BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ENVIRONMENTAL COST RECOVERY CLAUSE

DOCKET NO. 080007-EI

PREPARED DIRECT TESTIMONY
OF
JAMES O. VICK

PROJECTION FILING
FOR THE PERIOD

JANUARY 2009 – DECEMBER 2009

AUGUST 28, 2008

GULF POWER

A SOUTHERN COMPANY

GULF POWER COMPANY

Before the Florida Public Service Commission

Prepared Direct Testimony and Exhibit of

James O. Vick

Docket No. 080007-EI

August 29, 2008

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,

I assumed my present position as Director of Environmental Affairs.

Q. What are your responsibilities with Gulf Power Company?

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

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

A. Yes.

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

A. The purpose of my testimony is to support Gulf Power Company's projection of environmental compliance costs recoverable through the Environmental Cost Recovery Clause (ECRC) for the period from January 2009 through December 2009.

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

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

- Plant Crist Consumptive Use Permit
- Northwest Florida Water Management District (NWFWMD)

correspondence regarding the proposed Crist Water Conservation project.

Counsel: We ask that Mr. Vick's' Exhibit consisting of two documents be marked as Exhibit No. _(JOV-2).

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

A. The environmental capital projects for which Gulf seeks recovery through the ECRC are described in Schedules 3P, 4P, and 5P attached to the Company's petition in this docket. The exhibits attached to the petition have been incorporated into hearing exhibits that are being sponsored in this proceeding by Ms. Ritenour. I am supporting the expenditures, clearings, retirements, salvage and cost of removal currently projected for each of these projects and the monthly costs for emission allowances. Ms. Ritenour compiled these schedules and has calculated the associated revenue requirements for Gulf's requested recovery.

Q. Have all of the capital projects shown on Ms. Ritenour's schedules been approved by the Commission?

A. No. In addition to previously approved projects, Gulf's 2009 ECRC capital projection includes both new projects and expansions of existing, previously approved projects.

Q. Mr. Vick, please identify the expansions of existing, previously approved projects.

A. There are four previously approved projects with expanded activities that have projected capital expenditures during 2009. Three of the projects are related to Gulf's existing Air Quality programs: Continuous Emission Monitoring (CEMs) replacements, Plant Crist FDEP Agreement for Ozone Attainment, and the CAIR/CAMR/CAVR Compliance Program. The Crist Water Conservation Project is also projected to have additional capital expenditures during 2009.

Q. Mr. Vick, please describe the projects included in the 2009 projection for (Line 1.5) Continuous Emission Monitoring (CEM).

A. During the 2009 recovery period, the CEMs project includes the replacement of opacity monitors at Plant Crist on Units 4 and 5 and the installation of CEMs equipment for the new Plant Crist scrubber stack. Opacity monitors are needed to maintain compliance with the Clean Air Act Amendment (CAAA) requirements. The existing monitors are approaching the end of their useful lives and will be retired upon replacement. CEMs equipment will be installed in the scrubber stack to monitor SO_2, NOx, CO_2 and flow pursuant to the CAAA. The 2009 scrubber CEMs expenditures include a new CEMs shelter as well as the monitoring equipment. The 2009 expenditures are expected to be $439,830.

Q. Please describe the expenditures included in the 2009 projection for the Crist FDEP Agreement for Ozone Attainment (Line 1.19).

A. For the 2009 projection, Gulf has included additional capital costs to meet the terms of the August 28, 2002, agreement with the Florida Department of Environmental Protection (FDEP). Gulf will be installing a new layer of catalyst in the Crist Unit 7 Selective Catalytic Reduction (SCR) during 2009 that was originally projected to be installed during 2008. This new layer of catalyst is part of the on-going periodic catalyst maintenance and management activity. The projected 2009 capital expenditures for the Crist FDEP Agreement project are $720,000.

Q. Mr. Vick, please describe the capital projects included in Gulf's CAIR/CAMR/CAVR Compliance Program (Line Item 1.26) that will impact the 2009 projected ECRC revenue requirements.

