27

Gulf's Responses to Staff's First Set of Interrogatories (No. 1)

1. In Docket No. 080007-EI, Gulf petitioned, and the Commission approved by Order No. PSC-08-0775-FOF-EI, issued November 24, 2008, Re: Environmental Cost Recovery Clause, recovery through the ECRC of the O&M expenses of $8,000 ± 30% associated with the Annual Climate Registry Project.

   a. Has Gulf actually incurred such expenses? If so, when?
   b. Does Gulf expect to incur any costs for monitoring and reporting greenhouse gas emissions in the near future?

ANSWER:

a. No, Gulf has not incurred any expenses related to the Annual Climate Registry project.

b. We do not anticipate any expenses in the near future.

28

Gulf's Responses to Staff's Second Set of Interrogatories (Nos. 2-3)

Please refer to witness Vick's testimony filed on April 1, 2011, for the following questions.

2. Was the activity described on line 24 of page 3 through line 1 of page 4 completed prior to December 31, 2010? If not, when will it be completed?

ANSWER:

No. The excavation at Plant Smith was completed on February 14, 2011. On April 15, 2011, the Source Removal Report was submitted to the FDEP for this excavation. During July 2011, the Site Assessment Report for this excavation will be submitted to the FDEP. After receiving the Site Assessment Report, the FDEP will determine if further work is required at this site.

Please refer to witness Vick's testimony filed on April 1, 2011, for the following questions.

3. Referring to the Plant Crist 7 SCR catalyst project discussed on page 5, lines 12 - 22:

   a. Has Gulf incurred any O&M costs associated with the unsuccessful catalyst layer regeneration, such as service charges from the contractor?

   b. What is the amount of capital cost associated with the purchasing of a new layer?

   c. What will the O&M expenses associated with the installation of the new layer be? Will it be the same as Gulf estimated for a regenerated layer, which would be approximately $300,000? (re: Gulf's response to Staff's 7th Set of Interrogatories No. 47 in Docket No. 100007-EI)

   d. In its response to Staff's 3rd Set of Interrogatories, No. 15, in Docket No. 100007-EI, witness Susan Ritenour testified "the Crist Unit 7 SCR can contain up to 4 layers of catalyst. As the catalyst degrades over time, a layer is added, replaced or regenerated to restore the needed catalytic activity." (i) What are the minimum number of layers required for the Crist Unit 7 SCR to operate normally? (ii) Does Gulf always use 4 layers of catalyst in the Unit 7 SCR?

   e. In a typical situation, how often does a layer need to be replaced or regenerated?

   f. What would be the cost for regenerating a degraded catalyst layer?

   g. For the Crist Unit 7 SCR, is the discussed layer the first one that has (i) tried to be regenerated? (ii) been replaced by a new one?

   h. When does Gulf expect other layers to be regenerated or replaced by a new one?

   i. Is it correct that Crist Unit 7 is the only generating unit that is retrofitted with the Selective Catalytic Reduction system, while all the other Gulf generating units, including Crist Units 4, 5 & 6 and Smith Units 1 & 2, are retrofitted with the Selective Non-Catalytic Reduction system? (re: Gulf's response to Staff's 1st Set of Interrogatories No. 1, in Docket No. 090007-EI).

ANSWER:

a. Yes, approximately $136,000 of O&M expenses associated with the catalyst layer that was sent offsite for regeneration were incurred. These expenses included shipping, cleaning and regeneration work. During the regeneration process the vendor notified Gulf Power that the catalyst could not be regenerated to meet Gulf Power's specifications and outage schedule. However, the vendor was able to supply another regenerated catalyst layer that did meet specifications at approximately the same cost that Gulf was going to pay to have its catalyst layer regenerated.

b. Based on the prior two layers of catalyst installed on Crist Unit 7, the capital cost of a new layer has ranged from $1.6 to $2.0 million, which included shipping, installation and other related expenses. Currently, estimated total capital cost of a new layer is approximately $1.7 to $1.8 million.

c. There were no O&M expenses associated with the actual installation of the new regenerated catalyst layer as these costs are capitalized.

d. (i) A minimum of three layers are required for normal operation.

(ii) No. Gulf Power has been operating the SCR system on Crist Unit 7 with three layers of catalyst. It is possible and maybe required in the future, to operate the SCR system with four layers depending on the operation conditions, fuel used, outage schedules and deactivation rate of the catalyst.

e. Based on Gulf Power's experience while operating with 3 layers, catalyst layers are typically replaced or regenerated approximately every 18 months to two years. Catalyst replacement and regeneration schedules depend on catalyst deactivation rate and the number of layers loaded with catalyst (or the amount of catalyst).

f. Depending on the condition of the layer the regeneration cost can range from $600,000 to $1,000,000 including shipping and other related expenses associated with the project.

g. (i) Yes.
(ii) No.

h. Gulf expects to regenerate or replace one of the three layers of the Crist Unit 7 SCR catalysts in 2012, 2014 and 2015.

i. The table below lists the Gulf units that currently have SCR and SNCR controls.

Crist 4	SNCR
Crist 5	SNCR
Crist 6	SNCR
Crist 7	SCR
Smith 1	SNCR
Smith 2	SNCR

SCR- Selective Catalytic Reduction
SNCR- Selective Non-Catalytic Reduction

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 110007-EI

Before me the undersigned authority, personally appeared Susan D. Ritenour, Secretary and Treasurer and Regulatory Manager of Gulf Power Company, and who on behalf of said corporation, being first duly sworn, deposes, and says that pursuant to Rule 1.340(a), Florida Rules of Civil Procedure, she verifies that the foregoing answers to the interrogatories are submitted on behalf of said corporation, and that the foregoing constitute true and correct answers to the best of her knowledge, information, and belief based on the information provided by others in the course of business. She is personally known to me.

Susan D Ritenour
Susan D. Ritenour
Secretary and Treasurer
Regulatory Manager

Sworn to and subscribed before me this 20th day of May, 2011.

Natalie Milstead
Notary Public, State of Florida at Large

NATALIE MILSTEAD
MY COMMISSION # EE091117
EXPIRES May 08, 2015
(407) 398-0153 FloridaNotaryService.com

29

Gulf's Responses to Staff's Third Set of Interrogatories (No. 4)

4. Referring to Gulf's Preliminary List of New Projects:

   a. How was the estimated 2012 O&M expenses of $150,000 derived? Please identify the specific components, and their amounts, that comprise the estimated O&M expenditures.

   b. Does Gulf currently have a "qualified person with knowledge and training in impoundment integrity"?

   c. If the response to (b) is negative, will Gulf contract out the annual inspections, or will it train its employee(s) to do the inspections?

   d. If Gulf intends to contract out the inspections, has the Company retained a contractor to provide the services, or will it be soliciting bids?

ANSWER:

a. The estimated 2012 O&M expenses were based on working knowledge of costs associated with similar projects, such as erosion and sediment control projects at Plant Crist. The projected 2012 expenses include the following:
   - $83,000 for any repairs required as a result of the integrity inspections $60,000 for vegetation removal and maintenance required in order to visually inspect the impoundment slopes
   - $5,000 for annual impoundment integrity inspection by Southern Company dam safety group
   - $2,000 for annual dam safety training for key plant personnel

b. Plant Crist has several employees that have been trained to conduct weekly dam safety inspections but these employees are not qualified to conduct the annual in-depth inspection.

c. The annual impoundment integrity inspections will be performed internally by a group of Southern Company Services personnel that has extensive experience in civil and geotechnical engineering. This group has responsibility for all of the Southern system impoundment integrity inspections.

d. Gulf Power does not plan to contract out the inspections, but instead will rely on Gulf personnel augmented by SCS personnel as noted in the responses to parts b and c above.

