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GULF POWER
A SOUTHERN COMPANY

March 31, 2011

_____ claim of confidentiality
_____ notice of intent
__X__ request for confidentiality
_____ filed by OPC

For DN 02190-11, which is in locked storage. You must be authorized to view this DN.-CLK

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

Dear Ms. Cole:

RE: Docket No. 110007-EI

Enclosed is Gulf Power Company's Request for Confidential Classification for certain portions of its Environmental Compliance Program Update for the Clean Air Interstate Rule, and Clean Air Visibility Rule, to be filed in the above referenced docket.

Sincerely,

Terry A. Davis

COM ____ vm
APA 1
ECR 1 Enclosures
GCL 1 cc w/encl.: Gunster, Yoakley & Stewart, P.A.
RAD 1 Charles A. Guyton, Esq.
SSC ____ Beggs & Lane
ADM ____ Jeffrey A. Stone, Esq.
OPC ____
CLK I

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: **Environmental Cost Recovery Clause**))) Docket No.: **110007-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing has been furnished this 31st day of March, 2011, by U.S. mail to the following:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost
Recovery Clause
)

Docket No.: 110007-EI
Date: March 31, 2011

REQUEST FOR CONFIDENTIAL CLASSIFICATION

GULF POWER COMPANY ["Gulf Power", "Gulf", or the "Company"], by and through its undersigned attorneys and pursuant to Rule 25-22.006, Florida Administrative Code, hereby files a request that the Florida Public Service Commission enter an order protecting from public disclosure certain portions of its Environmental Compliance Program Update for the Clean Air Interstate Rule and Clean Air Visibility Rule (the "Compliance Program"). As grounds for this request, the Company states:

1. Gulf Power seeks confidential classification for portions of its Compliance Program which is being filed concurrently with this request. The subject information relates to competitive interests, the disclosure of which would impair the competitive business of Gulf Power and Gulf Power's ability to procure goods and services on a fair and reasonable basis. The information is therefore entitled to confidential classification pursuant to section 366.093(3)(d)-(e), Florida Statutes.

2. Table 3.1-1 identifies in detail Gulf Power's projected capital expenditures, by plant and by project, associated with the Compliance Program. Disclosure of this information could negatively impact Gulf's ability to negotiate pricing favorable to its customers when contracting with vendors of materials needed by Gulf in order to implement its Compliance Program. Similarly, Table 3.1-2 identifies in detail Gulf Power's projected operation and maintenance expenses, by plant and by project, associated with the Compliance Program. Disclosure of this information could negatively impact Gulf's ability to negotiate pricing favorable to its customers when contracting with vendors of services needed by Gulf in order to implement is Compliance Program.

3. Tables 3.3-1 and 3.3-2 provide the results of an economic viability study by Gulf Power of its generating assets. These tables provide unit-specific cost projections for combined cycle generation for use as coal retirement replacements. Wholesale competitors as well as suppliers of commodities and services could utilize this information to undermine Gulf's bargaining position in the markets where Gulf must compete to obtain commodities and services or make purchases or sales of wholesale power. In addition, disclosure of this information could negatively impact Gulf's ability to negotiate pricing favorable to its customers in the event that Gulf determined to sell one or more of its generating assets.

4. Table 4.5-1 identifies Gulf Power's estimated allowance costs between 2012 and 2019. Disclosure of this information could negatively impact Gulf's ability to negotiate pricing favorable to its customers when contracting for the purchase of allowances.

5. Finally, the Section 3.3.4 of the Compliance Program contains certain transmission cost assumptions and study results which are specific to Gulf Power's generating plants. Competitors, as well as suppliers of commodities and services, could utilize this information to undermine Gulfs bargaining position in the markets. In addition, disclosure of this information could negatively impact Gulfs ability to negotiate pricing favorable to its customers in the event that Gulf determined to sell one or more of its generating assets.

6. The information filed pursuant to this Request is intended to be, and is treated as, confidential by the Gulf Power and, to this attorney's knowledge, has not been otherwise publicly disclosed.

