

Susan D. Ritenour  
Secretary and Treasurer  
and Regulatory Manager

One Energy Place  
Pensacola, Florida 32520-0781

Tel 850.444.6231  
Fax 850.444.6026  
SDRITENO@southernco.com

RECEIVED-FPSC

17 AUG 26 AM 11:44 11 AUG 26 AM 11:42

COMMISSION  
CLERK



August 25, 2011

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

Dear Ms. Cole:

Enclosed for official filing in Docket No. 110007-EI are an original and fifteen copies of the following:

1. Petition of Gulf Power Company. 06170-11
2. Prepared direct testimony and exhibit of James O. Vick. 06171-11
3. Prepared direct testimony and exhibit of Richard W. Dodd. 06172-11

Also enclosed is a compact disc containing the Petition in Microsoft Word as prepared on a Windows XP operating system.

Sincerely,

*Susan D. Ritenour*

nm

Enclosures

cc w/encl.: Gunster, Yoakley & Stewart, P.A.

Charles A. Guyton

Beggs & Lane

Jeffrey A. Stone, Esq.

COM	_____
APA	_____
ECR	_____
GCL	_____
RAD	_____
SRC	_____
ADM	_____
OPC	_____
CLK	_____

DOCUMENT NUMBER-DATE

06170 AUG 25 =

FPSC-COMMISSION CLERK

Ms. Ann Cole, Commission Clerk  
Florida Public Service Commission  
August 25, 2011  
Page 2

---

bc w/encl.: R. Dodd  
B. Gambill  
A. Keough  
R. Livingston  
S. Ritenour  
B. Terry  
J. Vick  
C. Rivera

---

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery Clause )  
 )  
 ) Docket No.: 110007-EI  
 ) Filed: August 26, 2011  
 )  
\_\_\_\_\_ )

**PETITION OF GULF POWER COMPANY FOR APPROVAL OF  
FINAL ENVIRONMENTAL COST RECOVERY TRUE-UP AMOUNT FOR  
JANUARY 2010 THROUGH DECEMBER 2010; ESTIMATED ENVIRONMENTAL  
COST RECOVERY TRUE-UP AMOUNT FOR JANUARY 2011 THROUGH  
DECEMBER 2011; PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS  
FOR JANUARY 2012 THROUGH DECEMBER 2012 INCLUDING NEW  
ENVIRONMENTAL ACTIVITIES/PROJECT; AND ENVIRONMENTAL COST  
RECOVERY FACTORS TO BE APPLIED BEGINNING WITH THE PERIOD  
JANUARY 2012 THROUGH DECEMBER 2012**

Notices and communications with respect to this petition and docket should be addressed to:

Jeffrey A. Stone  
Russell A. Badders  
Steven R. Griffin  
Beggs & Lane  
P. O. Box 12950  
Pensacola, FL 32591

Susan D. Ritenour  
Secretary and Treasurer  
Gulf Power Company  
One Energy Place  
Pensacola, FL 32520-0780

GULF POWER COMPANY (“Gulf Power”, “Gulf”, or “the Company”), by and through its undersigned counsel, and pursuant to section 366.8255, Florida Statutes and various orders of the Florida Public Service Commission (“Commission”) implementing and defining the Environmental Cost Recovery Clause (“ECRC”), hereby petitions the Commission for approval of the Company's final environmental cost recovery true-up amount for the period January 2010 through December 2010; for approval of the Company’s estimated environmental cost recovery true-up amount for the period January 2011 through December 2011; for approval of the Company’s projected environmental cost recovery amounts for the period January 2012 through December 2012; for approval of a new environmental activity/project; and for approval of environmental cost recovery factors to be applied in customer billings beginning with the period January 2012 through December 2012. As grounds for the relief requested by this petition, the Company would respectfully show:

DOCUMENT NUMBER-DATE  
06170 AUG 26 =  
FPSC-COMMISSION CLERK

## **BACKGROUND**

(1) Section 366.8255, Florida Statutes, (the “Statute”) authorizes the Commission to review and decide whether Gulf’s environmental compliance costs are recoverable through an environmental cost recovery factor. Pursuant to the Statute, environmental compliance costs include “. . . all costs or expenses incurred by an electric utility in complying with environmental laws or regulations. . .”. The term “environmental laws or regulations” is defined in the Statute to include “all federal, state, or local statutes, administrative regulations, orders, ordinances, resolutions, or other requirements that apply to electric utilities and are designed to protect the environment.” Pursuant to the Statute, the Commission shall allow a utility to recover its prudently incurred environmental compliance costs through the ECRC which is separate and apart from the utility’s base rates. Only prudently incurred environmental compliance costs may be recovered through the ECRC. In Order No. PSC-94-0044-FOF-EI, issued January 12, 1994, the Commission identified three criteria for eligibility for cost recovery through the ECRC: 1) the costs must have been incurred after April 13, 1993; 2) the activity is legally required to comply with a governmentally imposed environmental regulation which was enacted, or became effective, or whose effect was triggered after the company’s last test year upon which rates are based; and, 3) the costs are not recovered through some other cost recovery mechanism or through base rates.