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 110007-EI

Before me the undersigned authority, personally appeared Susan D. Ritenour, Secretary and Treasurer and Regulatory Manager of Gulf Power Company, and who on behalf of said corporation, being first duly sworn, deposes, and says that pursuant to Rule 1.340(a), Florida Rules of Civil Procedure, she verifies that the foregoing answers to the interrogatories are submitted on behalf of said corporation, and that the foregoing constitute true and correct answers to the best of her knowledge, information, and belief based on the information provided by others in the course of business. She is personally known to me.

Susan D. Ritenour
Susan D. Ritenour
Secretary and Treasurer
Regulatory Manager

Sworn to and subscribed before me this 12th day of August, 2011.

Natalie Milstead
Notary Public, State of Florida at Large

NATALIE MILSTEAD
MY COMMISSION # EE091117
EXPIRES May 08, 2015
(407) 398-0153 FloridaNotaryService.com

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 12th day of August, 2011, by electronic. mail to the following:

Martha Carter Brown, Esq.
Senior Counsel
FL Public Service Comm.
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
mbrown@psc.state.fl.us

John T. Butler, Esq.
Attorney for Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
John.Butler@fpl.com

Karen S. White, Staff Attorney
c/o AFCESA-ULFSC
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403-5319
Phone: 850-283-6348
FAX: 850-283-6219
Email: karen.white@tyndall.af.mil

J.R. Kelly
P. Christensen
C. Rehwinkel
Associate Public Counsel
Office of Public Counsel
111 W. Madison St., Rm. 812
Tallahassee, FL 32399-1400
christensen.patty@leg.state.fl.us
rehwinkel.charles@leg.state.fl.us
kelly.jr@leg.state.fl.us

Vicki Gordan Kaufman
John C. Moyle
FIPUG
118 N. Gadsden Street
Tallahassee, FL 32301
vkaufman@kagmlaw.com
jmoyle@kagmlaw.com

James D. Beasley, Esq.
J. Jeffry Wahlen
Attorneys for Tampa Electric Co.
Ausley & McMullen
P. O. Box 391
Tallahassee, FL 32302
jbeasley@ausley.com

Kenneth Hoffman
Florida Power & Light Company
215 South Monroe Street, Suite 810
Tallahassee, FL 32301-1858
Ken.Hoffman@fpl.com

John T. Burnett, Esq.
Dianne M. Triplett
Progress Energy Service Co.
P. O. Box 14042
St. Petersburg, FL 33733-4042
john.burnett@pgnmail.com

Paula K. Brown
Tampa Electric Company
P. O. Box 111
Tampa, FL 33601
Regdept@tecoenergy.com

Paul Lewis, Jr.
Progress Energy Florida, Inc.
106 E. College Ave., Ste. 800
Tallahassee, FL 32301
paul.lewisjr@pgnmail.com

Gary V. Perko, Esq.
Hopping Green & Sams
P. O. Box 6526
Tallahassee, FL 32314
gperko@hgslaw.com

JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 007455
STEVEN GRIFFIN
Florida Bar No. 0627569
BEGGS & LANE
P. O. Box 12950
Pensacola FL 32591-2950
(850) 432-2451
Attorneys for Gulf Power Company

30

Gulf's Responses to Staff's Fourth Set of Interrogatories (Nos. 5-7)

Please refer to witness J. Vick's testimony, filed on August 1, 2011, for the following questions.

5. Please refer to page 4, lines 9 – 13.

   (a) Does the "retirement of the Plant Crist Unit 7 SCR catalyst" (lines 11 – 12) refer to the retirement of the SCR catalyst layer that could not be regenerated and was replaced by a newly purchased layer, as discussed on page 5, lines 16 – 21, of witness Vick's testimony filed on April 1?

   (b) Please explain why "[t]his retirement resulted in a lower than estimated depreciation expenses?" (line 12 – 13) Since a new layer has been purchased and put into service, will the new layer result in a greater depreciation expense, or at least offset the decrease of depreciation expense due to the retirement of the old layer? Please explain your response.

ANSWER

a. Yes. The SCR catalyst, which includes three layers, was initially installed in 2005 at a cost of $8.9 million. When the first of the three layers was replaced in 2007, a retirement of $1.9 million was booked. When the second of three layers was replaced in 2009 a retirement of $1.3 million was booked. When the last of the initial three layers was replaced in 2011 the remaining amount of the original investment of $5. 7 million was retired.

b. This retirement was not included in the 2011 Projection filing and thus resulted in a lower depreciation expense amount filed in the 2011 Estimated-Actual filing for 2011. The $5.7 million retirement discussed in the response to question 5(a) will result in approximately $132,000 less depreciation expense in 2011 than originally projected. This reduction in depreciation expense will be partially offset by an increase in depreciation expense of approximately $16,000 related to the new catalyst layer placed in service in March 2011.

6. Please refer to page 5, lines 10 – 14, regarding capital project Annual NOx Allowances.

   (a) Please explain why there is a higher Annual NOx allowance inventory balance at the beginning of the year than was originally projected.

   (b) The Environmental Protection Agency (EPA) finalized a new Cross State Air Pollution Rule (CSAPR) on July 6, 2011, to replace the current Clean Air Interstate Rule (CAIR). It appears that any annual NOx allowances not used by the end of 2011 are not expected to be useful for compliance with the new Rule. Please explain how Gulf will treat the investment associated with its annual NOx allowance inventory on December 31, 2011.

ANSWER

a. The NOx allowance inventory beginning balance in the 2011 Estimated True-up filing reflects 2010 actual data whereas the 2011 projection filing beginning balance reflects six months of actual and six months of estimated data for 2010. The difference is the result of actual versus projected NOx emission allowance activity for July through December 2010 which is discussed on page 6, lines 3 through 5 of Mr. Vick's testimony filed on April 1, 2011.

b. A decision as to whether or not the balance of annual NOx allowances on hand at the end of 2011 will have any value in the future is yet to be determined pending potential litigation related to the new Cross State Air Pollution Rule (CSAPR). Regardless of whether these allowances are ultimately deemed to have any value or not beyond 2011, the costs of these allowances were prudently incurred expenses that are recoverable through the Environmental Cost Recovery Clause.

7. Please refer to page 5, lines 16 – 20, regarding capital project SO_2 Allowances.

   (a) Please explain why there is a higher SO_2 allowance inventory balance at the beginning of the year than was originally projected.

   (b) The EPA finalized a new CSAPR rule on July 6, 2011, to replace the current CAIR. It appears that any annual SO_2 allowances not used by the end of 2011 are not expected to be useful for compliance with the new Rule. Please explain how Gulf will treat the investments associated with its annual SO_2 allowance inventory on December 31, 2011.

ANSWER

a. The SO_2 allowance inventory beginning balance in the 2011 Estimated True-up filing reflects 2010 actual data whereas the 2011 projection filing beginning balance reflects six months of actual and six months of estimated data for 2010. The difference is the result of actual versus projected SO_2 emission allowance activity for July through December 2010 which is discussed on page 6, lines 9 and 10 of Mr. Vick's testimony filed on April 1, 2011.

b. Gulf will continue to account for the annual SO2 allowances under the Acid Rain Program. CAIR and the Acid Rain Program utilized the same SO2 allowance bank therefore these allowances are expected to be useful without CAIR or its replacement CSAPR.

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 110007-EI

Before me the undersigned authority, personally appeared Susan D. Ritenour, Secretary and Treasurer and Regulatory Manager of Gulf Power Company, and who on behalf of said corporation, being first duly sworn, deposes, and says that pursuant to Rule 1.340(a), Florida Rules of Civil Procedure, she verifies that the foregoing answers to the interrogatories are submitted on behalf of said corporation, and that the foregoing constitute true and correct answers to the best of her knowledge, information, and belief based on the information provided by others in the course of business. She is personally known to me.

Susan D. Ritenour
Susan D. Ritenour
Secretary and Treasurer
Regulatory Manager

Sworn to and subscribed before me this 19th day of September, 2011.

