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July 26, 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 Gulf Power Company's "Preliminary List of New Projects for Cost Recovery" for the period January – December 2006. These projects will be discussed in more detail in the pre-filed projection testimony in the Environmental Cost Recovery Clause.

Sincerely,

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

db

Enclosure

cc: Beggs and Lane
J. A. Stone, Esquire
Florida Public Service Commission
James Breman

DOCUMENT NUMBER - DATE

07159 JUL 27 '05

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery)
Clause)
_____)

Docket No. 050007-EI

Certificate of Service

this 26th day of July 2005 by U.S. Mail or hand delivery to the following:

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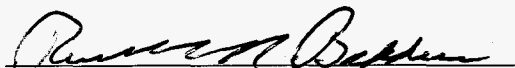
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

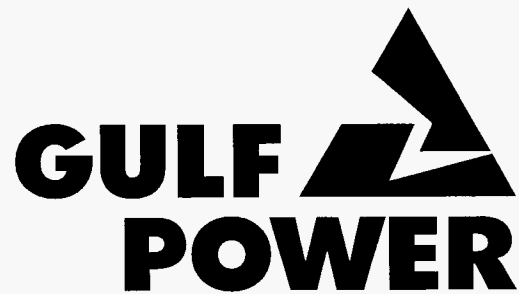
**ENVIRONMENTAL COST RECOVERY
CLAUSE**

DOCKET NO. 050007-EI

**PRELIMINARY LIST-
NEW PROJECTS FOR COST RECOVERY**

**FOR THE PERIOD
JANUARY 2006 – DECEMBER 2006**

July 26, 2005



A SOUTHERN COMPANY

DOCUMENT NUMBER DATE

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FPSC-COMMISSION CLERK

**PRELIMINARY LIST OF NEW PROJECTS TO BE SUBMITTED FOR
ENVIRONMENTAL COST RECOVERY**

Project: Clean Air Interstate Rule (CAIR) Implementation

Law/Regulation Requiring Project: Clean Air Interstate Rule (Chapter 40 Code of Federal Regulations (CFR) Parts 51, 72, 73, 74, 77, 78, and 96) was adopted by the Environmental Protection Agency (EPA) on March 10, 2005.

Description: The CAIR restricts sulfur dioxide (“SO₂”) and nitrogen oxide (“NO_x”) air emissions that contribute to fine particulate and ground level ozone in downwind states. The CAIR will use a two phase approach to reduce SO₂ and NO_x emissions from electric generating units in 28 eastern states including Florida by 2015. The Florida Department of Environmental Protection (FDEP) has proposed rulemaking to adopt CAIR by January 2006 with a State Implementation Plan due by September 2006. Gulf will begin incurring preliminary engineering and design costs during 2006 to determine the best strategy to comply with CAIR. CAIR may require the installation of a Scrubber at Plant Crist on Unit 6 and Unit 7 as well as Selective Non-Catalytic Reduction technologies at Plant Smith on Unit 1 and Unit 2.

Estimated Capital Expenditures: Not Available at this time

Estimated O&M Expenses: Not Available at this time

Project: Clean Air Mercury Rule (CAMR) Implementation

Law/Regulation Requiring Project: Clean Air Mercury Rule (Chapter 40 CFR Parts 60, 72, and 75) was adopted by EPA on March 15, 2005.

Description: The CAMR limits mercury emissions from new and existing coal fired power plants. CAMR will achieve a 70% reduction in mercury emissions in two phases becoming effective in 2010 and 2018. The FDEP will begin rulemaking in 2005 to adopt a State Implementation Plan due by November 2006. Gulf will begin incurring costs for preliminary engineering and strategy development during 2006. This project will include emission controls and emission monitoring equipment.

