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October 2, 2008

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0850

RECEIVED-FPSC
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COMMISSION
CLERK

Dear Ms. Cole:

RE: Docket No. 080007-EI

Enclosed are an original and fifteen copies of the Prehearing Statement of Gulf Power Company to be filed in the above docket.

Also enclosed is a CD containing the Prehearing Statement in Microsoft Word for Windows format as prepared on a Windows NT based computer.

Sincerely,

Susan D. Ritenour (lu)

COM _____
ECR _____
GCL 1 Enclosures
OPC _____
RCP 2 cc: Beggs & Lane
SSC _____ Jeffrey A. Stone, Esq.
SGA 1
ADM _____
CLK _____

* CD forwarded to GCL.

DOCUMENT NUMBER-DATE

09349 OCT-3 8

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: **Environmental Cost Recovery Clause**)
)
)

Docket No.: **080007-EI**

CERTIFICATE OF SERVICE

2ND I HEREBY CERTIFY that a copy of the foregoing has been furnished this day of October, 2008, by regular U. S. Mail to the following:

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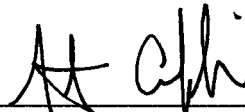
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DOCUMENT NUMBER-DATE
09349 OCT-3 08

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery)
Clause)
)
)

Docket No. 080007-EI
Date Filed: October 2, 2008

PREHEARING STATEMENT OF GULF POWER COMPANY

Gulf Power Company, (“Gulf Power”, “Gulf”, or “the Company”), by and through its undersigned attorneys, and pursuant to Order No. PSC-08-0149-PCO-EI, issued March 11, 2008, establishing the prehearing procedure in this docket, files this prehearing statement, saying:

A. APPEARANCES:

JEFFREY A. STONE, Esquire, RUSSELL A. BADDERS, Esquire
and STEVEN R. GRIFFIN Esquire, of Beggs & Lane, P.O. Box
12950, Pensacola, FL 32591-2950
On behalf of Gulf Power Company.

CHARLES A. GUYTON, Esquire, of Squire, Sanders & Dempsey, LLP, 215 S.
Monroe Street, Suite 601, Tallahassee, FL 32301
On behalf of Gulf Power Company.

B. WITNESSES: All witnesses known at this time, who may be called by Gulf Power Company, along with the subject matter and issue numbers which will be covered by the witness' testimony, are as follows:

<u>Witness</u> (Direct)	<u>Subject Matter</u>	<u>Issues</u>
1. J. O. Vick (Gulf)	Environmental compliance activities (True-ups and Projection)	1, 2, 3, 4 (Generic) 1, 3, 5, 7, 9 (Company Specific)
2. S. D. Ritenour (Gulf)	Environmental compliance cost recovery calculations (True-ups and Projection)	1, 2, 3, 4, 5, 6, 7, 9 (Generic) 2, 4, 6, 8 (Company Specific)

C. EXHIBITS:

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
(RJM-1)	Martin ¹	Calculation of Final True-up 1/07 – 12/07
(SDR-2)	Ritenour	Calculation of Estimated True-up 1/08 – 12/08
(SDR-3)	Ritenour	Calculation of Projection 1/09 - 12/09

D. STATEMENT OF BASIC POSITION

Gulf Power Company's Statement of Basic Position:

It is the basic position of Gulf Power Company that the environmental cost recovery factors proposed by the Company present the best estimate of Gulf's environmental compliance costs recoverable through the environmental cost recovery clause for the period January 2009 through December 2009 including the true-up calculations and other adjustments allowed by the Commission.

E. STATEMENT OF ISSUES AND POSITIONS

Generic Environmental Cost Recovery Issues

ISSUE 1: What are the final environmental cost recovery true-up amounts for the period January 2007 through December 31, 2007?

GULF: Over recovery of \$1,470,471. (Vick, Ritenour)

ISSUE 2: What are the estimated/actual environmental cost recovery true-up amounts for the period January 2008 through December 2008?