A. For the purpose of the 2009 projection of ECRC revenue requirements in Ms. Ritenour's testimony, expenditures totaling $521.9 million are projected to be cleared to plant-in-service for the CAIR/CAMR/CAVR Compliance Program. This placed-in-service amount includes expenditures made during 2009 as well as previous years. The capital projects included in the Compliance Program that will impact the 2009 ECRC revenue requirements are the Crist Units 4 through 7 scrubber project ($517.5 million), Low NOx burners at Plant Daniel on Unit 2 ($167,276), and Selective Non-Catalytic Reduction (SNCR) technologies at Plant Smith on Unit 1 ($3.9 million) and Unit 2 ($371,502).

Q. Please describe the Crist Units 4 through 7 scrubber project.

A. The Commission approved the Crist Units 4 through 7 scrubber project for ECRC recovery in Order No. PSC-07-0721-S-EI in September 2007. As noted in its original CAIR/CAMR/CAVR Compliance Plan, Gulf proposed the Crist Scrubber project to assure compliance with Clean Air Interstate Rule (CAIR), Clean Air Mercury Rule (CAMR) and Clean Air Visibility Rule (CAVR) and address the significant local concerns in the Pensacola area. A scrubber was the only SO_2 compliance option for Crist Units 6 and 7, and because of their size and emissions, these units were the best, most cost-effective candidates for SO_2 scrubbing and mercury removal. Installing additional ductwork and boiler controls to include Crist Units 4 and 5 was also cost-effective and increased incremental SO_2 and mercury emission reductions. Construction was scheduled to take place between 2007 and 2009 at an estimated cost of $528 million.

The total budget for the Plant Crist scrubber project is now approximately $576 million for the time period from 2007 to 2012. Most of the cost increase is due to the decision to install turbine upgrades to offset increased station losses due to the scrubber installation ($12 million for HP/IP turbine upgrades and $26 million for LP turbine upgrades) and the purchase of rather than the lease of gypsum barges ($8.5 million). The extended project timeframe is also due to adding the LP turbine upgrade to the project. A phased approach for the turbine upgrades has been adopted due to the availability of LP parts and the outage schedule.

The Plant Crist scrubber project is well underway, and numerous supporting facilities will be placed in-service during 2009. Other than the

LP turbine upgrades scheduled for 2012, most of the scrubber project is scheduled to be completed during 2009 including the Crist HP/IP turbine upgrade, gypsum tractor garage and barges, and substation and transmission upgrades.

At present, the work force for the project has been mobilized. Site preparation activities for the future gypsum dewatering and handling facilities, fuel handling relocations, limestone handling and storage, as well as the deep well location and project laydown infrastructure have been performed. The foundation and concrete column of the new 490 foot stack has also been completed. The stack liner sections have been fabricated and are ready for installation. Numerous foundations are complete, with the largest being the Jet Bubbling Reactor (JBR) foundation. Fabrication of the fiberglass JBR shell has begun which, when completed, will be 119 feet in diameter and 55 feet tall. Several other foundations are currently being constructed, most of which have included deep foundation work (auger cast piles, pipe piles, etc.). The foundations include ductwork support steel foundations, draft fan foundations, power transformer foundations, and temporary foundations for on-site fabrication.

By year end 2008 the Plant Crist scrubber project is estimated to be 55% complete. Projected capital expenditures for 2009 for the scrubber project are $243 million.

Q. Please address the projected capital expenditures in 2009 for the Daniel Low NOx burners.

A. Gulf is a co-owner of Daniel Units 1 and 2 with Mississippi Power Company. A number of retrofit projects for the Daniel units were set forth in Gulf's CAIR/CAMR/CAVR Compliance Plan, and all those projects other than SCRs for Units 1 and 2 were approved by the Commission in Order No. PSC-07-0721-S-EI (Mercury Monitoring, SNCRs and Low NOx Burners, and the Scrubber). In light of the CAIR and CAMR developments, many of the approved Plant Daniel projects have been canceled or deferred. The Daniel Unit 2 Low NOx burner remains the only part of the Compliance Plan that has projected capital expenditures for Plant Daniel during 2009. The Daniel Unit 2 Low NOx burners were ordered prior to the CAIR vacatur and are scheduled to be placed in-service during December of 2008. $167,276 of additional capital expenditures related to this project are forecast to be cleared to service in 2009.