Natalie Milstead
Notary Public, State of Florida at Large

NATALIE MILSTEAD
MY COMMISSION # EE091117
EXPIRES May 08, 2015
(407) 398-0153 FloridaNotaryService.com

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 19th day of September, 2011, by electronic mail to the following:

Martha Carter Brown, Esq.
Senior Counsel
FL Public Service Comm.
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
mbrown@psc.state.fl.us

Vicki Gordan Kaufman
John C. Moyle
FIPUG
118 N. Gadsden Street
Tallahassee, FL 32301
vkaufman@kagmlaw.com
jmoyle@kagmlaw.com

Paula K. Brown
Tampa Electric Company
P. O. Box 111
Tampa, FL 33601
Regdept@tecoenergy.com

John T. Butler, Esq.
Attorney for Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
John.Butler@fpl.com

James D. Beasley, Esq.
J. Jeffry Wahlen
Attorneys for Tampa Electric Co.
Ausley & McMullen
P. O. Box 391
Tallahassee, FL 32302
jbeasley@ausley.com

Paul Lewis, Jr.
Progress Energy Florida, Inc.
106 E. College Ave., Ste. 800
Tallahassee, FL 32301
paul.lewisjr@pgnmail.com

Karen S. White, Staff Attorney
c/o AFCESA-ULFSC
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403-5319
Phone: 850-283-6348
FAX: 850-283-6219
karen.white@tyndall.af.mil

Kenneth Hoffman
Florida Power & Light Company
215 South Monroe Street, Suite 810
Tallahassee, FL 32301-1858
Ken.Hoffman@fpl.com

Gary V. Perko, Esq.
Hopping Green & Sams
P. O. Box 6526
Tallahassee, FL 32314
gperko@hgslaw.com

J.R. Kelly
P. Christensen
C. Rehwinkel
Associate Public Counsel
Office of Public Counsel
111 W. Madison St., Rm. 812
Tallahassee, FL 32399-1400
christensen.patty@leg.state.fl.us
rehwinkel.charles@leg.state.fl.us
kelly.jr@leg.state.fl.us

John T. Burnett, Esq.
Dianne M. Triplett
Progress Energy Service Co.
P. O. Box 14042
St. Petersburg, FL 33733-4042
john.burnett@pgnmail.com

JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 007455
STEVEN GRIFFIN
Florida Bar No. 0627569
BEGGS & LANE
P. O. Box 12950
Pensacola FL 32591-2950
(850) 432-2451
Attorneys for Gulf Power Company

31

Gulf's Responses to Staff's Fifth Set of Interrogatories (Nos. 8-12)

The following questions are related to witness J. Vick's testimony and Exhibit RWD-3 filed on August 26, 2011.

8. Please refer to line 18 on page 3 – line 3 on page 4 of the testimony regarding 2012 projection for (Line Item 1.2) the Crist 5, 6, & 7 Precipitator Projects, and page 3 of Exhibit RWD-3, Schedule 3P:
   a. On page 4, line 3, of his testimony, witness Vick has projected 2012 expenditures for Line Item 1.2 to be $25 million. Please provide a detailed breakdown of the component activities, as well as their respective associated costs, that comprise the $25 million expenditures.
   b. Referring to page 3, Line Item 1.2, of Exhibit RWD-3, it appears that Gulf has projected approximately $6.3 million in capital costs for the same Crist 5, 6, & 7 Precipitator Projects. Please reconcile this with the aforementioned projections.

ANSWER:

a. The table below provides a breakdown of the Crist Unit 6 precipitator project activities and their associated cost estimates. These estimates are based on historical precipitator projects because Gulf did not have a detailed scope or schedule at the time it projected the expenditures.

Component Activities	**Costs** (millions)
Contractor & Engineering equipment and subcontract materials and rental equipment.	$7.3
Installation cost	$16.6
Engineering and Project management	$1.1
Total Estimate	$25.0

b. The $6.3 million of capital costs are for the entire Crist 5, 6, & 7 Precipitator Projects program made of up the five projects, or PE's shown in the table below. These capital costs are made up of the carrying costs on net investment, including return on investment, depreciation expense and dismantlement expense. The $25 million referenced in 8(a) is simply the projected 2012 capital expenditures for the Crist 6 Precipitator Upgrade project (PE 1038).

PE	Description	Projected Capital Costs (thousands)
1038	Crist 6 Precipitator Upgrade	$ 4,244
1119	Crist 5 Precipitator Upgrade	39
1216	Crist 7 Precipitator Upgrade	659
1243	Crist 6 Precipitator Replacement	1,346
1249	Crist 6 Precipitator Volt Control	6
	Total	$ 6,294

9. Referring to page 4, lines 19 – 21, of witness Vick's testimony:
   a. Please provide a detailed explanation regarding the nature, purposes, and project milestones of the Plant Crist Unit 6 and 7 turbine upgrades that will be placed in-service in 2012.
   b. Please provide a detailed breakdown of the component activities, as well as their respective associated costs, that comprise the Crist Unit 6 and 7 turbine upgrades.
   c. Please provide the number of the Commission Order in which the Crist Unit 6 and 7 turbine upgrades were approved.

ANSWER:

a. The Plant Crist Unit 6 and 7 turbine upgrades are needed to offset the increased station service due to the scrubber being placed in service. The station service being consumed by the scrubber reduces the amount of generation capacity available to serve our customer load. New turbine design features in the rotors, inner and outer cylinders, blade airfoils, steam paths, as well as advanced sealing and blade path thermodynamic optimization are utilized to improve the turbines' efficiencies. This higher efficiency results in additional energy, measured in MW, output with the same energy, measured in British Thermal Units (BTU's), input.

Crist Unit 6 HP/IP Turbine Upgrade Milestones	
Site Delivery of Major Components	2/2012
Installation Start	2/2012
Installation Complete	5/2012

Crist Unit 7 LP Turbine Upgrade Milestones	
Ship Major Components	10/2011
Installation Start	10/2012
Installation Complete	12/2012

b. The turbine upgrades project for 2012 component activities and the amount to be Placed-in-service are shown below.

Component	Description	Costs (in millions)
Plant Crist U6 HP/IP	Upgraded inner and outer High Pressure and Intermediate Pressure cylinder and rotor.	$ 21.7
Plant Crist U7 LP's	Upgraded both LP turbine sets with inner Low Pressure cylinder and rotor.	$ 26.9
TOTAL		$ 48.6

c. The 2012 turbine upgrades were discussed in the following ECRC testimony of J. Vick: 2009 ECRC Projection filing dated August 28, 2008, 2010 ECRC Projection filing dated August 28, 2009, and 2012 ECRC Projection filing dated August 26, 2011. The projected 2009 ECRC expenditures were approved in Order PSC-08-0775-FOF-EI and the projected 2010 ECRC expenditures were approved in Order PSC-09-0759-FOF-EI.

10. Please refer to line 23 on page 4 – line 4 on page 5, and lines 1 – 6 on page 12 of witness Vick's testimony:
    a. Please explain how many annual and seasonal NOx allowances and annual SO2 allowances will be allocated to Gulf under the new Cross-State Air Pollution Rule (CSAPR). Please also explain how many of those allowances Gulf will need to purchase from the market place to make up its compliance shortage.
    b. It appears that NOx and SO2 emission allowances under the current CAIR cannot be used to satisfy the new CSAPR program effective January 1, 2012. Please explain how Gulf will treat its existing emission allowance inventory.
    c. Please provide a brief summary regarding the impacts of the CSAPR on Gulf's Environmental Compliance Program.

