

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENVIRONMENTAL COST RECOVERY
CLAUSE**

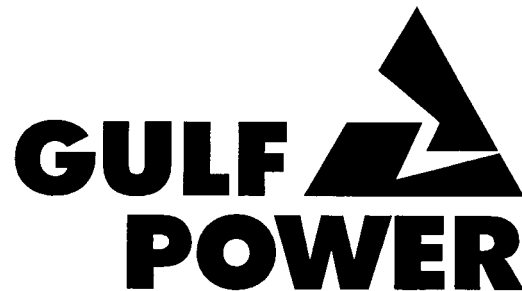
DOCKET NO. 050007-EI

**PREPARED DIRECT TESTIMONY
OF
JAMES O. VICK**

**PROJECTION FILING
FOR THE PERIOD**

JANUARY 2006 – DECEMBER 2006

SEPTEMBER 16, 2005



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

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GULF POWER COMPANY
Before the Florida Public Service Commission
Prepared Direct Testimony and Exhibit of
James O. Vick
Docket No. 050007-EI
September 16, 2005

Q. Please state your name and business address.

A. My name is James O. Vick and my business address is One Energy Place, Pensacola, Florida, 32520.

Q. By whom are you employed and in what capacity?

A. I am employed by Gulf Power Company as the Director of Environmental Affairs.

Q. Mr. Vick, will you please describe your education and experience?

A. I graduated from Florida State University, Tallahassee, Florida, in 1975 with a Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's Degree in Civil Engineering from the University of South Florida in Tampa, Florida. In addition, I have a Masters of Science Degree in Management from Troy State University, Pensacola, Florida. I joined Gulf Power Company in August 1978 as an Associate Engineer. I have since held various engineering positions with increasing responsibilities such as Air Quality Engineer, Senior Environmental Licensing Engineer, and Manager of Environmental Affairs. In 2003,

1 I assumed my present position as Director of Environmental Affairs.

2

3 Q. What are your responsibilities with Gulf Power Company?

4 A. As Director of Environmental Affairs, my primary responsibility is
5 overseeing the activities of the Environmental Affairs section to ensure the
6 Company is, and remains, in compliance with environmental laws and
7 regulations, i.e., both existing laws and such laws and regulations that
8 may be enacted or amended in the future. In performing this function, I
9 have the responsibility for numerous environmental activities.

10

11 Q. Are you the same James O. Vick who has previously testified before this
12 Commission on various environmental matters?

13 A. Yes.

14

15 Q. Mr. Vick, what is the purpose of your testimony?

16 A. The purpose of my testimony is to support Gulf Power Company's
17 projection of environmental compliance costs recoverable through the
18 Environmental Cost Recovery Clause (ECRC) during the period from
19 January 2006 through December 2006.

20

21 Q. Have you prepared an exhibit that contains information to which you will
22 refer in your testimony?

23 A. Yes, I have. My exhibit includes the following documents:

- 24 • Written concurrence from Florida Department of Environmental Protection
25 (FDEP) that the NO_x reduction activities Gulf proposes to implement for

1 the Plant Crist Units 4, 5, and/or 6 are reasonable and necessary to
2 achieve the emission limit specified in the terms of the August 28, 2002
3 agreement with FDEP.

- 4 • Plant Crist Consumptive Use Permit
 - 5 • Northwest Florida Water Management District (NFWWMD)
- 6 correspondence regarding the proposed Crist Water Conservation Plan.

7
8 Counsel: We ask that Mr. Vick's' Exhibit consisting
9 Consisting of three documents be marked
10 as Exhibit No. _____(JOV-1).

11
12 Q. Mr. Vick, please identify the capital projects included in Gulf's ECRC
13 projection filing.

14 A. A listing of the environmental capital projects for which Gulf seeks
15 recovery through the ECRC has been provided to Ms. Davis and is
16 included in Schedules 3P and 4P of her testimony. Schedule 4P reflects
17 the expenditures, clearings, retirements, salvage and cost of removal
18 currently projected by month for each of these projects. These amounts
19 were provided to Ms. Davis, who has compiled the schedules and
20 calculated the associated revenue requirements for Gulf's requested
21 recovery.

22
23 Q. Have all of the capital projects shown on Ms. Davis's schedules been
24 previously approved by the Commission?

25 A. No. Gulf's 2006 ECRC capital projection includes new projects in addition

1 to capital programs previously approved by the Commission.

2

3 Q. Mr. Vick, please describe the new projects within Gulf's Air Quality
4 programs that are to be considered for cost recovery.