Q. Please address Smith Units 1 and 2 SNCR capital expenditures forecasted for 2009.

A. SNCR installations for Smith Units 1 and 2 were approved by the Commission in Order No. PSC-07-0721-S-EI as part of Gulf's CAIR/CAMR/CAVR Compliance Plan. In addition to meeting CAIR requirements, the SNCRs will be needed to maintain local compliance with the more stringent 8-hour ozone standard. The Smith Unit 2 SNCR will be placed in service in the fall of 2008, but additional capital

expenditures of $371,502 are forecast for 2009. The Smith Unit 1 SNCR will be placed in-service during March of 2009. The 2009 projected clearings to plant for the Smith Unit 1 SNCR are approximately $ 3.9 million.

Q. Have there been any developments regarding Gulf's CAIR/CAMR/CAVR Compliance Program that have an impact on capital projects projected for recovery during 2009?

A. Yes. Since the Commission's approval of Gulf's Compliance Program, there have been a number of developments and two significant court decisions that will impact Gulf's Compliance Program. In February 2008 the District of Columbia Court of Appeals vacated the CAMR. In July 2008 the District of Columbia Court of Appeals also vacated the CAIR rule.

On February 8, 2008, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion vacating EPA's CAMR. The vacatur became effective with the issuance of the court's mandate on March 14, 2008, nullifying CAMR mercury emission control obligations and monitoring requirements. With CAMR voided, electric generating facilities are no longer required to install mercury controls to meet the CAMR emission limits and are not required to install mercury monitoring equipment to meet the January 2009 monitoring deadline. In response to the CAMR vacatur, the Plant Daniel Activated Carbon Injection (ACI) and mercury monitoring projects have been canceled. The Plants Crist and Smith mercury monitoring capital expenditures have been deferred to

2010.

EPA can be expected to initiate a rulemaking proceeding to develop maximum achievable control technology (MACT) standards for power plants; however, this process could take multiple years to complete. The CAMR court decision does not impact state mercury rules that may continue to be developed in Florida.

On July 11, 2008, in response to petitions brought by certain states and regulated industries challenging particular aspects of the CAIR, the Circuit Court of Appeals for the District of Columbia issued a decision vacating CAIR in its entirety, and remanding it to EPA for further action consistent with its opinion. However, CAIR will remain in effect until the court issues its mandate in the case. Recently, the court extended until late September EPA's time for requesting reconsideration of the court's decision, and no mandate from the court is expected before that time. Therefore, the CAIR remains in effect and technically requires compliance. In addition, FDEP rules requiring CAIR implementation also remain in effect as of the time of the submission of this testimony.

Gulf Power's overall compliance strategy has been developed in response to numerous federal and state regulatory requirements, many of which remain unaffected by the court's ruling; however, the court's decision has the potential to impact future decisionmaking regarding capital expenditures, the installation and operation of pollution control equipment, the purchase of emissions allowances, and the carrying cost of the existing emissions allowances. The ultimate impact of this decision, if any, cannot be determined at this time and may depend on subsequent

legal action, including issuance of the court's mandate, and future EPA and FDEP rulemaking.

