

120907-12

EXHIBIT "B"

**REDACTED**

ECR-1

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Table 3.1-1  
Compliance Program Capital Expenditures  
\$ in Thousands

	Prior Years**	2012	2013	2014	2015	2016	2017	2018	2019	Total
<b>By Plant</b>										
<b>Plant Crist</b>										
Mercury Monitoring		105								
Unit 6 SCR	147,790	51,094								
Units 4-7 Scrubber	633,762									
<b>Plant Scholz</b>										
Mercury Monitoring	644									
<b>Plant Smith</b>										
Unit 2 Baghouse*										
Unit 1 SNCR	8,363									
Unit 2 SNCR	2,905									
Mercury Monitoring	1,433									
Units 1-2 Scrubber *										
CAIR Parametric Monitor	230									
<b>Plant Daniel</b>										
Mercury Monitoring										
Unit 1 SCR										
Unit 2 SCR										
Units 1 & 2 Scrubber	23,737									
Unit 1 Low NOx Burners	3,187									
Unit 2 Low NOx Burners	3,586									
<b>By Project</b>										
Mercury Monitoring	2,077	105								
SCRs	147,790	51,094								
Scrubbers	657,499									
SNCRs	11,268									
Baghouse										
CAIR Parametric Monitor	230									
Low Nox Burners	6,773									
<b>Annual Total</b>	<b>825,637</b>									

\* Phase II projects that have not been approved for ECRC recovery

\*\*2006-2011 expenditures

Expenditures presented for Plant Daniel represent Gulf's ownership portion.

Allowance cost projections are not included in Table 3.1-1

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**Table 3.1-2  
Compliance Program Plant O&M Expenses  
\$ in Thousands**

	2012	2013	2014	2015	2016	2017	2018	2019	Total
<b>By Plant</b>									
<b>Plant Crist</b>									
Mercury Monitoring									
Unit 6 SCR									
Units 4-7 Scrubber									
<b>Plant Scholz</b>									
Mercury Monitoring									
<b>Plant Smith</b>									
Unit 2 Baghouse*									
Unit 1 SNCR									
Mercury Monitoring									
Units 1-2 Scrubber*									
CAIR Parametric Monitor									
<b>Plant Daniel</b>									
Mercury Monitoring									
Unit 1 SCR									
Unit 2 SCR									
Units 1&2 Scrubber									
Unit 1 Low NOx Burners									
Unit 2 Low NOx Burners									
<b>By Project</b>									
Mercury Monitoring									
SCRs									
Scrubbers									
SNCRs									
Baghouse									
CAIR Parametric Monitor									
Low NOx Burners									
<b>Annual Total</b>									

\* Phase II projects that have not been approved for ECRC recovery  
Expenses presented for Plant Daniel represent Gulf's ownership portion.  
Allowance cost projections are not included in Table 3.1-2

analysis retired and replaced Gulf's ownership portion of Daniel Units 1 and 2 with one 2x1 MHI GAC series combined cycle, avoiding the Daniel Units 1 and 2 SCRs in the fall of 2018 and the fall of 2017, respectively, and the fall 2015 scrubber installations. It was assumed in this study that the replacement CC would be placed on the Plant Crist site. Due to permitting and construction lead time constraints, the Plant Crist CC could not be online until 2018. Therefore, market replacement capacity and energy purchases were assumed from January 2015 until the replacement unit is available.

A transmission study was performed which concluded there were significant costs associated with retiring Gulf's ownership portion of Daniel Units 1 and 2 and replacing the units with a CC at Plant Crist. The cost of transmission improvements required to place the Crist CC in service in 2018 is projected to be approximately \$ [REDACTED]

**Results**

An economic evaluation of the Plant Daniel CC replacement option was performed to compare customer costs from 2012-2041. The CC replacement option was compared to the cost of continuing to operate Gulf's ownership portion of Plant Daniel Units 1 and 2 with SCRs and scrubbers. Table 3.3-1 presents the NPV customer costs resulting from a comparison of costs of a replacement combined cycle unit minus Gulf's 50% ownership cost to continue to operate Daniel Units 1 and 2 with SCRs and scrubbers.

It shows that for eight of the nine scenarios considered, it is more beneficial to Gulf's customers to retrofit Plant Daniel Units 1 and 2, as proposed, rather than replacing them with a CC unit. In addition, transmission upgrades have long lead times due to permitting and construction limitations; therefore, market purchases for a 2015 replacement would be necessary. Even without monetizing the fuel diversity benefits of retaining coal generation on its system, the analysis shows that the proposed retrofit of the Plant Daniel Units is preferable to their replacement.

**Table 3.3-1**  
**Net Replacement Costs – Daniel Units 1 and 2**  
**NPV\* 2012 in millions**

2  
3  
4

Fuel/CO <sub>2</sub>	Existing CO <sub>2</sub>	Moderate CO <sub>2</sub>	Substantial CO <sub>2</sub>
High	[REDACTED]	[REDACTED]	[REDACTED]
Moderate	[REDACTED]	[REDACTED]	[REDACTED]
Low	[REDACTED]	[REDACTED]	[REDACTED]

\*Reflects Gulf ownership portion only