategy for compliance during 2006 in order to meet the requirements of CAMR. The projected expenditures for 2006 are \$4.8 million. These expenditures are not recovered through any other cost recovery mechanism or through base rates. The Plant Smith Baghouse Project qualifies for treatment under the Commission's policy regarding AFUDC and therefore the projected expenditures in 2006 will not be included in the cost recovery factors applied to customer energy consumption for billing purposes until such time as the associated equipment goes to plant-in-service, which is not projected to occur during the year 2006. The Company will have expenditures during 2006 related to activities necessary for Gulf to meet the short timeline for compliance. The engineering costs projected for 2006 are required because the Company has a limited timeframe in which to evaluate what environmental controls are necessary and to begin construction in time to meet the anticipated environmental requirements. The expenditures associated with this project will be allocated to the rate classes on a demand basis.

WHEREFORE, Gulf Power Company respectfully requests the Commission to grant Gulf leave to file this amendment/addendum to its petition filed in Docket 050007-EI on September 16, 2005, and thereafter treat Gulf's petition as though it specifically listed the Scrubber Project and the Plant Smith Baghouse Project as subparagraphs (D.) and (E.) of paragraph (5) of the original petition filed on September 16, 2005 and grant such other relief as is just and reasonable under the circumstances.

Respectfully submitted this 21st day of October, 2005.



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Attorneys for Gulf Power Company

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 21st day of October 2005 by U.S. Mail or hand delivery to the following:

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