5 A. The first project (Line Item 1.26), the Scrubber Project (PE 1222), is
6 necessary to comply with the Clean Air Interstate Rule (CAIR)
7 promulgated by the United States Environmental Protection Agency (EPA)
8 on March 10, 2005. The CAIR, which is published in Chapter 40 of the
9 Code of Federal Regulations (CFR) Parts 51, 72, 73, 74, 77, 78, and 96,
10 restricts sulfur dioxide ("SO₂") and nitrogen oxide ("NO_x") air emissions
11 that contribute to fine particulate and ground level ozone in downwind
12 states. The CAIR will use a two phase approach to reduce SO₂ emissions
13 from electric generating units in 28 eastern states including Florida in
14 2010 and 2015, respectively. FDEP has proposed rulemaking to adopt
15 CAIR by January 2006 with a State Implementation Plan due by
16 September 2006. EPA has indicated that compliance with CAIR may also
17 meet the Best Available Retrofit Technology (BART) emission control
18 requirements under the Regional Haze Rule. The Regional Haze Rule
19 was promulgated by EPA on July 6, 2005 to reduce visibility impairing
20 pollutants from twenty-six source categories, including electric generating
21 units. The FDEP will begin rulemaking in 2006 to adopt a State
22 Implementation Plan requiring BART-eligible sources to propose BART
23 controls or to demonstrate through modeling why they should be exempt
24 from BART regulation.

25 It is expected that CAIR will require the installation of Scrubber technology

1 at Plant Crist. The 2006 projected scrubber expenditures, totaling \$44.2
2 million, include materials, contract services, as well as engineering and
3 design costs to determine the best strategy to comply with CAIR. The
4 estimated in-service date for the Plant Crist scrubber system is April,
5 2010.

6 The second new air quality project (PE 1461) is the Plant Smith Baghouse
7 Project on Unit 2 (Line Item 1.27). The baghouse installation is necessary
8 to meet the Clean Air Mercury Rule (CAMR) (Chapter 40 CFR Parts 60,
9 72, and 75) requirements adopted by EPA on March 15, 2005. The
10 CAMR limits mercury emissions from new and existing coal fired power
11 plants. CAMR will achieve a 70% reduction in mercury emissions in two
12 phases effective in 2010 and 2018. The FDEP will begin rulemaking in
13 2005 to adopt a State Implementation Plan by November 2006. Gulf will
14 begin incurring costs for preliminary engineering and strategy
15 development during 2006 due to the thirty-six month lead time for design
16 and construction. The 2006 estimated expenditures are \$4.7 million.

17
18 Q. Mr. Vick, please describe the new Water Quality programs that Gulf seeks
19 to recover.

20 A. The first new project (Line Item 1.23) is the Plant Groundwater
21 Investigation (PEs 1218 and PE 1361). The FDEP published a new
22 arsenic groundwater standard that lowered the limit from 0.05 mg/L to
23 0.01 mg/L, effective January 1, 2005. Historical groundwater monitoring
24 data from Plants Crist and Scholz indicate that these facilities may not be
25 able to comply with the lower standard. Gulf is currently conducting a

1 groundwater study as part of the previously approved O & M General
2 Water Quality program due to projected groundwater concentrations
3 exceeding the new arsenic standard. The studies will determine the
4 nature of the potential impacts to groundwater and identify solutions
5 necessary to resolve this issue. Gulf expects to incur capital expenditures
6 of \$500,000 during 2006 to ensure continued compliance with the
7 groundwater standards.

8
9 The Crist Water Conservation Program included in Line Item 1.24 (PE
10 1227), is part of Gulf's water conservation and consumptive use efficiency
11 program required by the Company's consumptive water use permit. Plant
12 Crist's consumptive use permit, issued by the NFWMD, requires the
13 plant to implement measures to increase water conservation and
14 efficiency at the facility.

15 Plant Crist plans to install automatic level controls on the fire water tanks
16 during 2006 to reduce groundwater usage. Plant Crist estimates that the
17 proposed system will reduce water consumption by approximately 1.3
18 million gallons per year. The NFWMD has agreed that this is a valid
19 project to pursue for continued implementation of the water conservation
20 effort. The projected capital expenditure for this project is \$100,000.

21 Correspondence from the NFWMD regarding the Crist Water
22 Conservation Project is included in my Exhibit, JOV-1.

23
24 The third 2006 water quality project (Line Item 1.25) is the Crist
25 Condenser Tubes (PE 1204). The water quality based copper effluent

1 limitations included in Chapter 62 Part 302, Florida Administrative Code,
2 were amended in April 2002 with an effective date of May 2002. The
3 more stringent hardness based standard is included by reference in the
4 Plant Crist NPDES industrial wastewater permit.

5 Plant Crist plans to install stainless steel condenser tubes on Unit 6 during
6 2006 in an effort to meet the revised water quality standards. The copper
7 limit is calculated from an equation that is dependent upon the river water
8 hardness concentration. Rainfall events decrease river water hardness
9 consequently lowering the copper limit.

10 Surface water studies were conducted from 2003 through 2005 to
11 determine the source of aqueous copper in the effluent. The results of
12 the study concluded that the Crist Unit 6 condenser is the main source of
13 the incremental copper increase in the Plant Crist discharge. The
14 condenser tubes are expected to be placed in-service during May 2006
15 with project expenditures totaling \$5.5 million.