Q. How have these developments affected Gulf's Crist scrubber project?

A. In terms of timing, the Crist scrubber is needed for Phase I CAIR compliance in 2010. If the vacatur of the CAIR becomes final, Gulf anticipates that the Crist Scrubber project would still be needed for Crist Units 6 and 7 to comply with the CAVR by 2013. Given that the Crist Scrubber project is still needed for CAVR compliance, regardless of the resolution of CAIR, the issue Gulf faced was whether or not to defer the Crist Scrubber project for several years. Gulf determined that the Crist Scrubber project should proceed for a variety of reasons. First, over $175 million of equipment has already been ordered. Second, significant construction has already occurred, and the construction workforce has been fully mobilized; deferral would significantly increase the total project costs. As noted earlier, the project will be approximately 55% complete by the end of 2008. Demobilization would mean the potential loss of personnel already on site. Deferral for three years until 2012 to meet 2013 CAVR requirements would increase the construction cost of the project by approximately $53 million. The associated increase in AFUDC, which Gulf would seek for recovery, would be at least $45 million. Thus, deferral would cost around $100 million. Third, if the CAIR rule eventually is vacated, it is also reasonable to anticipate that EPA and/or FDEP will act again to address the same issues. If they do, the scrubber project would continue to be the best, most cost-effective means of limiting SO_2

and mercury emissions, with Gulf potentially facing increased costs in order to meet accelerated in service dates.

Q. How have these developments regarding CAIR and CAMR affected other aspects of Gulf's CAIR/CAMR/CAVR Compliance Plan?

A. That is best addressed on a plant by plant basis.

The Crist Unit 6 SCR was approved as part of Gulf's CAIR/CAMR/CAVR Compliance Plan in Order No. PSC-07-0721-S-EI. As noted in the Compliance Plan and the Commission's order, the Crist Unit 6 SCR is needed to meet NOx reductions. Additional NOx reductions are needed at Plant Crist, and only SCR technology will provide the additional increment needed. The SCR on Unit 6 is important to ensure that Pensacola maintains attainment with the newly announced 8-hour ozone standard and addresses significant local pressures to continue NOx reductions from the plant. Finally, the Crist Unit 6 SCR was also needed for CAIR and CAMR compliance. While CAMR compliance is no longer required, CAIR requirements still remain applicable. Even if CAIR is ultimately vacated, the Crist Unit 6 SCR will still be needed to satisfy FDEP requirements, the new 8-hour ozone standard and local pressure to reduce NOx emissions. Gulf has deferred the in-service date for the Crist Unit 6 SCR from 2010 to 2012, and is forecasting capital expenditures of almost $5 million in 2009.

As I previously discussed, the Plant Crist mercury monitoring projects have been deferred until 2010, but the CEM system for the scrubber stack is continuing with expenditures forecast for 2009. The

Gulf determined that the Daniel Unit 2 Low NOx burner installation, which is scheduled for completion in 2008, should proceed based on the project schedule. The Daniel Unit 1 Low NOx burner project has been canceled. Similarly, the previously approved mercury monitoring for Plant Daniel has been canceled.

The Daniel scrubber project, which was previously approved by the Commission as part of Gulf's CAIR/CAMR/CAVR Compliance Plan, continues to be an effective means of reducing SO_2 and mercury emissions. It is still anticipated that this scrubber project may be required for CAVR compliance, even if it is not required for CAMR and CAIR compliance. However, there are no projected capital expenditures in 2009 for which Gulf seeks recovery in the ECRC factor.

Q. Please provide an update on the new 8-hour ozone standard implementation.

A. In March 2008, the EPA finalized its revisions to the eight-hour ozone standard, increasing its stringency. The EPA plans to designate nonattainment areas based on the new standard by 2010, and new nonattainment areas are expected. State Implementation Plans (SIPs) will be developed for these areas by 2013. These SIPs will prescribe emission control measures designed to bring areas into attainment. Although designation of a number of new nonattainment areas is anticipated, specific designations and any subsequent SIP control measures will be based in part on air quality measurements that will be made in the future. The ultimate outcome of this matter cannot be

requirements, expenditures totaling $1.3 million are projected to be incurred for portions of the Plant Crist water conservation project that will be placed in-service during 2009. These capital projects include an electrical building and piping from the storage tank to the booster pump.