7. Submitted as Exhibit "A" are highlighted pages from the Compliance Program which contain confidential information. Exhibit "A" should be treated as confidential pending a ruling on this request. Attached as Exhibit "B" are two edited copies of Exhibit "A," which may be made available for public review and inspection. Attached as Exhibit "C" to this request is a line-by-line/field-by-field justification for the request for confidential classification.

WHEREFORE, Gulf Power Company respectfully requests that the Commission enter an order protecting the information highlighted on Exhibit "A" from public disclosure as proprietary confidential business information.

Respectfully submitted this 31st day of March, 2011.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost
Recovery Clause
______________________________)

Docket No.: 110007-EI
Date: March 31, 2011

REQUEST FOR CONFIDENTIAL CLASSIFICATION

EXHIBIT "A"

Provided to the Commission Clerk under separate cover as confidential information.

EXHIBIT "B"

REDACTED

A B C D E F G H I J

REDACTED

Table 3.1-1
Compliance Program Capital Expenditures
$ in Thousands

REDACTED

	Prior Years**	
By Plant		[redacted]
Plant Crist		
Mercury Monitoring		
Unit 6 SCR	63,547	
Units 4-7 Scrubber	619,870	
Plant Scholz		
Mercury Monitoring	644	
Plant Smith		
Unit 2 Baghouse*		
Unit 1 SNCR	8,363	
Unit 2 SNCR	2,905	
Mercury Monitoring	1,433	
Units 1-2 Scrubber *		
CAIR Parametric Monitor	230	
Plant Daniel		
Mercury Monitoring		
Unit 1 SCR		
Unit 2 SCR		
Units 1 & 2 Scrubber	2,966	
Unit 1 Low NOx Burners	3,186	
Unit 2 Low NOx Burners	3,586	
By Project		
Mercury Monitoring	2,077	
SCRs	63,547	
Scrubbers	622,836	
SNCRs	11,268	
Baghouse		
CAIR Parametric Monitor	230	
Low Nox Burners	6,772	
Annual Total	**706,730**	

*** Phase II projects that have not been approved for ECRC recovery**
****2006-2010 expenditures**
Expenditures presented for Plant Daniel represent Gulf's ownership portion.
Allowance cost projections are not included in Table 3.1-1

REDACTED

A B C D E F G H I J

Table 3.1-2
Compliance Program Plant O&M Expenses
$ in Thousands

By Plant	[redacted]
Plant Crist	
Mercury Monitoring	
Unit 6 SCR	
Units 4-7 Scrubber	
Plant Scholz	
Mercury Monitoring	
Plant Smith	
Unit 2 Baghouse*	
Unit 1 SNCR	
Mercury Monitoring	
Units 1-2 Scrubber*	
CAIR Parametric Monitor	
Plant Daniel	
Mercury Monitoring	
Unit 1 SCR	
Unit 2 SCR	
Units 1&2 Scrubber	
Unit 1 Low NOx Burners	
Unit 2 Low NOx Burners	
By Project	
Mercury Monitoring	
SCRs	
Scrubbers	
SNCRs	
Baghouse	
CAIR Parametric Monitor	
Low NOx Burners	
Annual Total	

*** Phase II projects that have not been approved for ECRC recovery**
Expenses presented for Plant Daniel represent Gulf's ownership portion.
Allowance cost projections are not included in Table 3.1-2

Southern Electric System marginal replacement costs for both the continued coal operation and the replacement alternative. Marginal replacement costs were generated with the Pro-Sym® model. The marginal replacement costs were then used in the Southern Company GenVal model to dispatch both the coal unit and the combined cycle unit. The energy benefits (marginal replacement costs minus variable operating costs) were compared to determine the commitment and energy value to the Southern Electric System for both generating options. Fixed costs associated with the continued operation of the existing generating units were based on projections of annual O&M costs and the Net Present Value (NPV) of the revenue requirements associated with incremental capital investment necessary to keep the unit operational over the evaluation period. Replacement, installation capital, fixed O&M, and continue to operate capital are site specific costs. The replacement costs are pro-rated to an equal capacity basis with the studied unit. The NPV of the difference between the pro-rated replacement cost and unit operational cost is calculated to determine the overall net contribution.