16
17 Q. Mr. Vick, please identify expenditures for the 2006 projection period
18 related to expansions of previously approved capital projects that are
19 required for environmental compliance.

20 A. There are seven other previously approved capital projects that have
21 additional capital expenditures. Four of the projects are related to Gulf's
22 existing Air Quality programs: Continuous Emission Monitoring (CEMs)
23 replacements, Precipitator Upgrades for CAM Compliance, the Sodium
24 Injection Program, and the Plant Crist FDEP Agreement for Ozone
25 Attainment. The Plant Daniel Ash Management project, the Plant Crist

1 SPCC Switchyard project, and the SO2 allowances will also have
2 projected capital expenditures in 2006.

3
4 1. CEMs- (Line 1.5)

5 During the 2006 recovery period the CEMs project includes the
6 replacement and relocation of flow monitors, gas analyzers, and the
7 CEMs shelter at Plant Smith (PEs 1444 and 1445). The gas analyzers
8 and flow monitors are necessary in order to provide the accuracy and
9 reliability needed to measure SO₂, NO_x, CO₂, and gas flow and further
10 maintain compliance with the Clean Air Act Amendment (CAAA)
11 requirements. The existing analyzers and monitors are approaching the
12 end of their useful life, and will be retired upon replacement. Relocating
13 the monitors to the stack will also reduce the cost of future mercury
14 emission monitoring. The 2006 expenditures are expected to be
15 \$600,000.

16
17 2. Sodium Injection Systems (Line Item 1.13)

18 Plant Crist plans to install an automatic sodium injection system on Units
19 4 and 5 during the fourth quarter of 2005 to regulate the amount of
20 sodium added to the coal supply. This project includes a silo storage tank
21 system and components that inject sodium bicarbonate directly onto the
22 coal feeder belt to enhance precipitator performance when low sulfur coal
23 is used at Plant Crist. The injection of sodium carbonate as an additive to
24 low sulfur coal reduces opacity levels to maintain compliance with Clean
25 Air Act provisions. The 2005 projected expenditures for this project are

1 \$300,000. Sodium Injection at Plant Smith was approved in Docket
2 Number No. 990667-EI for recovery through the ECRC.

3
4 3. Daniel Ash Management Project (Line 1.16)

5 Plant Daniel began preliminary design and permitting for a new on-site
6 ash storage facility during 2005 in preparation for the completion and
7 closure of the existing storage area. Expenditures for the new ash
8 storage facility are expected to be approximately \$2.9 million in 2006.
9 During 1994, the FPSC granted ECRC approval for the recovery of the
10 Daniel Ash Management Project in Order Number PSC-94-0044-FOF-EI.

11
12 4. Crist FDEP Agreement for Ozone Attainment (Line 1.19)

13 For the 2006 projection, Gulf has included capital costs associated with
14 the final phase of the Plant Crist FDEP Agreement for Ozone Attainment
15 (PE 1287) to meet the terms of the August 28, 2002 agreement with
16 FDEP. There are six activities described in the Agreement which the
17 Commission has declared are environmental compliance costs under the
18 requirements of Section 366.8255(1) (d) (7) of the Florida Statutes as
19 amended in 2002. Gulf was granted approval for recovery of the costs
20 prudently incurred in connection with these six activities in Docket No.
21 020943-EI through proposed agency action order PSC-02-1396-PAA-EI
22 (the "Order") which was made final by consummating order PSC-02-1593-
23 CO-EI issued November 18, 2002.

24 The sixth activity described in the Agreement and approved by the Order
25 is the implementation of NO_x emission reduction strategies on Crist Units

1 4, 5, and/or 6 by May 1, 2006. Gulf Power received written concurrence
2 from FDEP on August 10, 2004 that the Selective Non-Catalytic
3 Reduction (SNCR), low NO_x burner/overfire air technologies for Plant Crist
4 Unit 6, and Units 4 and 5 if necessary, meet the intent of the Agreement
5 and are prudent for the purposes of ensuring that Plant Crist supports the
6 Escambia/Santa Rosa County area's effort to maintain compliance with
7 the 8-hour ozone ambient air quality standard. A copy of the 2004
8 concurrence letter from FDEP is contained in my Exhibit, JOV-1.
9 Gulf expects the Crist Unit 6 SNCR, low NO_x burner/overfire air
10 technologies totaling approximately \$15 million to go in service in
11 December 2005. SNCR technologies may be installed on Units 4 and 5
12 during 2006 if the facility does not meet the 0.2 lb/mmbtu Agreement limit
13 after the Unit 6 SNCR is placed in-service. The 2006 expenditures for the
14 Crist Unit 4 and 5 SNCRs are estimated to be \$2.3 million

15
16 5. Crist Switchyard Stormwater Project (Line 1.20)

17 Completion of this project (PE 1272) has been postponed from 2005 until
18 2006. The original design incorporated the use of the abandoned Crist
19 Unit 6 discharge structure. After Hurricane Ivan, the Unit 6 structure was
20 reutilized to allow Unit 6 to operate on once through cooling. This has
21 resulted in design delays due to modifications to the Crist Switchyard
22 Storm Water project. Gulf expects the Crist Switchyard Stormwater
23 project totaling approximately \$854,000 to go in service in December
24 2006.