GULF: Under recovery of \$2,810,290. (Vick, Ritenour)

ISSUE 3: What are the projected environmental cost recovery amounts for the period January 2009 through December 2009?

GULF: \$84,761,585. (Vick, Ritenour)

¹ To be adopted by Susan D. Ritenour.

ISSUE 4: What are the environmental cost recovery amounts, including true-up amounts, for the period January 2009 through December 2009?

GULF: Recovery of \$86,101,404 (excluding revenue taxes). (Vick, Ritenour)

ISSUE 5: What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2009 through December 2009?

GULF: The depreciation rates used to calculate the depreciation expense should be the rates that are in effect during the period the allowed capital investment is in service. (Ritenour)

ISSUE 6: What are the appropriate jurisdictional separation factors for the projected period January 2009 through December 2009?

GULF: The demand jurisdictional separation factor is 96.642160%. Energy jurisdictional separation factors are calculated each month based on retail KWH sales as a percentage of projected total territorial KWH sales. (Ritenour)

ISSUE 7: What are the appropriate Environmental Cost Recovery Factors for each rate group?

GULF: See table below: (Ritenour)

RATE CLASS	ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH
RS, RSVP	.735
GS	.729
GSD, GSDT, GSTOU	.720
LP, LPT	.703
PX, PXT, RTP, SBS	.690
OS-I/II	.686
OSIII	.710

ISSUE 8: What should be the effective date of the new environmental cost recovery factors for billing purposes?

GULF: The new environmental cost recovery factors should be effective beginning with the first billing cycle for January 2009 and thereafter through the last billing cycle for December 2009. The first billing cycle may start before January 1, 2009, and the last cycle may be read after December 31, 2009, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Ritenour)

F. COMPANY-SPECIFIC ISSUES

Gulf Power Company

ISSUE 1: Should Gulf be allowed to recover the costs associated with its proposed Plant Smith SPCC Compliance Project?

GULF: Yes. 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. \$25,000 in expenditures will be incurred and placed-in-service in 2009 for this project. The total O&M expenses related to this project in 2009 total \$5,000. (Vick)

ISSUE 2: How should the costs associated with the Plant Smith SPCC Compliance Project be allocated to the rate classes?

GULF: The proposed capital and operation and maintenance costs associated with this project should be allocated to the rate classes on a 12 Coincident Peak (CP) and 1/13 Average Demand basis. (Ritenour)

ISSUE 3: Should Gulf be allowed to recover the costs associated with its proposed Plant Crist Water Conservation Project?

GULF: Yes. The Crist Water Conservation Program is part of Gulf's water conservation and consumptive water use permit. The permit, issued by the Northwest Florida Water Management District (NFWFMD), requires the plant to implement measures to increase water conservation and efficiency at the facility. Gulf Power has entered into negotiations with Emerald Coast Utilities Authority (ECUA) to utilize reclaimed water from its proposed wastewater treatment plant. The reclaimed water will be used as makeup water for the Plant Crist scrubber project and the Plant Crist Units 6 and 7 cooling towers. Plant Crist will also return some reclaimed water, up to 6 million gallons per day (MGD), in the form of cooling tower blowdown to ECUA as industrial wastewater for land application. The NFWFMD has agreed that this is a valid project to pursue for continued implementation of the water conservation effort. The total projected capital expenditures for the entire project are \$17.9 million. \$1.3 million in expenditures will be incurred and placed-in-service in 2009. O&M expenses associated with this activity are yet to be determined. (Vick)

ISSUE 4: How should the costs associated with the Plant Crist Water Conservation Project be allocated to the rate classes?

GULF: The proposed capital and operation and maintenance costs associated with this project should be allocated to the rate classes on a 12 CP and 1/13 Average Demand basis. (Ritenour)

ISSUE 5: Should Gulf be allowed to recover the costs associated with its proposed Impaired Waters Rule (IWR) Project?