(2) Gulf Power initially petitioned the Commission to establish the ECRC in Docket No. 930613-EI. The Commission considered Gulf’s petition at hearings held in December 1993 and ultimately issued Order No. PSC-94-0044-FOF-EI which established the ECRC for Gulf Power and approved the commencement of recovery through initial factors effective with the first billing cycle for February 1994. Since that initial order, Gulf has periodically petitioned for and received Commission approval for recovery of the Company’s revenue requirements associated with new environmental compliance activities consistent with the ECRC statutes and

Commission precedent. Also since that initial order and subsequent orders of the Commission approving the Company's environmental compliance activities for recovery through the ECRC, Gulf has periodically submitted true-up and projection filings to the Commission with updated actual and projected costs for the various environmental compliance activities recovered through the ECRC pursuant to Commission authorization.

(3) Consistent with the foregoing, Gulf submits its petition, supporting schedules, testimony and exhibits as the Company's request herein for approval of ECRC factors to be effective in calendar year 2011. As detailed in the following paragraphs and accompanying supporting schedules, testimony and exhibits, Gulf's environmental compliance activities are consistent with the ECRC statutes and Commission precedent for recovery of eligible activities through the ECRC subject to the ongoing audit, review and true-up processes established by the Commission.

#### **FINAL ENVIRONMENTAL COST RECOVERY TRUE-UP**

(4) By vote of the Commission following hearings in November 2010, estimated true-up environmental cost recovery amounts were approved by the Commission for the period January 2010 through December 2010, subject to establishing the final environmental cost recovery true-up amounts. Gulf has calculated its final environmental cost recovery true-up amounts for the period January 2010 through December 2010 in accordance with the principles and policies for environmental cost recovery established by the Commission. According to the data filed by Gulf for the period ending December 31, 2010, the final environmental cost recovery true-up amount for the period ending December 31, 2010, should be an actual over-recovery of \$861,325. This amount is submitted for approval by the Commission to be refunded in the next period. The supporting data has been prepared in accordance with the uniform system of accounts as applicable to the Company's environmental cost recovery and fairly presents the Company's environmental costs to be considered for recovery through the ECRC for the period. The environmental activities and related expenditures reflected in the true-up

amounts shown for the period ending December 31, 2010 are reasonable and necessary to achieve or maintain compliance with environmental requirements applicable to Gulf Power Company and, therefore, the amounts identified are prudent expenditures which have been incurred for utility purposes.

#### **ESTIMATED ENVIRONMENTAL COST RECOVERY TRUE-UP**

(5) Gulf has calculated its estimated environmental cost recovery true-up amounts for the period January 2011 through December 2011 in accordance with the principles and policies for environmental cost recovery established by the Commission. Based on six months actual and six months projected data, the Company's estimated environmental cost recovery true-up amount for the period January 2011 through December 2011 is an over-recovery of \$14,380,513. The estimated environmental cost recovery true-up is combined with the final environmental cost recovery true-up for the period ending December 31, 2010 to reach the total environmental cost recovery true-up that is to be addressed in the next cost recovery period (January 2012 through December 2012). Gulf is requesting that the Commission approve this total environmental cost recovery true-up amount excluding revenue taxes, \$15,241,838 for refund during the January 2012 through December 2012 recovery period.

#### **PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS**

(6) Gulf has calculated its projected environmental cost recovery amounts for the months January 2012 through December 2012 in accordance with the principles and policies for environmental cost recovery found in §366.8255 of the Florida Statutes and Commission Order No. PSC-94-0044-FOF-EI. The calculated factors reflect the recovery of the projected environmental cost recovery amount of \$153,972,770 for the period January 2012 through December 2012, less the net true-up amount adjusted for revenue taxes.