ANSWER:

a. Gulf will not be allocated any allowances since Florida and Mississippi are not a part of the annual NOx or SO2 programs under the Cross State Air Pollution Rule (CSAPR) in 2012. Florida and Mississippi will participate in the CSAPR Seasonal Ozone Program only. Gulf will receive approximately 3,278 Seasonal NOx allowances in 2012 under CSAPR. This includes 1,265 seasonal NOx allowances (which represent Gulf's 50% ownership) that will be allocated to Plant Daniel in Mississippi. Gulf projects approximately 4,453 tons of seasonal NOx emissions in 2012, and therefore is projecting the need to purchase 1,175 allowances from the market for compliance in 2012

b. A decision as to whether or not the balance of annual NOx allowances on hand at the end of 2011 will have any value in the future is yet to be determined pending potential litigation related to the new CSAPR. Regardless of whether these allowances are ultimately deemed to have any value or not beyond 2011, the costs of these allowances were prudently incurred expenses that are recoverable through the Environmental Cost Recovery Clause. Gulf will continue to account for the annual SO2 allowances under the Acid Rain Program since the CAIR and the Acid Rain Program utilize the same SO2 allowance bank. Therefore these allowances will continue to be utilized under the Acid Rain Program only.

c. Gulf's current strategy to comply with CSAPR relies on the availability to purchase allowances above the annual allocations provided to Gulf or the import of power to supplement Gulf's territorial load. Gulf will continue to evaluate these options pursuant to the development of the seasonal emissions allowance market and availability of purchased power agreements.

11. Referring to page 5, lines 6 – 24, of witness Vick's testimony:
    a. When will Gulf decide on whether "to agree[ing] to accept reclaimed water from suppliers in the Bay County area"? (Lines 10-12)
    b. What will be the total projected costs associated with "utilizing an underground injection well to dispose of used reclaimed water at Plant Crist" for years beyond 2012? (Lines 13 – 14)
    c. When does Gulf expect the entire Smith Reclaimed Water Project to be completed?

ANSWER:

a. Gulf is still in the process of determining the feasibility of injecting reclaimed water, as well as, negotiating with wastewater utilities. It is anticipated that the feasibility for injecting reclaimed water will be determined later this year. Negotiations with wastewater utilities are anticipated to continue in late 2011 and into 2012. We anticipate making a decision whether we can receive reclaimed water in 2012.

b. Total estimated costs for Plant Smith Reclaimed Water Project beyond 2012 are approximately $5 million of capital investment. These estimates are based on assumptions of data available. A more definitive cost estimate will be developed once Gulf finishes the feasibility study, completes negotiations with counterparties, and obtains final approvals from the appropriate regulatory agencies.

c. Gulf's current estimate is late 2013 to 2014 for completion of the Smith Reclaimed Water Project. The completion date is contingent on the items listed in b above as well as construction time lines for the selected wastewater treatment plant(s).

12. Referring to page 6, lines 1 – 5, of witness Vick's testimony:
    a. Please explain why Gulf believes that the baghouses (line 9), rather than the ESPs or other emission controls, will enable Gulf to satisfy the requirements of the Utility MACT rule. (Line 12)
    b. Please provide a list of the "additional controls" (line 9) that Gulf is currently considering to install in order to satisfy the Utility MACT rule. Please include in this list the corresponding unit number, plant name, the starting and completion times, as well as the approximate costs associated with the installation.

ANSWER:

a. Gulf is currently evaluating the existing particulate emission controls (electrostatic precipitators (ESP's)) at Plant Crist and Daniel to determine whether they will be able to ensure compliance with the Utility MACT rule. Baghouses in general are much more efficient at removing the heavy metals from the flue gas than ESP's. Once the rule has been finalized, Gulf Power will be able to determine, based on its ESP evaluations, whether or not the existing controls will be adequate or if a baghouse(s) will have to be installed.

b. As stated in the answer to 12(a) Gulf is in the evaluation stage of determining whether additional controls will be necessary to meet the Utility MACT. The costs and schedule below assume that baghouses will be necessary for compliance. These costs are very preliminary as we still don't have a final rule to determine what level of compliance we will have to meet. The $25 million cost estimate referenced in the 2012 ECRC Projection Filing testimony only included 2012 costs for Plant Crist baghouse project. The total estimated costs for each of the baghouse projects are as follows:

Plant Name/Unit	Starting/ Completion time	Approximate Costs ($ millions)
Plant Crist Unit 4-7 Common Baghouse	2012-2015	$299.1
Plant Daniel Unit 1 Baghouse	2012-2015	$70.1
Plant Daniel Unit 2 Baghouse	2012-2015	$71.9

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 110007-EI

Before me the undersigned authority, personally appeared Susan D. Ritenour, Secretary and Treasurer and Regulatory Manager of Gulf Power Company, and who on behalf of said corporation, being first duly sworn, deposes, and says that pursuant to Rule 1.340(a), Florida Rules of Civil Procedure, she verifies that the foregoing answers to the interrogatories are submitted on behalf of said corporation, and that the foregoing constitute true and correct answers to the best of her knowledge, information, and belief based on the information provided by others in the course of business. She is personally known to me.

Susan D. Ritenour

Susan D. Ritenour
Secretary and Treasurer
Regulatory Manager

Sworn to and subscribed before me this 26th day of September, 2011.

Natalie Milstead

Notary Public, State of Florida at Large

NATALIE MILSTEAD
MY COMMISSION # EE091117
EXPIRES May 08, 2015
(407) 398-0153 FloridaNotaryService.com

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 26th day of September, 2011, by electronic mail to the following:

Martha Carter Brown, Esq.
Senior Counsel
FL Public Service Comm.
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
mbrown@psc.state.fl.us

Vicki Gordan Kaufman
John C. Moyle
FIPUG
118 N. Gadsden Street
Tallahassee, FL 32301
vkaufman@kagmlaw.com
jmoyle@kagmlaw.com

Paula K. Brown
Tampa Electric Company
P. O. Box 111
Tampa, FL 33601
Regdept@tecoenergy.com

John T. Butler, Esq.
Attorney for Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
John.Butler@fpl.com

James D. Beasley, Esq.
J. Jeffry Wahlen
Attorneys for Tampa Electric Co.
Ausley & McMullen
P. O. Box 391
Tallahassee, FL 32302
jbeasley@ausley.com

Paul Lewis, Jr.
Progress Energy Florida, Inc.
106 E. College Ave., Ste. 800
Tallahassee, FL 32301
paul.lewisjr@pgnmail.com

Karen S. White, Staff Attorney
c/o AFCESA-ULFSC
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403-5319
Phone: 850-283-6348
FAX: 850-283-6219
karen.white@tyndall.af.mil

Kenneth Hoffman
Florida Power & Light Company
215 South Monroe Street, Suite 810
Tallahassee, FL 32301-1858
Ken.Hoffman@fpl.com

Gary V. Perko, Esq.
Hopping Green & Sams
P. O. Box 6526
Tallahassee, FL 32314
gperko@hgslaw.com

J.R. Kelly
P. Christensen
C. Rehwinkel
Associate Public Counsel
Office of Public Counsel
111 W. Madison St., Rm. 812
Tallahassee, FL 32399-1400
christensen.patty@leg.state.fl.us
rehwinkel.charles@leg.state.fl.us
kelly.jr@leg.state.fl.us

John T. Burnett, Esq.
Dianne M. Triplett
Progress Energy Service Co.
P. O. Box 14042
St. Petersburg, FL 33733-4042
john.burnett@pgnmail.com

JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 007455
STEVEN GRIFFIN
Florida Bar No. 0627569
BEGGS & LANE
P. O. Box 12950
Pensacola FL 32591-2950
(850) 432-2451
Attorneys for Gulf Power Company

32

Gulf's Responses to Staff's Sixth Set of Interrogatories (Nos. 13-15)

13. The Commission has opened Docket No. 110138-EI to process Gulf's petition for an increase in base rates.
    a. Is Gulf proposing to include in rate base any capitalized items currently recovered through the ECRC?
    b. If the response to (a) is affirmative, please identify all such items, including the project number and title and amounts proposed for inclusion in test year rate base.
    c. If the response to (a) is negative, please explain why the company has chosen not to move such capitalized items from the ECRC into base rates.