Estimated Capital Expenditures: Not Available at this time

Estimated O&M Expenses: Not Available at this time

Project: Best Available Retrofit Technology (BART) Rule Implementation

Law/Regulation Requiring Project: Regional Haze Regulation and Guidelines for BART Determinations (Chapter 40 CFR Part 51)

Description: In 1999, the EPA issued regulations to improve visibility, or visual air quality, in 156 national parks and wilderness areas across the country. The regional haze regulation called for states to establish goals for improving visibility in national parks and wilderness areas and to develop long-term strategies for reducing emissions of air pollutants that cause visibility impairment. The pollutants of concern include fine particulate matter and their precursors such as nitrogen oxides, sulfur dioxides, certain volatile organic compounds, and ammonia. On June 15, 2005, EPA issued final amendments to the regional haze rule that require emission controls known as Best Available Retrofit Technology, or BART, for industrial facilities emitting air pollutants that reduce visibility. The FDEP will begin rulemaking in 2006 to adopt a State Implementation Plan requiring BART-eligible sources to propose BART controls or to demonstrate through modeling why they should be exempt from BART regulation. FDEP intends to issue all BART-related permits by the November 2007 deadline. Gulf will begin incurring costs for preliminary engineering and strategy development during 2006.

Estimated Capital Expenditures: Not Available at this time

Estimated O&M Expenses: Not Available at this time

Project: Plant Crist Unit 6 Condenser Tubes

Law/Regulation Requiring Project: Surface Water Quality Standards, Chapter 62 Part 302, Florida Administrative Code (F.A.C.), incorporated in the National Pollutant Discharge Elimination System (NPDES) Industrial Wastewater permit number FL0002275

Description: The water quality based copper effluent limitations included in Chapter 62 Part 302, F.A.C. were amended in April 2002 with an effective date of May 2002. The more stringent hardness based standard is included by reference in the Plant Crist NPDES industrial wastewater permit. Plant Crist plans to install titanium condenser tubes on Unit 6 during 2006 in an effort to meet the revised water quality standards during times of lower hardness in the river water.

Surface water studies were conducted from 2003 through 2005 to determine the source of aqueous copper in the effluent. The April 2005 study concluded that the Crist Unit 6 condenser is the main source of the incremental copper increase in the Plant Crist discharge.

Estimated Capital Expenditures: \$3,500,000

Project: Plant Crist Water Conservation Project

Law/Regulation Requiring Project: Northwest Florida Water Management District Individual Water Use Permit Number 19850074 issued January 27, 2005.

Description: Specific condition number six of the above referenced permit requires Plant Crist to implement measures to increase water conservation and efficiency at the facility. The proposed Plant Crist Water Conservation Project is an extension of Gulf's water conservation and consumptive use efficiency program. Plant Crist will install automatic level controls on the fire water tanks during 2006 to reduce groundwater usage.

Estimated Capital Expenditures: \$75,000 - \$100,000

Project: Precipitator Upgrades

Law/Regulation Requiring Project: Compliance Assurance Monitoring (CAM) requirements are regulated under Title V of the 1990 Clean Air Act Amendments (CAAA).

Description: CAM requirements are regulated under Title V of the 1990 CAAA which require a method of continuously monitoring particulate emissions. Opacity can be used as a surrogate parameter if the precipitator demonstrates a correlation between opacity and particulate matter. Gulf demonstrated this correlation by stack testing in 2003 and 2004, and submitted the results to the FDEP as part of the CAM plan included in Gulf's Title V Air Permit renewal applications in June 2004.

The precipitator upgrades are necessary to meet the more stringent surrogate opacity standards under CAM. The first phase of this project, the Smith Unit 2 precipitator project was placed in service in April 2005. The second phase, the Smith Unit 1 precipitator upgrade, will be initiated in 2006 with an estimated completion date of second quarter 2007. We also anticipate the need for similar precipitator upgrade projects related to the new CAM regulations at other Gulf coal fired generating units that will ultimately be included within this project title for future recovery periods.

Estimated 2006 Capital Expenditures: \$4,600,000 \pm 30%

Estimated 2007 Capital Expenditures: \$4,500,000 \pm 30%