25

1 6. Precipitator Upgrades for CAM Compliance (Line Item 1.22)

2 CAM requirements are regulated under Title V of the 1990 Clean Air Act
3 Amendments (CAAA) which require a method of continuously monitoring
4 particulate emissions. Opacity can be used as a surrogate parameter if
5 the precipitator demonstrates a correlation between opacity and
6 particulate matter. Gulf demonstrated this correlation by stack testing in
7 2003 and 2004, and submitted the results to the FDEP as part of a CAM
8 plan which was included in Gulf's renewed Title V Air Permit effective in
9 January of 2005. The precipitator upgrades that are included under this
10 line item on Ms. Davis's schedules are necessary to meet the more
11 stringent surrogate opacity standards under CAM. The first phase of this
12 project, the Smith Unit 2 precipitator project, was placed in-service during
13 April 2005. The Unit 2 project was approved for ECRC recovery in Order
14 Number PSC-04-1187-FOF-EI. The second phase, the Smith Unit 1
15 precipitator upgrade (PE 1461), will be initiated in 2006 with an estimated
16 completion date of April 2007. The 2006 projected project expenditures
17 total \$4.3 million. Gulf anticipates the need for similar precipitator
18 upgrade projects related to the new CAM regulations at other Gulf coal
19 fired generating units that will ultimately be included within this project title
20 in future recovery periods.

21
22 7. SO₂ Allowances (Line Item 1.28)

23 Gulf Power has included the purchase of additional SO₂ allowances in the
24 2006 projection filing. Part of Gulf's strategy to comply with the Clean Air
25 Act Amendments of 1990 was to bring several of Gulf's Phase II

1 generating units into compliance early and bank the SO₂ allowances
2 associated with those units. This bank has slowly been drawn down over
3 the years due to more allowances being consumed than are allocated to
4 Gulf by EPA. Gulf's allowance bank is expected to be completely
5 depleted in the year 2007. Gulf proposes to meet this shortfall by
6 executing forward contracts to secure 15,000 2006 vintage allowances
7 and 15,000 2007 vintage allowances. Additional forward contracts for
8 future vintage year allowances will be executed if future forecasts predict
9 a continuous need. Gulf's strategy also includes possible spot market
10 purchases of allowances as prices dictate. The reasoning behind the
11 strategy of forward contracts and spot market purchases to secure
12 allowances in 2006 and 2007 is Gulf's concern over the availability and
13 the price of SO₂ allowances as the compliance deadline for CAIR
14 approaches. The price of allowances have almost quadrupled in the last
15 eighteen months. Additionally, many utilities are no longer selling any
16 allowances in anticipation of their own shortfall in the coming years.

17
18 Q. Please compare the Environmental Operation and Maintenance (O & M)
19 activities listed on Schedule 2P of Ms. Davis's Exhibit to the O & M
20 activities approved for cost recovery in past ECRC proceedings.

21 A. All of the O & M activities listed on Schedule 2P have been approved for
22 recovery through the ECRC in past proceedings.

23
24
25

1 Q. Please describe the O & M activities included in the Air Quality category
2 that have projected expenses in 2006.

3 A. There are five O & M activities included in the Air Quality category that
4 have projected expenses in 2006. On Schedule 2P, Air Emission Fees
5 (Line Item 1.2), represents the expenses projected for the annual fees
6 required by the CAAA that are payable to the FDEP. The expenses
7 projected for the recovery period total \$779,874.

8
9 Included in the Air Quality category, Title V (Line Item 1.3), represents
10 projected expenses associated with the implementation of the Title V
11 permits. The total estimated expenses for the Title V Program during
12 2006 is \$72,460.

13
14 On Schedule 2P, Asbestos Fees (Line Item 1.4), consists of the fees
15 required to be paid to the FDEP for the purpose of funding the State's
16 asbestos abatement program. The expenses projected for the recovery
17 period total \$2,000.

18
19 Emission Monitoring (Line Item 1.5) on Schedule 2P reflects an ongoing
20 O & M expense associated with the Continuous Emission Monitoring
21 (CEM) equipment as required by the CAAA. These expenses are incurred
22 in response to EPA's requirements that the Company perform Quality
23 Assurance/Quality Control (QA/QC) testing for the CEMs, including
24 Relative Accuracy Test Audits (RATAs) and Linearity Tests. Other
25 activities within this category include the testing, development, and

1 implementation of new compliance assurance monitoring requirements
2 associated with the Clean Air Act Amendment. The expenses expected to
3 occur during the 2006 recovery period for these activities total \$545,520.