ANSWER:

a. No. Gulf Power is not proposing to include in rate base any capitalized items currently recovered through the Environmental Cost Recovery Clause (ECRC).

b. N/A

c. Consistent with the treatment in Gulf's last rate case, the Company believes it is reasonable and appropriate to continue recovering the capitalized ECRC items in the ECRC. As discussed at pages 17-18 of Order No. PSC-02-0787-FOF-EI, Section 366.8255(5), Florida Statutes, provides in part that the "recovery of environmental compliance costs under this section does not preclude inclusion of such costs in base rates in a subsequent rate proceeding, if that inclusion is necessary and appropriate." This section does provide the Commission with some discretion on whether costs should be moved into base rates, but since the impact on customers is essentially the same whether the costs are recovered in base rates or through the clause it remains reasonable and appropriate to continue to recover those costs through the clause.

14. For purposes of this request, please refer to Exhibit RWD-3 filed on August 26, 2011, and its electronic version Gulf Power_110007-EI_2012 Projection 8-2611.xls (Projection.xls).

Referring to RWD-3, pages 32 – 34, and Projection.xls, it appears that at the beginning of 2012 Gulf will have $1,268,170 as the 'CAIR Annual NOx FERC 158 Inventory Balance' and these NOx allowances will not be used in 2012 as indicated in worksheets Ann-NOx and Emission(2) of Projection.xls.

a. Please explain in detail whether the $1,268,170 is the actual expenditure Gulf incurred for obtaining the CAIR Annual NOx allowances during prior years, or if it is the company-imputed market value of its CAIR Annual NOx allowances.
b. If the $1,268,170 is the actual expenditure Gulf incurred for obtaining the allowances, please provide a detailed explanation regarding whether Gulf acted prudently in acquiring approximately $1.27 million in CAIR Annual NOx allowances.
c. Please break down the $1,268,170 in CAIR Annual NOx allowances to show how many of the allowances were purchased by Gulf from the allowance market, and how many were allocated to the company by the EPA under the CAIR program.
d. For the purchased portion mentioned in (a), please fill out Table 1 below for the period 2007 through 2011.

Table I. Gulf's CAIR Program-related NOx Allowance Purchases

	Amount of Allowances Purchased (ton)	Actual Costs for the purchases ($)	When (mm/yy) the Purchases Made	Reasons of the Purchases
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

e. Per the worksheets Ann-NOx and Emission (2) of Projection.xls, it appears that Gulf plans to treat the $1,268,170 in CAIR Annual NOx allowances as working capital and has computed returns on them. Given that NOx emission allowances under the current CAIR apparently cannot be used to satisfy the new Cross-State Air Pollution Rule (CSAPR) program effective January 1, 2012, please provide a detailed explanation regarding the reasonableness and justification of this treatment.

f. Please fill out the tables below.

Table 2. Gulf's Total CAIR Program-related NOx Emission Allowance Inventory and Expenses

	Inventory Beginning Balance		Inventory Ending Balance		Allowances allocated from the EPA		Allowances Purchased from the Market		Allowance Auctions		Allowance Expenses	
									Amounts	Proceeds		
	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)
2011												
2010												
2009												
2008												
2007												

Table 3. Gulf's CAIR Program-related Annual NOx Emission Allowance Inventory and Expenses

	Inventory Beginning Balance		Inventory Ending Balance		Allowances allocated from the EPA		Allowances Purchased from the Market		Allowance Auctions		Allowance Expenses	
									Amounts	Proceeds		
	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)
2011												
2010												
2009												
2008												
2007												

Table 4. Gulf's CAIR Program-related Seasonal NOx Emission Allowance Inventory and Expenses

	Inventory Beginning Balance		Inventory Ending Balance		Allowances allocated from the EPA		Allowances Purchased from the Market		Allowance Auctions		Allowance Expenses	
									Amounts	Proceeds		
	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)
2011												
2010												
2009												
2008												
2007												

Table 5. Gulf's Acid Rain Program-related SO2 Emission Allowance Inventory and Expenses

	Inventory Beginning Balance		Inventory Ending Balance		Allowances allocated from the EPA		Allowances Purchased from the Market		Allowance Auctions		Allowance Expenses	
									Amounts	Proceeds		
	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)
2011												
2010												
2009												
2008												
2007												

g. Referring to page 34 of RWD-3 worksheets Ann-NOx and Emission(2) of Projection.xls, it appears that Gulf's SO2 allowances inventory of $8,401,253 is related to the Acid Rain program, which will not be affected by the new CSAPR rule and will still be useful in 2012. Is this correct?

ANSWER:

a. The remaining inventory balance for CAIR Annual NOx allowances of $1,268,170 is the remaining portion of the actual expenditure Gulf incurred for obtaining the CAIR Annual NOx allowances during the prior years. Gulf values its total inventory of Annual NOx allowances at weighted average cost. This cost is spread over all inventory and expensed as the allowances are used. Gulf does not expense more than the Company has purchased and does not make any adjustments to inventory based on fluctuating market conditions.

b. Gulf's Environmental Compliance Program for the Clean Air Interstate Rule and Clean Air Visibility Rule contains the purchase of annual SO2, annual NOx and ozone seasonal NOx allowances as a cost effective strategy. Annually, the Commission receives an update of Table 4.5-1 in Gulf's Environmental Compliance Program Update outlining the number of allowances Gulf projects the need to purchase, along with the estimated costs. Gulf acted in a reasonable and prudent manner by purchasing a NOx allowance inventory based on a forecasted need using the best information available at the time. This procurement strategy was adjusted in December, 2008 in response to judicial and regulatory developments impacting the temporary vacatur of the Clean Air Interstate Rule (CAIR). Shortly thereafter, the EPA reinstated CAIR until its new replacement program, the Cross-State Pollution Rule (CSAPR), could be implemented in 2012. Gulf purchased CAIR Annual NOx allowances during this transition pursuant to the projected need outlined in Table 4.5-1 of Gulf's Environmental Compliance Program Update. In November 2009, Gulf received an additional allocation of 4,318 Annual NOx allowances from Florida's Supplemental Pool. This was a onetime distribution of the State Supplemental Pool to qualifying units that installed and operated NOx emissions control equipment earlier than required for CAIR. These additional free allowances further assisted Gulf to meet its projected need through 2011. Gulf stopped initiating transaction agreements to purchase NOx Annual allowances in April, 2009, well before the EPA first indicated that banked allowances may not be useful when it proposed the CSAPR rule in July, 2010. The EPA's new CSAPR, if not stayed or revised, will devalue Gulf's NOx allowances left in inventory under CAIR. Gulf's purchase of allowances in conjunction with the retrofit projects comprises the most reasonable, cost-effective means for Gulf to meet CAIR requirements.

c. All of the $1,268,170 in CAIR Annual NOx allowance inventory was purchased by Gulf from the allowance market. Gulf does not record any value in inventory for allowances the EPA gives to Gulf at no cost. Please refer to 14(a) above for an explanation on how costs are allocated to CAIR Annual NOx allowance inventory.

d.