Q. Mr. Vick please describe the capital projects shown on Ms. Ritenour's schedules that have not been previously approved by the Commission.

A. The Spill Prevention Control and Countermeasures (SPCC) Compliance project is needed to help ensure compliance with the revisions to the SPCC regulation, 40 CFR Part 112. These revisions resulted in oil storage containers having a capacity greater than or equal to 55 gallons being classified as bulk storage containers that are subject to the secondary containment requirements in 40 CFR Part 112.8(c). During 2009, Plant Smith plans to install secondary containment for a small fuel tank and a padmount transformer. The total projected capital expenditures for this project are $25,000.

These expenditures are included in Line Item 1.20, which has been renamed SPCC Compliance. As shown on Ms. Ritenour's schedules, this line item previously titled "Crist Stormwater Collection" has been renamed "SPCC Compliance" to better reflect the full scope of this activity. The "Crist Stormwater Collection" project was Gulf's first capital project required to help ensure compliance with the revised SPCC regulation.

Q. Mr. Vick, are you including the purchase of allowances in your 2009 projection filing?

A. Yes. We currently have plans to purchase annual and seasonal NOx allowances as well as SO_2 allowances during 2009. Gulf's compliance strategy continues to include forward contracts, swaps, and spot market purchases of allowances depending on market prices.

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

A. All of the O&M activities listed on Schedule 2P have been approved for recovery through the ECRC in past proceedings, except for three new activities. The Annual Climate Change Registry Fees are being included in the CAIR/CAMR/CAVR Compliance Program for the first time. SPCC Compliance expenses are being included in the Solid and Hazardous Waste line item, and expenses for the Impaired Waters Rule are being included in the General Water Category line item.

Q. Mr. Vick, please describe the regulations requiring the Annual Climate Change Registry Fees that are being included in the CAIR/CAMR/CAVR Compliance Program (Line Item 1.20).

A. At the June 2008 "Serve to Preserve Florida Summit on Global Climate Change," Governor Crist signed legislation (HB 7135) creating Florida Statute 403.44, the "Florida Climate Protection Act." This Act was created to establish a market-based program to reduce greenhouse gas

emissions from electric utilities. The Act authorizes the FDEP to establish methodologies, reporting periods, and reporting systems that will be used when utilities report to the Climate Registry. Gulf Power expects to begin incurring annual costs associated with joining the Climate Registry during 2009. Gulf also anticipates incurring expenses for monitoring and reporting greenhouse gas emissions. The 2009 projected expenses for this line item are $43,000.

Q. Mr. Vick, please describe the regulation requiring the SPCC Compliance activities that are included in the Solid and Hazardous Waste (Line Item 1.11).

A. As I previously discussed for the Plant Smith SPCC Compliance capital project, this project is needed to help assure compliance with the revisions to the SPCC regulation, 40 CFR Part 112. These revisions resulted in oil storage containers having a capacity greater than or equal to 55 gallons being classified as bulk storage containers that are subject to the secondary containment requirements in 40 CFR Part 112.8(c). During 2009, Plant Smith plans to modify the drum storage secondary containment area to comply with the SPCC regulation. The estimated 2009 expenses for this project are $5,000.

Q. Mr. Vick, please describe the regulation requiring the Impaired Waters Rule (IWR) expenses that are included in the General Water Quality item (Line Item 1.6).

A. The IWR rule evaluates whether waters meet their designated uses based

on the following criteria: aquatic life use support, primary contact, recreation, fish and shellfish consumption, drinking water, and protection of human health. The FDEP has proposed listing waters in watersheds surrounding Gulf's generating facilities for nutrient and mercury impairments. The proposed IWR project will enable Gulf Power to conduct necessary modeling and evaluations to determine if Gulf's industrial wastewater discharges will contribute to any water body listings. This project will also determine whether additional wastewater reductions are required to meet new total daily maximum load requirements. The 2009 projected expenses for this project are $100,000.