4
5 The FDEP NO_x Reduction Agreement (Line Item 1.20), includes the O &
6 M cost associated with the Plant Crist Unit 7 SCR and Crist Units 4-6
7 SNCR projects that were included as part of the 2002 agreement with
8 FDEP. This O & M line item includes the cost of anhydrous ammonia,
9 urea, air monitoring, and general operation and maintenance expenses
10 related to the activities undertaken in connection with the Agreement.
11 Gulf was granted approval for recovery of the costs incurred to complete
12 these activities in Docket No. 020943-EI through Order Number PSC-02-
13 1396-PAA EI. The projected expenses for the 2006 recovery period total
14 \$4,250,000.

15
16 Q. What O & M activities are included in Water Quality?

17 A. The first activity, General Water Quality (Line Item 1.6), identified in
18 Schedule 2P, includes Soil Contamination Studies, Dechlorination,
19 Groundwater Monitoring Plan Revisions, Surface Water Studies, and the
20 Cooling Water Intake Program. The expenses expected to be incurred
21 during the projection period for this Line Item total \$517,166.

22
23 The second activity listed in the Water Quality Category, Groundwater
24 Contamination Investigation (Line Item 1.7), was previously approved for
25 environmental cost recovery in Docket No. 930613-EI. This activity is

1 projected to incur incremental expenses totaling \$1,166,752.

2
3 Line Item 1.8, State NPDES Administration, was previously approved for
4 recovery in the ECRC and reflects expenses associated with annual fees
5 for Gulf's three generating facilities in Florida. These expenses are
6 expected to be \$34,500 during the projected recovery period.

7
8 Finally, Line Item 1.9, Lead and Copper Rule, was also previously
9 approved for ECRC recovery and reflects sampling, analytical and
10 chemical costs related to lead and copper in drinking water. These
11 expenses are expected to total \$12,500 during the 2006 projection period.

12
13 Q. What activities are included in the Environmental Affairs Administration
14 Category?

15 A. Only one O & M activity is included in this category on Schedule 2P (Line
16 Item 1.10) of Ms. Davis's exhibit. This line item refers to the Company's
17 Environmental Audit/Assessment function. This program is an
18 on-going compliance activity previously approved for ECRC recovery.
19 Expenses totaling \$1,300 are expected during the 2006 recovery period.

20
21 Q. What O & M activities are included in the General Solid and Hazardous
22 Waste category?

23 A. Only one program, General Solid and Hazardous Waste (Line Item 1.11)
24 is included in the Solid and Hazardous Waste category on Schedule 2P.
25 This activity involves the proper identification, handling, storage,

1 transportation and disposal of solid and hazardous wastes as required by
2 federal and state regulations. The program includes expenses for Gulf's
3 generating and power delivery facilities. This program is a previously
4 approved program that is projected to incur incremental expenses totaling
5 \$351,165.
6

7 Q. In addition to the four major O & M categories listed above, are there any
8 other O & M activities which have been approved for recovery that have
9 projected expenses?

10 A. Yes. There are three other O & M categories which have been approved
11 in past proceedings which have projected expenses. They are the Above
12 Ground Storage Tanks activity, the Sodium Injection System, and SO₂
13 Allowances.
14

15 Q. What O & M activities are included in the Above Ground Storage Tanks
16 category?

17 A. Only one program, Above Ground Storage Tanks (Line Item 1.12), is
18 included in this category. This program is expected to incur \$95,600 of
19 expenses during 2006.
20

21 Q. What activity is included in the Sodium Injection (Line Item 1.16)
22 category?

23 A. The Sodium Injection System, approved in Docket Number No. 990667-EI
24 for inclusion in the ECRC, involves sodium injection to the coal supply to
25 enhance precipitator efficiencies when burning certain low sulfur coals at

1 the plant. The line item projected expenses for the 2006 recovery period
2 total \$240,000.

3
4 Q. Please describe the activity included in the SO₂ Allowances (Line Item
5 1.20).

6 A. This program includes expenses for SO₂ allowances for Gulf's generating
7 plants. The purchase of additional allowances has increased the
8 weighted average cost of allowances being expensed.

9
10 Q. Mr. Vick, does this conclude your testimony?

11 A. Yes.

12

13

14

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Exhibit to the Testimony of James O. Vick

Exhibit (JOV-1)_____

<u>Enclosed Documentation</u>	<u>Page</u>
FDEP letter to Gulf Power dated August 10, 2004	1
Plant Crist Consumptive Use Permit	3
NFWMD correspondence to Gulf Power dated August 17, 2005	10



Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Colleen M. Castille
Secretary

August 10, 2004

James O. Vick
Director, Environmental Affairs
Gulf Power Company
One Energy Place
Pensacola, Florida 32520-0328

Re: Crist Electric Generating Plant
FDEP/Gulf Power Ozone Reduction Agreement

Dear Mr. Vick:

Thank you for your letter dated April 30, 2004, outlining Gulf Power Company's ("Gulf Power") plans and draft schedule for implementing air pollution controls on Unit 6 of the Crist facility pursuant to the Ozone Reduction Agreement ("Agreement") entered between the Florida Department of Environmental Protection and Gulf Power. Based upon your letter, as well as conversations in late May of this year during a site visit, it is my understanding that Gulf Power will be installing and operating selective non-catalytic reduction ("SNCR") technology, as well as a low NO_x burner/overfire air system, on Unit 6 by no later than May 1, 2006. In the event additional NO_x controls are required on Units 4 and/or 5 to achieve the NO_x emission limit of 0.2 lb/mmBtu as outlined in the Agreement, it is my understanding SNCR would be installed on Units 4 and 5 in the fall of 2005 and spring of 2006, respectively.