Table 1. Gulf's CAIR Program -related NOX Allowance Purchases

	Amount of Allowance Purchased (ton)	Actual Costs for the purchases ($)	When (mm/dd/yy) Initial Transaction Confirmation Made - When (mm/dd/yy) Contract Executed (Note 2)	Reasons of the Purchases
1	1000	$4,015,000	03/11/2008 - 06/19/2008	Note 1
2	500	$2,037,500	05/12/2008 - 06/19/2008	Note 1
3	250	$1,006,250	06/26/2008 - 02/08/2009	Note 1
4	250	$ 93,750	06/26/2008 - 02/08/2009	Note 1
5	150	$ 603,750	06/26/2008 - 02/08/2009	Note 1
6	150	$ 596,250	06/26/2008 - 02/08/2009	Note 1
7	250	$1,505,000	12/30/2008 - 02/08/2009	Note 1
8	300	$1,806,000	12/30/2008 - 03/02/2009	Note 1
9	200	$1,204,000	12/30/2008 - 02/23/2009	Note 1
10	100	$ 602,500	12/31/2008 - 02/23/2009	Note 1
11	100	$ 602,500	12/31/2008 - 02/26/2009	Note 1
12	220	$1,269,400	12/31/2008 - 02/26/2009	Note 1
13	30	$ 173,100	12/31/2008 - 02/26/2009	Note 1
14	250	$1,380,000	01/06/2009 - 02/26/2009	Note 1
15	300	$1,206,000	01/08/2009 - 02/26/2009	Note 1
16	250	$1,067,500	01/09/2009 - 02/26/2009	Note 1
17	200	$ 445,000	01/22/2009 - 02/23/2009	Note 1
18	750	$1,743,750	02/03/2009 - 02/23/2009	Note 1
19	500	$1,162,500	02/20/2009 - 03/26/2009	Note 1
20	250	$ 581,250	02/20/2009 - 03/31/2009	Note 1
21	500	$ 847,500	03/26/2009 - 04/21/2009	Note 1
22	500	$ 837,500	03/27/2009 - 12/15/2009	Note 1
23	500	$ 612,500	04/07/2009 - 12/15/2009	Note 1
24	550	$ 506,000	04/09/2009 - 12/31/2009	Note 1
Total	8050	$26,804,500		

Note 1: Gulf made these purchases because the forecasted emissions at the time showed a need to purchase additional allowances.

Note 2: This column shows when Gulf first entered into a transaction agreement to purchase allowances and when the contract to purchase was executed. Many of these are forward purchases and would show up on Gulf's accounting books when the transfer occurred which would have been some time in the future.

e. As discussed in response to 14(b), the CAIR Annual NOx allowance purchases that are included in working capital are costs that were prudently incurred to comply with the then existing EPA regulations. As Gulf noted in response to Interrogatory 10(b) in this docket, it believes, "A decision as to whether or not the balance of annual NOx allowances on hand at the end of 2011 will have any value in the future is yet to be determined pending potential litigation related to the new CSAPR." If CSAPR is stayed and/or reconsidered, Gulf's existing NOx emission allowances could retain value and continue to be used to satisfy environmental compliance and be expensed and recovered in the Environmental Cost Recovery Clause (ECRC). Therefore, Gulf has chosen at this time not to alter the past cost recovery treatment of the NOx inventory balance on hand.

If the EPA's new Cross-State Air Pollution Rule (CSAPR) is not stayed or reconsidered and any unused NOx allowances issued under the CAIR are deemed to have no value as of year-end 2011 or the Commission determines that it is not appropriate to continue to include the NOx emission allowance inventory in working capital and earn a return on them, Gulf would then begin amortizing the remaining inventory balance over a reasonable period of time commensurate with the period of time the allowances would have been used and expensed had the EPA regulations not been changed. This amortization would be included as recoverable cost in the ECRC in the 2012 recovery period.

f.

Table 2. Gulf's Total CAIR Program-related Nox Emission Allowance Inventory and Expenses

	Inventory Beginning Balance		Inventory Ending Balance		Allowances allocated from the EPA		Allowances Purchased from the Market		Allowance Auction		Allowance Expenses & Other	
	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	Amount (in ton)	Proceeds (in $)	(in ton)	(in $)
2011	5,948	4,538,354	4,288	1,268,170	13,435	0	643	11,253	n/a	n/a	15,738	3,281,437
2010	9,338	6,762,664	5,948	4,538,354	13,996	0	3,600	6,525,500	n/a	n/a	20,986	8,749,810
2009	0	0	9,338	6,762,664	18,413	0	6,450	21,324,000	n/a	n/a	15,525	14,561,336
2008	0	0	0	0	0	0	0	0	n/a	n/a	0	0
2007	0	0	0	0	0	0	0	0	n/a	n/a	0	0

Table 3. Gulf's CAIR Program-related Annual Nox Emission Allowance Inventory and Expenses

	Inventory Beginning Balance		Inventory Ending Balance		Allowances allocated from the EPA		Allowances Purchased from the Market		Allowance Auction		Allowance Expenses & Other	
	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	Amount (in ton)	Proceeds (in $)	(in ton)	(in $)
2011	5,875	4,533,754	4,288	1,268,170	8,963	0	0	0	n/a	n/a	10,550	3,265,584
2010	7,813	6,548,169	5,875	4,533,754	9,508	0	3,400	6,512,500	n/a	n/a	14,846	8,526,915
2009	0	0	7,813	6,548,169	13,886	0	4,650	20,292,000	n/a	n/a	10,723	13,743,831
2008	0	0	0	0	0	0	0	0	n/a	n/a	0	0
2007	0	0	0	0	0	0	0	0	n/a	n/a	0	0

Table 4. Gulf's CAIR Program-related Seasonal Nox Emission Allowance Inventory and Expenses

	Inventory Beginning Balance		Inventory Ending Balance		Allowances allocated from the EPA		Allowances Purchased from the Market		Allowance Auction		Allowance Expenses & Other	
	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	Amount (in ton)	Proceeds (in $)	(in ton)	(in $)
2011	73	4,600	0	0	4,472	0	643	11,253	n/a	n/a	5,188	15,853
2010	1,525	214,495	73	4,600	4,488	0	200	13,000	n/a	n/a	6,140	222,895
2009	0	0	1,525	214,495	4,527	0	1,800	1,032,000	n/a	n/a	4,802	817,505
2008	0	0	0	0	0	0	0	0	n/a	n/a	0	0
2007	0	0	0	0	0	0	0	0	n/a	n/a	0	0

Table 5. Gulf's SO2 Emission Allowance Inventory and Expenses

	Inventory Beginning Balance		Inventory Ending Balance		Allowances allocated from the EPA		Allowances Purchased from the Market		Allowance Auction		Allowance Expenses & Other	
	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	(in ton)	(in $)	Amount (in ton)	Proceeds (in $)	(in ton)	(in $)
2011	111,191	9,765,386	119,961	8,410,150	28,070	0	0	0	n/a	2,643	19,300	1,355,236
2010	109,604	12,401,773	111,191	9,765,386	29,701	0	0	0	n/a	35,330	28,114	2,636,387
2009	87,607	7,911,392	109,604	12,401,773	56,714	0	16,000	8,832,000	n/a	42,868	50,717	4,341,619
2008	102,492	14,376,402	87,607	7,911,392	56,707	0	0	0	n/a	429,271	71,592	6,465,010
2007	90,816	10,583,116	102,492	14,376,402	56,710	0	32,278	14,279,756	n/a	518,045	77,312	10,486,470

g. Yes. Gulf will continue to account for the annual SO2 allowances under the Acid Rain Program. CAIR and the Acid Rain Program utilized the same SO2 allowance bank therefore these allowances are expected to be useful without CAIR or its replacement CSAPR.

15. Please refer to page 4 of witness Vick's testimony filed on August 26, 2011.
    a. What are the total costs associated with the Crist Units 6 and 7 turbine upgrades?
    b. Have any portions of the Plant Crist Units 6 and 7 turbine upgrades been completed?
    c. If the response to (b) is affirmative, what component activities of the turbine upgrades have been completed, and in which year were they completed?
    d. If the response to (b) is affirmative, what were the costs associated with the completed portion of the upgrades?
    e. How much of the costs specified in (d) have been recovered through the ECRC, and in which year's ECRC factor were such costs included?
    f. If the response to (b) is affirmative, what will be the costs associated with the remaining portion of the Crist Units 6 and 7 turbine upgrades to be placed in-service in 2012?

ANSWER

a. Gulf's total cost associated with Crist Units 6 and 7 turbine upgrades are projected to be approximately $64 million including the Plant Crist Unit 7 HP/IP upgrades that were completed in 2009.

b. Yes

c.