The computations and supporting data for the Company's environmental cost recovery factors are set forth on true-up and projection schedules that are attached as part of the exhibits to

the final true-up testimony and actual/estimated true-up testimony of R.W. Dodd filed previously in this docket (*See* DN 02174-11 and 05366-11) and the projection testimony of Mr. Dodd filed herewith. Additional supporting data for the environmental cost recovery factors is provided in the final true-up testimony and estimated/actual true-up testimony of J. O. Vick also previously filed in this docket (*See* DN 02174-11 and 05365-11) and the projection testimony of Mr. Vick also filed herewith. Gulf's 2010 Compliance Plan Update (*See* DN 02191-11) provides further support for the Company's environmental cost recovery factors. The data and other information set forth in these schedules, the 2011 Compliance Plan Update and sponsored and/or supported by the testimony of Gulf witnesses Dodd and Vick are an integral part of this petition and are hereby incorporated herein by reference. The methodology used by Gulf in determining the amounts to include in these factors and the allocation to rate classes is in accordance with the requirements of the Commission as set forth in Order No. PSC-94-0044-FOF-EI. The amounts included in the calculated factors for the projection period are based on reasonable projections of the costs for environmental compliance activities that are expected to be incurred during the period January 2012 through December 2012. The calculated factors and supporting data have been prepared in accordance with the uniform system of accounts and fairly present the Company's best estimate of environmental compliance costs for the projected period. The activities described in the testimony of Mr. Vick are reasonable and necessary to achieve or maintain compliance with environmental requirements applicable to Gulf Power Company and the actual or projected costs resulting from the described compliance activities are also reasonable and necessary. Therefore, the costs identified are prudent expenditures that have been or will be incurred for utility purposes and for which the Company should be allowed to recover the associated revenue requirements.

#### **NEW ENVIRONMENTAL ACTIVITIES/PROJECTS**

(7) Gulf seeks approval of the following new activity/project for cost recovery through the Environmental Cost Recovery Clause:

(a.) **Impoundment Integrity Inspection project**: This project addresses costs associated with Gulf's compliance with a new condition in the Plant Crist National Pollutant Discharge Elimination System (NPDES) permit renewal issued during January of 2011. This new condition requires that a qualified person with knowledge and training in impoundment integrity inspect all ash impoundments at Plant Crist annually. These inspections must include observations of dike and toe areas for erosion, cracks, or bulges, seepage, wet or soft soil, changes in geometry, the depth and elevation of the impounded water, sediment or slurry, freeboard, changes in vegetation and any other change which may indicate a potential compromise to impoundment integrity. The permit condition requires that summarized findings of all monitoring activities, inspections, and corrective actions pertaining to the impoundment integrity, and operation and maintenance of all impoundments must be documented and kept onsite and made available to FDEP inspectors. All findings and corrective actions related to impoundment integrity at Plant Crist must be complied with per the permit condition.

The Impoundment Integrity Inspection project meets the criteria for cost recovery established by the Commission in Order No. PSC-94-0044-FOF-EI in that the costs associated with it are not recovered through any other cost recovery mechanism or through base rates and will be incurred after April 13, 1993. In addition, Gulf's compliance with the NPDES permit is legally mandated under a governmentally imposed environmental regulation. Gulf estimates that the costs associated with this new project will total \$156,000 during 2012. The expenses associated with this project will be allocated to the rate classes on a demand basis.

(b.) The remaining activities/projects discussed in the projection testimony of Mr. Vick, filed herewith, are expansions or continuations of existing Commission-approved programs and are incorporated herein by reference.



**ENVIRONMENTAL COST RECOVERY FACTORS**

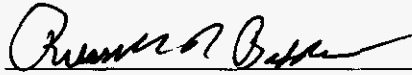
(8) The calculated environmental cost recovery factors by rate class, including true-up, are:

<b>RATE CLASS</b>	<b>ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH</b>
RS, RSVP	1.328
GS	1.320
GSD, GSDT, GSTOU	1.308
LP, LPT	1.278
PX, PXT, RTP, SBS	1.261
OS-I/II	1.267
OSIII	1.289

WHEREFORE, Gulf Power Company respectfully requests the Commission to approve the final environmental cost recovery true-up amounts for the period January 2010 through December 2010; estimated environmental cost recovery true-up amounts for the period January 2011 through December 2011; the projected environmental cost recovery amounts for the period January 2012 through December 2012; the reasonableness and prudence of new and/or expansions of other environmental projects consistent with this petition; and the environmental

cost recovery factors to be applied in customer billings beginning with the period January 2012-  
through December 2012.

Dated the 25th day of August, 2011.



**JEFFREY A. STONE**

Florida Bar No. 325953

**RUSSELL A. BADDERS**

Florida Bar No. 007455

**STEVEN R. GRIFFIN**

Florida Bar No. 0627569

**Beggs & Lane**

P. O. Box 12950

Pensacola, FL 32591

(850) 432-2451

**Attorneys for Gulf Power Company**