After reviewing the Agreement, FDEP concurs that the SNCR, low NO_x burner/overfire air technologies for Unit 6, and Units 4 and 5 if necessary, meet the intent of the Agreement and are prudent for purposes of (a) ensuring that the Crist facility supports the Escambia/Santa Rosa/Bay County area's compliance with the 8-hour ozone ambient air quality standard and (b) authorizing related cost recovery pursuant to Section 366.8255(1)(d), Florida Statutes, as amended by the Florida Legislature in its 2002 session and signed into law by the Governor of the State of Florida.

"More Protection. Less Process"

Printed on recycled paper.

Mr. James Vick
August 10, 2004
Page Two

We expect these upgrades to contribute significantly to improved air quality in the Pensacola region. Because of Gulf Power's commitment to ozone reduction, Pensacola is on a fast track for important air quality improvements, which is tremendous news for the environment, economy, and community of Northwest Florida. Please contact me at (850) 488-0114 if you have any questions regarding this matter.

Sincerely,



Michael G. Cooke, Director
Division of Air Resource Management

MGC/bja



Douglas E. Barr
Executive Director

Northwest Florida Water Management District

Division of Resource Regulation
152 Water Management Drive, Havana, Florida 32333-4711
(U.S. Highway 90, 10 miles west of Tallahassee)
(850) 539-5999 • (Suncom) 793-5999 • (Fax) 539-2777

January 28, 2005

Gulf Power, Inc.
Crist Electric Generating Plant
One Energy Place
Pensacola, FL 32520-0328

NOTICE OF AGENCY ACTION
Individual Water Use Permit No. 19850074
Consumptive Use Permit Application No. I06475

Dear Permittee:

Your Individual Water Use Permit was approved by the Governing Board of the Northwest Florida Water Management District at a public hearing on January 27, 2005. The permit issued is subject to the terms and conditions set forth in the enclosed permit document. As you are legally responsible for compliance with the conditions of the permit please read the document thoroughly. Pay close attention to any condition(s) of the permit which require the one-time or periodic submittal of information to the District.

If the property where the withdrawal facility is located changes ownership, the permit must be transferred. A permit transfer request must be made on NWFWM Form A2-F and approved by the Executive Director. If the permit is not transferred you may remain responsible for compliance with the conditions of the permit.

If you have any questions concerning the permit document or if the District can be of any other service, please let us know.

Sincerely,

Angela Chilette, Chief
Bureau of Ground Water
Division of Resource Regulation

Enclosure

cc: Richard M. Markey

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Eastpoint

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Vice Chair
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SHARON T. GASKIN
Wewahitchka

RICHARD PETERMANN
Fort Walton Beach

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
INDIVIDUAL WATER USE PERMIT**
(NFWFMD Form No. A2-E)

Permit granted to:	Permit No.: <u>19850074 Modification/Renewal</u>
<u>Gulf Power Company</u> <u>Crist Electrical Generating Plant</u> <u>One Energy Place</u>	Date Permit Granted: <u>January 27, 2005</u>
<u>Pensacola, Florida 32520-0328</u> (Legal Name and Address)	Permit Expires On: <u>February 1, 2010</u> <u>Sand-and-Gravel Aquifer</u> <u>Governor's Bayou/</u>
	Source Classification: <u>Escambia River</u>
	Use Classification: <u>Public Supply</u> <u>Power Generation</u>
County: <u>Escambia</u> Area: <u>C</u>	Location: Section <u>25</u> 1/4 Section _____
Application No.: <u>I06475</u>	Township <u>1 North</u> Range <u>30 West</u>

Terms and standard conditions of this Permit are as follows:

1. That all statements in the application and in supporting data are true and accurate and based upon the best information available, and that all conditions set forth herein will be complied with. If any of the statements in the application and in the supporting data are found to be untrue and inaccurate, or if the Permittee fails to comply with all of the conditions set forth herein, then this Permit shall be revoked as provided by Chapter 373.243, Florida Statutes.
2. This Permit is predicated upon the assertion by the Permittee that the use of water applied for and granted is and continues to be a reasonable and beneficial use as defined in Section 373.019(4), Florida Statutes, is and continues to be consistent with the public interest, and will not interfere with any legal use of water existing on the date this Permit is granted.
3. This Permit is conditioned on the Permittee having obtained or obtaining all other necessary permit(s) to construct, operate and certify withdrawal facilities and the operation of water system.
4. This Permit is issued to the Permittee contingent upon continued ownership, lease or other present control of property rights in underlying, overlying, or adjacent lands. This Permit may be assigned to a subsequent owner as provided by Chapter 40A-2.351, Florida Administrative Code, and the acceptance by the transferee of all terms and conditions of the Permit.