Component	Description	Costs (in millions)	In Service Date
Plant Crist U7 HP/IP	Upgraded inner and outer High Pressure and Intermediate Pressure cylinder and rotor	$15.3	Jan-2010

d. $15.3 million

e. The Unit 7 HP/IP component of the Plant Crist Units 6 & 7 turbine upgrades totaling $15.3 million was placed in service in January 2010. Gulf is currently recovering the costs (such as a return on the investment and depreciation expense) related to this investment as part of the total revenue requirements included in the CIAR/CAMR/CAVR Compliance program. Since this equipment was projected to be placed into service in 2009, projections of these cost components were reflected in the ECRC factors included in Gulf's 2009 Environmental Cost Recovery Clause Projection Filing approved by the FPSC in November, 2008 effective January 1, 2009.

f. Gulf's cost associated with the remaining portion of the Crist Units 6 and 7 turbine upgrades are projected to be approximately $48.6 million.

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 110007-EI

Before me the undersigned authority, personally appeared Terry A. Davis, Asst. Secretary and Asst. Treasurer of Gulf Power Company, and who on behalf of said corporation, being first duly sworn, deposes, and says that pursuant to Rule 1.340(a), Florida Rules of Civil Procedure, she verifies that the foregoing answers to the interrogatories are submitted on behalf of said corporation, and that the foregoing constitute true and correct answers to the best of her knowledge, information, and belief based on the information provided by others in the course of business. She is personally known to me.

Terry A. Davis
Asst. Secretary and Asst. Treasurer

Sworn to and subscribed before me this 4th day of October, 2011.

Natalie Milstead
Notary Public, State of Florida at Large

NATALIE MILSTEAD
MY COMMISSION # EE09 117
EXPIRES May 08, 2015
(407) 398-0153 FloridaNotaryService.com

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 by electronic mail this 4th day of October, 2011 to the following:

Martha Carter Brown, Esq.
Senior Counsel
FL Public Service Comm.
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
mbrown@psc.state.fl.us

Vicki Gordan Kaufman
John C. Moyle
FIPUG
118 N. Gadsden Street
Tallahassee, FL 32301
vkaufman@kagmlaw.com
jmoyle@kagmlaw.com

Paula K. Brown
Tampa Electric Company
P. O. Box 111
Tampa, FL 33601
Regdept@tecoenergy.com

John T. Butler, Esq.
Attorney for Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
John.Butler@fpl.com

James D. Beasley, Esq.
J. Jeffry Wahlen
Attorneys for Tampa Electric Co.
Ausley & McMullen
P. O. Box 391
Tallahassee, FL 32302
jbeasley@ausley.com

Paul Lewis, Jr.
Progress Energy Florida, Inc.
106 E. College Ave., Ste. 800
Tallahassee, FL 32301
paul.lewisjr@pgnmail.com

Karen S. White, Staff Attorney
c/o AFCESA-ULFSC
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403-5319
Phone: 850-283-6348
FAX: 850-283-6219
karen.white@tyndall.af.mil

Kenneth Hoffman
Florida Power & Light Company
215 South Monroe Street, Suite 810
Tallahassee, FL 32301-1858
Ken.Hoffman@fpl.com

Gary V. Perko, Esq.
Hopping Green & Sams
P. O. Box 6526
Tallahassee, FL 32314
gperko@hgslaw.com

J.R. Kelly
P. Christensen
C. Rehwinkel
Associate Public Counsel
Office of Public Counsel
111 W. Madison St., Rm. 812
Tallahassee, FL 32399-1400
christensen.patty@leg.state.fl.us
rehwinkel.charles@leg.state.fl.us
kelly.jr@leg.state.fl.us

John T. Burnett, Esq.
Dianne M. Triplett
Progress Energy Service Co.
P. O. Box 14042
St. Petersburg, FL 33733-4042
john.burnett@pgnmail.com

JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 007455
STEVEN GRIFFIN
Florida Bar No. 0627569
BEGGS & LANE
P. O. Box 12950
Pensacola FL 32591-2950
(850) 432-2451
Attorneys for Gulf Power Company

33

Gulf's Responses to Staff's Seventh Set of Interrogatories (Nos. 16-30)

Terry A. Davis
Assistant Secretary and
Assistant Treasurer

One Energy Place
Pensacola, Florida 32520-0786

Tel 850 444 6664
Fax 850 444.6026
TADAVIS@southernco.com

GULF POWER
A SOUTHERN COMPANY

October 25, 2011

Martha Brown, Senior Attorney
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Docket No. 110007-EI

Dear Ms. Brown:

Attached is Gulf Power Company's response to Staff's Seventh Set of Interrogatories (Nos. 16-30) in the above referenced docket.

Sincerely,

Terry A. Davis

nm

Enclosures

cc: Beggs & Lane
Jeffrey A. Stone, Esq.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery Clause)	Docket No. 110007-EI
)	Date Filed: October 25, 2011

GULF POWER COMPANY'S RESPONSES TO
STAFF'S SEVENTH SET OF INTERROGATORIES (NOS. 16-30)

GULF POWER COMPANY ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned counsel, hereby submits the Company's responses to Staff's Seventh Set of Interrogatories (Nos. 16-30) on the following pages.

Respectfully submitted by electronic mail the 25th day of October, 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 32591-2950
(850) 432-2451
Attorneys for Gulf Power Company

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 110007-EI

Before me the undersigned authority, personally appeared Terry A. Davis, Asst. Secretary and Asst. Treasurer of Gulf Power Company, and who on behalf of said corporation, being first duly sworn, deposes, and says that pursuant to Rule 1.340(a), Florida Rules of Civil Procedure, she verifies that the foregoing answers to the interrogatories are submitted on behalf of said corporation, and that the foregoing constitute true and correct answers to the best of her knowledge, information, and belief based on the information provided by others in the course of business. She is personally known to me.

Terry A. Davis
Asst. Secretary and Asst. Treasurer

Sworn to and subscribed before me this 25th day of October, 2011.

Candace Klinglesmith
Notary Public, State of Florida at Large

CANDACE KLINGLESMITH
Notary Public - State of Florida
My Comm. Expires May 18, 2015
Commission # EE 79408
Bonded Through National Notary Assn.

The following questions refer to pages 6 - 7 of witness J.O. Vick's testimony filed on August 28, 2008, in Docket No. 080007-EI, with respect to the Plant Crist Units 4 - 7 scrubber project.

16. Referring to page 6, lines 16 – 20, when was the decision to install the Crist Units 6 and 7 turbine upgrades made?

ANSWER:

The Crist turbine upgrades discussed on page 6, lines 16-20 of witness J.O. Vick's testimony filed on August 28, 2008 in Docket No. 080007-EI are related to the Crist Unit 7 HP/IP and the Crist Unit 7 LP components. The decision to install the Crist Unit 7 HP/IP was made in late 2007. The decision to install the Crist Unit 7 LP was made in early 2008. The decision to install the Crist Unit 6 HP/IP components was made in 2009. This change was discussed on pages 5 and 6 of witness J.O. Vick's testimony filed on August 28, 2009 in Docket No. 090007-EI as part of Gulf's 2010 ECRC Projection filing.

17. Who made the decision to install of the Crist Units 6 and 7 turbine upgrades?

ANSWER:

The decision to install the turbine upgrades was made by the Senior Production Officer based on recommendations by plant personnel and Southern Company Services engineering support. As explained in previous testimony, the Plant Crist Unit 6 and 7 turbine upgrades are needed to offset the increased station service losses due to the scrubber installation.

18. When did Gulf explicitly petition the Commission with respect to changing or expanding the scope of the existing Crist Units 4 – 7 scrubber project (of the CAIR/CAMR/CAVR Compliance Program, Line Item 1.26 of Schedules 7A, 7E, 3P) by including the Units 6 and 7 turbine upgrades?