Q. Please describe the O&M activities included in the air quality category that have projected expenses during 2009.

A. There are five O&M activities included in the air quality category that have projected expenses in 2009. On Schedule 2P, Air Emission Fees (Line Item 1.2), represents the expenses projected for the annual fees required by the CAAA that are payable to the FDEP and Mississippi Department of Environmental Quality. The expenses projected for the recovery period total $964,374.

Included in the air quality category, Title V (Line Item 1.3) represents projected expenses associated with the implementation of theTitle V permits. The total estimated expenses for the Title V Program during 2009 are $129,352.

On Schedule 2P, Asbestos Fees (Line Item 1.4) consists of the fees required to be paid to the FDEP for asbestos abatement projects.

The expenses projected for the recovery period total $2,500.

Emission Monitoring (Line Item 1.5) on Schedule 2P reflects an ongoing O&M expense associated with the Continuous Emission Monitoring equipment as required by the CAAA. These expenses are incurred in response to EPA's requirements that the Company perform Quality Assurance/Quality Control (QA/QC) testing for the CEMs, including Relative Accuracy Test Audits (RATAs) and Linearity Tests. Other activities within this category include the testing, development, and implementation of new compliance assurance monitoring requirements associated with the CAAA. The expenses expected to be incurred during the 2009 recovery period for these activities total $656,209.

The FDEP NOx Reduction Agreement (Line Item 1.19) includes O&M costs associated with the Plant Crist Unit 7 SCR and Crist Units 4 through 6 SNCR projects that were included as part of the 2002 agreement with FDEP. This line item includes the cost of anhydrous ammonia, urea, air monitoring, and general operation and maintenance expenses related to the activities undertaken in connection with the agreement. The Crist Unit 7 SCR catalyst regeneration expenses are also included in this line item. Gulf was granted approval for recovery of the costs incurred to complete these activities in FPSC Order No. PSC-02-1396-PAA-EI in Docket No. 020943-EI. The projected expenses for the 2009 recovery period total $4,168,665.

Q. What O&M activities are included in water quality category?

A. The first activity, General Water Quality (Line Item 1.6), identified in Schedule 2P, includes Soil Contamination Studies, Dechlorination, Groundwater Monitoring Plan Revisions, Surface Water Studies, the Cooling Water Intake Program, and the Impaired Waters Rule. The expenses expected to be incurred during the projection period for this line item total $556,074. This includes the projected expenses for the previously discussed Impaired Waters Rule of $100,000.

The second activity listed in the water quality category, Groundwater Contamination Investigation (Line Item 1.7), was previously approved for environmental cost recovery in Docket No. 930613-EI. This line item includes expenses related to substation investigation and remediation activities. Expenses expected to be incurred during the projection period for this line item total $1,631,176.

Line Item 1.8, State NPDES Administration, was previously approved for recovery in the ECRC and reflects expenses associated with NPDES annual and permit renewal fees for Gulf's three generating facilities in Florida. These expenses are expected to be $42,000 during the projected recovery period.

Finally, Line Item 1.9, Lead and Copper Rule, was also previously approved for ECRC recovery and reflects sampling, analytical and chemical costs related to the lead and copper drinking water quality standards. These expenses are expected to total $20,400 during the 2009 projection period.

Q. What activities are included in the environmental affairs administration Category?

A. Only one O&M activity is included in this category on Schedule 2P (Line Item 1.10) of Ms. Ritenour's exhibit. This line item refers to the Company's Environmental Audit/Assessment function. This program is an on-going compliance activity previously approved for ECRC recovery. Expenses totaling $7,300 are expected during the 2009 recovery period.

Q. What O&M activities are included in the general solid and hazardous waste category?

A. Only one program, General Solid and Hazardous Waste (Line Item 1.11) is included in the solid and hazardous waste category on Schedule 2P. This activity involves the proper identification, handling, storage, transportation and disposal of solid and hazardous wastes as required by federal and state regulations. The program includes expenses for Gulf's generating and power delivery facilities. This program is a previously approved program that is projected to incur incremental expenses totaling $417,471 in 2009. This line item includes $5,000 of expenses for the previously discussed SPCC compliance projects.