5. This Permit authorizes the Permittee to make a combined average annual withdrawal of 257,500,000* gallons of water per day, a maximum combined withdrawal of 305,400,000** gallons during a single day, and a combined monthly withdrawal of 9,366,700,000*** gallons. Withdrawals for the individual facilities are authorized as shown in the table below in paragraph six. However, the total combined amount of water withdrawn by all facilities listed in paragraph six shall not exceed the amounts identified above.


6. Individual Withdrawal Facility Authorization

WITHDRAWAL POINT ID NO.	LOCATION SEC,TWN,RNG	GALLONS/DAY AVERAGE	GALLONS/DAY MAXIMUM
CEGP #2 (AAA6423)	Sec. 25, T1N, R30W		720,000 Abandoned
CEGP #3 (AAA6421)	Sec. 25, T1N, R30W		1,080,000
CEGP #4 (AAA6418)	Sec. 25, T1N, R30W		1,080,000
CEGP #5 (AAA6420)	Sec. 25, T1N, R30W		1,080,000
CEGP #6 (AAA6419)	Sec. 25, T1N, R30W		1,080,000
CEGP #7	Sec. 25, T1N, R30W		1,080,000
CEGP 1A	Sec. 25, T1N, R30W		24,480,000
CEGP 1B	Sec. 25, T1N, R30W		24,480,000
CEGP 2A	Sec. 25, T1N, R30W		24,480,000
CEGP 2B	Sec. 25, T1N, R30W		24,480,000
CEGP 3A	Sec. 25, T1N, R30W		28,800,000
CEGP 3B	Sec. 25, T1N, R30W		28,800,000
CEGP 4A	Sec. 25, T1N, R30W		56,160,000
CEGP 4B	Sec. 25, T1N, R30W		56,160,000
CEGP 5A	Sec. 25, T1N, R30W		56,160,000
CEGP 5B	Sec. 25, T1N, R30W		56,160,000
CEGP 6A/7A	Sec. 25, T1N, R30W		17,568,000
CEGP 6B/7B	Sec. 25, T1N, R30W		17,568,000
CEGP 7C/7C	Sec. 25, T1N, R30W		17,568,000
* 2,500,000 Ground Water – 255,000,000 Surface Water			
** 5,400,000 Ground Water – 300,000,000 Surface Water			
*** 88,360,000 Ground Water – 9,278,300,000 Surface Water			

7. The use of the permitted water withdrawal is restricted to the use classification set forth by the Permit. Any change in the use of said water shall require a modification of this Permit.

8. The District's staff, upon proper identification, will have permission to enter, inspect and observe permitted and related facilities in order to determine compliance with the approved plans, specifications and conditions of this Permit.
9. The District's staff, upon providing prior notice and proper identification, may request permission to collect water samples for analysis, measure static and/or pumping water levels and collect any other information deemed necessary to protect the water resources of the area.
10. The District reserves the right, at a future date, to require the Permittee to submit pumpage records for any or all withdrawal point(s) covered by this Permit.
11. Permittee shall mitigate any significant adverse impact caused by withdrawals permitted herein on the resource and legal water withdrawals and uses, and on adjacent land use, which existed at the time of permit application. The District reserves the right to curtail permitted withdrawal rates if the withdrawal causes significant adverse impact on the resource and legal uses of water, or adjacent land use, which existed at the time of permit application.
12. Permittee shall not cause significant saline water intrusion or increased chloride levels. The District reserves the right to curtail permitted withdrawal rates if withdrawals cause significant saline water intrusion or increased chloride levels.
13. The District, pursuant to Section 373.042, Florida Statutes, at a future date, may establish minimum and/or management water levels in the aquifer, aquifers, or surface water hydrologically associated with the permitted withdrawals; these water levels may require the Permittee to limit withdrawal from these water sources at times when water levels are below established levels.
14. Nothing in this Permit should be construed to limit the authority of the Northwest Florida Water Management District to declare water shortages and issue orders pursuant to Section 373.175, Florida Statutes, or to formulate and implement a plan during periods of water shortage pursuant to Section 373.246, Florida Statutes, or to declare Water Resource Caution Areas pursuant to Chapters 40A-2.801, and 62-40.41, Florida Administrative Code
 - (a) In the event of a declared water shortage, water withdrawal reductions shall be made as ordered by the District.
 - (b) In the event of a declared water shortage or an area as a Water Resource Caution Area, the District may alter, modify or inactivate all or parts of this permit.
15. The Permittee shall properly plug and abandon any well determined unsuitable for its intended use, not properly operated and maintained, or removed from service. The well(s) shall be plugged and abandoned to District Standards in accordance with Section 40A-3.531, Florida Administrative Code.