GULF: Yes. The Impaired Water Rule (IWR) adopted by the Environmental Regulation Commission in 2001, Chapter 62-203, Florida Administrative Code, calls for the evaluation of whether waters meet their designed uses based upon specific criteria. The FDEP has proposed listing waters in watersheds surrounding Gulf's generating facilities impaired for nutrients and mercury. The proposed IWR project will enable Gulf to conduct necessary modeling and evaluations to determine if a permitted discharge will contribute to a water body being listed as an Impaired Water and whether wastewater reductions are required to meet new total daily minimum load requirements. Gulf projects \$100,000 of O&M expenses for this project in 2009. (Vick)

ISSUE 6: How should the costs associated with the IWR Project be allocated to the rate classes?

GULF: The operation and maintenance costs associated with this project should be allocated to the rate classes on a 12 CP and 1/13 Average Demand basis. (Ritenour)

ISSUE 7: Should Gulf be allowed to recover the costs associated with its proposed Annual Climate Registry Project?

GULF: Yes. The recently enacted Florida Climate Protection Act, Section 403.44, Florida Statutes, authorizes the FDEP to establish methodologies, reporting periods and reporting systems that will be used when utilities report to the Climate Registry. Gulf anticipates joining the Climate Registry and incurring annual costs associated with membership in 2009. Gulf also anticipates incurring future expenses for monitoring and reporting greenhouse gas emissions. Gulf projects \$43,000 of O&M expenses for this activity in 2009. (Vick)

ISSUE 8: How should the costs associated with the Annual Climate Registry Project be allocated to the rate classes?

GULF: The operation and maintenance costs associated with this project should be allocated to the rate classes on a 12 CP and 1/13 Average Demand basis. (Ritenour)

ISSUE 9: Should Gulf continue to recover Capital and O&M costs associated with its CAVR, CAIR and CAMR compliance projects in light of the vacatur of CAMR and potential vacatur of CAIR?

GULF: Yes. Ongoing capital and O&M costs associated with Commission-approved Environmental Compliance Plan activities in prior recovery periods should continue to be recovered. In light of the vacatur of CAMR in 2008 and the potential vacatur of CAIR, Gulf revisited its Commission-approved Environmental Compliance Plan for CAIR/CAMR/CAVR. At present the Court's mandate vacating CAIR has not been issued, and Gulf faces having to comply with CAIR effective January 1, 2009. In addition, some of the projects designed to satisfy CAIR are also being implemented to meet CAVR, which continues to be effective, and the current status of the projects suggest that completion rather than deferral for CAVR compliance is the most economic alternative.

Capital cost recovery for the following Compliance Plan projects should continue for the 2009 recovery period: Plant Crist - Units 4-7 Scrubber, Unit 6 SCR; Plant Daniel - Unit 2 Low NOx Burners; Plant Smith: Unit 1 and 2 SNCRs. O&M cost recovery for the following Compliance Plan projects should continue for the 2009 period: Plant Crist – Units 4-7 Scrubber; Plant Scholz - Mercury Monitoring; Plant Smith – Unit 1 and 2 SNCRs. (Vick)

G. STIPULATED ISSUES

GULF: Yet to be determined. Gulf is willing to stipulate that the testimony of all witnesses whom no one wishes to cross examine be inserted into the record as though read, cross examination be waived, and the witness's attendance at the hearing be excused.

H. PENDING MOTIONS:

GULF: NONE.

I. PENDING CONFIDENTIALITY REQUEST:

GULF: Gulf Power's request for confidential classification of certain information provided by the Company in its Environmental Compliance Program Update for the Clean Air Interstate Rule, Clean Air Mercury Rule, and Clean Air Visibility Rule filed September 17, 2008.

I. OTHER MATTERS:

GULF: To the best knowledge of counsel, Gulf has complied with all requirements set forth in the orders on procedure and/or the Commission rules governing this prehearing statement. If other issues are raised for determination at the hearings set for November 4-6, 2008, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 2nd day of October, 2008.

Respectfully submitted,



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