The evaluation incorporated twelve integrated scenarios in order to capture variations in the operating environments that would affect potential retirement of the units. The twelve cases were developed around uncertainty in fuel prices and CO_2 legislation. The CO_2 price assumptions were $0/ton, $10/ton, $20/ton and $30/ton (in 2008 dollars), escalated at inflation to 2015, then 5 percent above inflation thereafter. The fuel price sensitivities utilized variations in gas and coal prices based on a low, moderate (with volatility), and high forecast which relied on Charles River Associates (CRA) fuel forecasts.

Plant Crist Unit 6

The purpose of the Plant Crist evaluation was to determine the economic benefits of retiring Crist Unit 6 in December of 2014 and replacing the unit with the lowest cost option. The evaluation included estimates of transmission cost implications associated with a potential retirement. It was assumed in this study that the replacement combined cycle unit would be placed on the Plant Crist site. The evaluation retired and replaced Crist Unit 6 with one 2x1 G+ series CC in January of 2017, avoiding the Crist 6 SCR installation in the fall of 2012. A replacement combined cycle (CC) at Plant Crist cannot be placed in-service until 2017 due to transmission lead time constraints. For the period between December 31, 2014 and December 31, 2016, a market replacement capacity and energy purchase was assumed.

Transmission Cost Assumptions

[redacted]

[redacted]

Results

An economic evaluation of the Plant Crist CC replacement option was performed to compare customer costs from 2011-2035. The CC replacement option was compared to the cost of continuing operation of Crist Unit 6 with the SCR installed. Table 3.3-1 presents the NPV customer costs resulting from a comparison of costs of a replacement combined cycle minus the cost to continue to operate Crist Unit 6 with a SCR.

It showed that for the twelve scenarios considered, it is more beneficial to Gulf's customers to continue to operate Crist Unit 6 with the SCR installed rather than replacing Crist Unit 6 with a CC unit. This analysis does not attempt to monetize the fuel diversity benefits Gulf's customers receive from maintaining coal capacity and avoiding an undue system reliance on natural gas. This analysis clearly shows the better option to Gulf's customers is the continued installation of the Crist Unit 6 SCR.

Table 3.3-1
Net Replacement Costs – Crist Unit 6

Economic Retirement Study
Customer Costs for CC Replacement Option Relative to Continued Operation with the SCR
(NPV 2011 in millions)

[redacted]

Plant Daniel Units 1 and 2

The purpose of the Plant Daniel evaluation was to determine the economic benefits of retiring Daniel Units 1 and 2 in December of 2014 and replacing the units with the lowest cost option. The evaluation included estimates of transmission cost implications and site closure costs associated with a potential retirement. The evaluation retired and replaced Daniel Units 1 and 2 with two 2x1 G+ series CCs, avoiding the Daniel Units 1 and 2 SCRs in the spring of 2016 and the fall of 2015, respectively, and the fall 2014 scrubber installations.

It was assumed in this study that one replacement CC would be placed on the Plant Crist site and one replacement CC would be placed on the Plant Daniel site. Due to the transmission lead time constraints discussed above, the Plant Crist CC could not be online until January 2017. Due to permitting and construction lead time constraints, the Plant Daniel CC could not be online until January 2016. Therefore, market replacement capacity and energy purchases were assumed from January 1, 2015 until the replacement units are available.

Transmission and Site Closure Cost Assumptions

[redacted]

Site closure cost estimates for Daniel Units 1 and 2 were based on a 2009 study. The results of the study indicate that for Daniel Units 1 and 2, the projected site closure cost is $25.5 million in 2009$, which includes closure of the ash pond. These costs are included for the early retirement of the unit in 2015 in the retire-and-replace case, as well as for the continue-to-operate case at the end of life of the unit, adjusted for inflation respectively.