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

A. Yes. There are five other O&M activities that have been approved in past proceedings which have projected expenses during 2009. They are the

Q. What activity is included in the Sodium Injection line item?

A. The Sodium Injection System (Line Item 1.16) was originally approved for inclusion in the ECRC in Order No. PSC-99-1954-PAA-EI. The activities in this line item involve sodium injection to the coal supply that enhances precipitator efficiencies when burning certain low sulfur coals at Plant Crist and Plant Smith. The expenses projected for the 2009 recovery period total $313,000.

Q. What activities are included in the CAIR/CAMR/CAVR Compliance Program (Line Item 1.20) activity?

A. The CAIR/CAMR/CAVR Compliance Program (Line Item 1.20) currently includes O&M expenses associated with the Crist Units 4 through 7 scrubber, the Smith Units 1 and 2 SNCRs, and the Scholz mercury monitoring project. All of these projects were included as part of the CAIR/CAMR/CAVR Compliance Program approved by the Commission on September 5, 2007. More specifically, this line item includes the cost of urea, limestone, and general operation and maintenance activities included in Gulf's CAIR/CAMR/CAVR Compliance Program. The projected expenses for the 2009 recovery period total $5,972,528.

Q. Please describe the emission allowances line items 1.29 through 1.31.

A. These line items include projected allowance expenses for Gulf's generating plants. Line Items 1.29 and 1.30 include projected expenses for annual and seasonal NOx allowances. Annual and seasonal NOx allowance expenses have been included in Gulf's 2009 projection filing

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 080007-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 Florida 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

James O. Vick
Director of Environmental Affairs

Sworn to and subscribed before me this 28th day of August, 2008.

Linda C. Webb

Notary Public, State of Florida at Large

Commission Number: DD 541216

Commission Expires: May 31, 2010

LINDA C. WEBB
Notary Public-State of Florida
Comm. Exp. May 31, 2010
Comm. No. DD 541216

Exhibit to the Testimony of James O. Vick

Exhibit (JOV-2)_____

Northwest Florida Water Management District
N.W.F.W.M.D

Douglas E. Barr
Executive Director

Northwest Florida Water Management

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. I 06475

Dear Permitee:

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 NWFWMD 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 Chelette, Chief
Bureau of Ground Water
Division of Resource Regulation

Enclosure
cc: Richard M. Markey

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

Permit granted to:

Gulf Power Company
Crist Electrical Generating Plant
One Energy Place

Pensacola, Florida 32520-0328
(Legal Name and Address)

Permit No.: 19850074 Modification/Renewal

Date Permit Granted: January 27, 2005

Permit Expires On: February 1, 2010

Source Classification: Sand-and-Gravel Aquifer Governor's Bayou/ Escambia River

Use Classification: Public Supply Power Generation

County: Escambia Area: C

Location: Section 25 1/4 Section

Application No.: I06475

Township 1 North Range 30 West

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.

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 NWFWMD 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@nwfwmd.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@nwfwmd.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.

Northwest Florida Water Management District

152 Water Management Drive, Havana, Florida 32333-4712
(U.S. Highway 90, 10 miles west of Tallahassee)

(850) 539-5999 • (Fax) 539-2777

Douglas E. Barr
Executive Director

July 3, 2008

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 working to obtain reuse water from Emerald Coast Utilities Authority and that this is part of Gulf Power's water conservation effort in accordance with Specific Condition No. 6 of the Individual Water Use Permit. Obtaining 17-20 million gallons of reuse water per day for cooling and for emissions reduction would result in a significant benefit to the water resources of the area by reducing demand for ground water and surface water. If I can provide any other information or endorsement in support of this effort, please contact me.

Sincerely,

Angela Chelette, P.G.
Chief, Bureau of Ground Water Regulation