16. Any Specific Permit Condition(s) enumerated in Attachment A are herein made a part of this Permit.

A handwritten signature in black ink, appearing to be "J. B.", written over a horizontal line.

Authorized Signature
Northwest Florida Water Management District

ATTACHMENT
Gulf Power Company
Crist Electrical Generating Plant

Individual Water Use Permit No. 19850074
Individual Water Use Application No. I06475

1. The Permittee shall include the Individual Water Use Permit number and each well's Florida Unique Identification Number (e.g., AAA###) when submitting reports or otherwise corresponding with the District.
2. The Permittee shall maintain, in working order, in-line totaling flow meters on the well head of each production well.
3. The Permittee shall record the data required on Water Use Summary Reporting Form NFWMD A2-I, and submit copies to the District by January 31 of each year. The withdrawals shall be reported separately by source (ground water and surface water). The ground and surface water withdrawals shall also be provided as a combined total. The Permittee, if preferred, may submit the report electronically by downloading the correct form from the District website, filling it out properly, and e-mailing it to compliance@nfwmd.state.fl.us. The report for the year 2005 is due by January 31, 2006.
4. The Permittee, by January 31 of each year, shall report the following information:
 - a. Water quality sample results from withdrawal well AAA6421 (CEPG #3) collected during the first two weeks of each month and analyzed for sodium, chloride, sulfate, bicarbonate, carbonate, calcium, magnesium, potassium, specific conductance, total dissolved solids and pH. Prior to sampling, the Permittee shall purge three to five well volumes from the well, and shall report with the test results, the purging duration, volume and rate used.
 - b. Static water level data for each production well during the first two weeks of January, April, July, and October. The water level data shall be referenced to mean sea level.

The Permittee, if preferred, may submit the reports electronically by e-mailing the data to compliance@nfwmd.state.fl.us.

The Permittee shall immediately initiate monthly collection, analysis, and reporting of ground-water quality samples and ground-water levels from all withdrawal wells identified in this permit, should drawdowns or water quality exceed a level of concern, as determined by the District. In this event, the Permittee shall, within 30 days, submit a written plan to the District identifying the specific actions it will implement to address the issue(s) of concern including monthly recording of the required data.

5. The Permittee shall continue to return at least 95% of the surface water withdrawn from Governor's Bayou/Escambia River. The Permittee shall submit a statement to this effect by January 31 of each year. The first statement is due by January 31, 2006.
6. The Permittee shall implement measures to increase water conservation and efficiency at the facility. The Permittee, by January 31 of each year, shall submit to the District a report detailing the actions taken, and the progress during the previous year, in achieving the stated goal. The first submittal is due by January 31, 2006.
7. The Permittee shall mitigate interference to existing users that is attributable to the withdrawal amounts authorized herein, should it occur. The Permittee shall report the occurrence of any such interference to the District and shall identify the mitigation action undertaken to address the interference.



Douglas E. Barr
Executive Director

Northwest Florida Water Management District

Division of Resource Regulation
152 Water Management Drive, Havana, Florida 32333-4711
(U.S. Highway 90, 10 miles west of Tallahassee)
(850) 539-5999 • (Suncom) 793-5999 • (Fax) 539-2777

August 17, 2005

Mr. Mike Markey
Gulf Power Company
One Energy Place
Pensacola, Florida 32520-0328

RE: Individual Water Use Permit No. 19850074
Specific Condition No. 6

Dear Mr. Markey:

The District understands that Gulf Power is implementing water conservation measures in accordance with Specific Condition No. 6 of their consumptive use permit. Gulf Power's proposal to install automatic level controls on the fire water system to reduce ground water use is part of this effort. This being the case, the District agrees that this would be a valid project to pursue as part of the required water conservation effort.

Sincerely,

Angela Chelette, Chief
Bureau of Ground Water Regulation

JOYCE ESTES
Chair
Eastpoint

L. E. MCMULLIAN
Vice Chair
Sneads

STEPHANIE H. BLOYD
Secretary/Treasurer
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Chipley

SHARON T. GASKIN
Wewahitchka

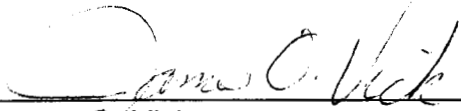
RICHARD PETERMANN
Fort Walton Beach

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

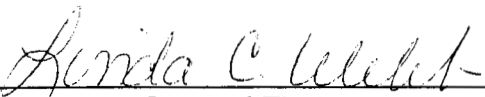
Docket No. 050007-EI

Before me the undersigned authority, personally appeared James O. Vick, who being first duly sworn, deposes, and says that he is the Director of Environmental Affairs of Gulf Power Company, a Maine corporation, and that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.



James O. Vick
Director of Environmental Affairs

Sworn to and subscribed before me this 15th day of September 2005.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:



LINDA C. WEBB
Notary Public-State of FL
Comm. Exp: May 31, 2006
Comm. No: DD 110088