Results

An economic evaluation of the Plant Daniel CC replacement option was performed to compare customer costs from 2011-2040. The CC replacement option was compared to the cost of continuing to operate Plant Daniel Units 1 and 2 with SCRs and scrubbers installed. Table 3.3-2 presents the NPV customer costs resulting from a comparison of costs of replacement combined cycle units minus the cost to continue to operate Daniel Units 1 and 2 with SCRs and scrubbers.

It showed that for ten of the twelve scenarios considered, it is more beneficial to Gulf's customers to retrofit Plant Daniel Units 1 and 2, as proposed, rather than replacing them with CC units. In addition, there are practical transmission lead time and permitting and construction lead time limitations that require market purchases for a 2015 replacement. Even without monetizing the fuel diversity benefits of retaining coal generation on its system, the analysis shows that the proposed retrofit of the Plant Daniels Units is preferable to their replacement.

Table 3.3-2
Net Replacement Costs – Daniel Units 1 and 2

Economic Retirement Study
Customer Costs for CC Replacement Option Relative to Continued Operation with SCRs and Scrubber
(NPV 2011 in millions, reflects 50% Gulf ownership portion only)

[redacted]

4.5 GULF'S ALLOWANCE PURCHASES

Although the retrofit installations set forth in Gulf's compliance program significantly reduce emissions, they will not result in Gulf achieving CAIR compliance levels without the purchase of some emission allowances. Thus, Gulf's environmental compliance program calls for the purchase of allowances. The emission allowances Gulf Power projects it needs to purchase, along with estimated costs, are shown in Table 4.5-1. The purchase of allowances in conjunction with the retrofit projects comprises the most reasonable, cost-effective means for Gulf to meet CAIR and CAVR requirements.

Table 4.5-1
Gulf Power Allowance Projection and Costs
(2011-2019)

Annual Emissions in Excess of Allocations

	2011	2012	2013	2014	2015	2016	2017	2018	2019
SO_2	(6,634)	3,482	3,405	12,264	4,682	5,435	3,167	(8,884)	(8,062)
Seasonal NO_X	910	230	673	1,195	2,555	1,902	1,605	1,553	1,791
Annual NO_X	1,006	301	1,319	2,845	4,521	3,666	2,757	2,444	3,200

Cost of Emissions in Excess of Allocations ($ in thousands)*

		2011	2012	2013	2014	2015	2016	2017	2018	2019
			A	B	C	D	E	F	G	H
	SO_2	$0	$0	$0	$0	$0	$0	$0	$0	$0
1	Seasonal NO_X	$96	[redacted]							
2	Annual NO_X	$0								
3	Total Cost	$96								

* Projected cost is at forecasted prices of the spot market in a given year; forecast includes pending transactions and commitments to purchase. No costs for SO_2 are projected beginning in 2010 due to banked SO_2 allowances.

Oct 10 EB

TRADE SECRET

EXHIBIT "C"

Line-by-Line/Field-by-Field Justification

Line(s)/Field(s)	**Justification**
Table 3.1-1 Page 8 Columns A-J Table 3.1-2 Page 9 Columns A-J	This information is entitled to confidential classification pursuant to §366.093(3) (d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 2.
Table 3.3-1 Page 14 Confidential in its entirety Table 3.3-2 Page 16 Confidential in its entirety	This information is entitled to confidential classification pursuant to §366.093(3) (d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 3.
Table 4.5-1 Page 23 Columns A-H, Lines 1-3	This information is entitled to confidential classification pursuant to §366.093(3) (d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 4.
Page 13 Lines 1-8 Page 14 Lines 1-3 Page 15 Lines 1-6	This information is entitled to confidential classification pursuant to §366.093(3) (d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 5.

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

Terry A. Davis
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Re: Acknowledgement of Confidential Filing in Docket No. 110007-EI

This will acknowledge receipt by the Florida Public Service Commission, Office of Commission Clerk, of a CONFIDENTIAL DOCUMENT filed on April 1, 2011, in the above-referenced docket.

Document Number 02190-11 has been assigned to this filing, which will be maintained in locked storage.

If you have any questions regarding this document, please contact Kim Peña, Records Management Assistant, at (850) 413-6393.