ANSWER:

The 2012 turbine upgrades were discussed in the following ECRC testimony of J. Vick: 2009 ECRC Projection filing dated August 28, 2008, 2010 ECRC Projection filing dated August 28, 2009, and 2012 ECRC Projection filing dated August 26, 2011. Mr. Vick's 2008 Testimony is incorporated as part of Gulf's petition filed August 29, 2008. Mr. Vick's 2009 testimony is incorporated as part of Gulf's petition filed August 28, 2009 and his 2011 testimony is incorporated as part of Gulf's petition filed August 26, 2011. The projected 2009 ECRC expenditures were approved in Order PSC-08-0775-FOF-EI and the projected 2010 ECRC expenditures were approved in Order PSC-09-0759-FOF-EI.

19. In which ECRC Order(s) has the Commission explicitly approved the Company's decision to expand the scope of the existing Crist Units 4 –7 scrubber project by including the Units 6 and 7 turbine upgrades?

ANSWER:

The projected 2009 ECRC recoverable costs, including amounts associated with the Unit 7 HP/IP upgrades, were approved in Order PSC-08-0775-FOF-EI and the projected 2010 ECRC recoverable costs, which also included amounts associated with the Unit 7 HP/IP upgrades, were approved in Order PSC-09-0759-FOF-EI.

The following questions pertain to Issue C, pages 4 – 5, of Gulf's Prehearing Statement, and Gulf's responses to Item No. 9 of Staff's Fifth Set of Interrogatories.

20. What are the dollar amounts of the investments associated with the Crist Unit 7 HL/IP components that were placed in service in January 2010?

ANSWER:

$15.3 million

21. What are the dollar amounts of the revenue requirements associated with the Crist Unit 7 HL/IP components that were recovered through the ECRC in 2009, 2010, and 2011?

ANSWER:

	2009	2010	2011[1]
Investments			
a Expenditures	$0	$15,292,517	$0
b Clearings to Plant	0	15,292,517	0
c Retirements	0	0	0
d Cost of Removal	0	0	0
e Salvage	0	0	0
Plant-in-Service	0	15,292,517	15,292,517
Less: Accumulated Depreciation	0	(490,143)	(1,025,442)
CWIP – Non Interest Bearing	0	0	
Net Investment	0	14,802,374	14,267,075
Return on Average Net Investment			
a Equity Component	0	1,124,387	1,133,709
b Debt Component	0	328,667	331,392
Depreciation Expense	0	490,143	535,299
Total System Revenue Requirements	0	1,943,197	2,000,400
Total Jurisdictional Revenue Requirements	$0	$ 1,877,541	$ 1,932,811

[1]Amount reflected in Gulf's 2011 Estimated True Up filing

22. What were the impacts on the ECRC factors resulting from the Crist Unit 7 HL/IP components that were recovered through the ECRC for 2009, 2010, and 2011?

ANSWER:

2009

Rate	Approved Factor	Adjusted Factor to exclude Crist Unit 7 HP/IP	Difference
RS, RSVP	0.735	0.734	0.001
GS	0.729	0.729	-
GSD, GSDT, GSTOU	0.720	0.720	-
LP, LPT	0.703	0.703	-
PX, PXT, RTP, SBS	0.690	0.690	-
OS-I, OS-II	0.686	0.685	0.001
OS-III	0.710	0.709	0.001
TOTAL	0.722	0.721	0.001

2010

Rate	Approved Factor	Adjusted Factor to exclude Crist Unit 7 HP/IP	Difference
RS, RSVP	1.391	1.376	0.015
GS	1.384	1.369	0.015
GSD, GSDT, GSTOU	1.372	1.357	0.015
LP, LPT	1.343	1.328	0.015
PX, PXT, RTP, SBS	1.322	1.308	0.014
OS-I, OS-II	1.327	1.312	0.015
OS-III	1.358	1.343	0.015
TOTAL	1.372	1.357	0.015

2011

Rate	Approved Factor	Adjusted Factor to exclude Crist Unit 7 HP/IP	Difference
RS, RSVP	1.343	1.321	0.022
GS	1.335	1.313	0.022
GSD, GSDT, GSTOU	1.324	1.302	0.022
LP, LPT	1.295	1.273	0.022
PX, PXT, RTP, SBS	1.278	1.256	0.022
OS-I, OS-II	1.286	1.264	0.022
OS-III	1.306	1.284	0.022
TOTAL	1.322	1.300	0.022

23. Referring to Gulf's responses to Item No. 9 of Staff's Fifth Set of Interrogatories, is it correct that the investment amounts associated with the Crist Units 6 and 7 turbine upgrades that will be placed in service in January 2012 will be approximately $48.6 million? If not, what will the correct amounts be?

ANSWER:

Yes, the total investment amount projected to be placed in service during 2012 is $48.6 million. However, the projected in service dates are May and December 2012 as indicated below.

Component	Projected In Service	Investment (in millions)
Plant Crist Unit 6 HP/IP	5/2012	$21.7
Plant Crist Unit 7 LP's	12/2012	$26.9

24. What will be the revenue requirements associated with the Plant Crist Units 6 and 7 turbine upgrade components that will be placed in service in January 2012?

ANSWER:

The projected 2012 total revenue requirements associated with the Plant Crist Units 6 and 7 turbine upgrade components that are projected to be placed in service during 2012 that are included in Gulf's ECRC 2012 projection filing are:

Component	Projected In Service Date		Revenue Requirement
Plant Crist Unit 6 HP/IP	5/2012		$1.9 million
Plant Crist Unit 7 LP's	12/2012		$0.1 million
		Total	$2.0 million

The year 2013 represents the first calendar year that all turbine upgrades are projected to be in service for the full year. The projected 2013 total revenue requirements for the components initially placed in service during 2012 is $7.1 million.

25. What will be the impacts on the factors in the 2011 ECRC proceeding if the turbine upgrade amounts projected to go into service in 2012 are allowed to be recovered through the ECRC?

ANSWER:

The impact of the projected total revenue requirements for the turbine upgrade amounts projected to go into service in 2012 ($2,044,416) on the proposed ECRC factors is as follows.

Rate	ECRC Factor including turbine upgrades (as filed) (¢/KWH)	ECRC Factor excluding turbine upgrade amount projected to go into service in 2012 (¢/KWH)	Difference (¢/KWH)
RS, RSVP	1.328	1.311	0.017
GS	1.320	1.303	0.017
GSD, GSDT, GSTOU	1.308	1.291	0.017
LP, LPT	1.278	1.262	0.016
PX, PXT, RTP, SBS	1.261	1.244	0.017
OS-I, OS-II	1.267	1.250	0.017
OS-III	1.289	1.272	0.017
TOTAL	1.308	1.292	0.016

26. What will be the impacts on the factors in the 2011 ECRC proceeding if the turbine upgrade amounts currently in service plus those amounts projected to go into service in 2012, are allowed to be recovered through the ECRC?

ANSWER:

The impact of the projected total revenue requirements for the turbine upgrade amounts currently in service plus those amounts projected to go into service in 2012 ($4,164,563) on the proposed ECRC factors is as follows.

Rate	ECRC Factor including turbine upgrades (as filed) (¢/KWH)	ECRC Factor excluding turbine upgrades currently in service and turbine upgrade amount projected to go into service in 2012 (¢/KWH)	Difference (¢/KWH)
RS, RSVP	1.328	1.294	0.034
GS	1.320	1.286	0.034
GSD, GSDT, GSTOU	1.308	1.273	0.035
LP, LPT	1.278	1.245	0.033
PX, PXT, RTP, SBS	1.261	1.227	0.034
OS-I, OS-II	1.267	1.233	0.034
OS-III	1.289	1.255	0.034
TOTAL	1.308	1.274	0.034

27. Will there be any adverse impacts to the Company by moving the costs associated with the components of the Crist Units 6 and 7 turbine upgrades that will be placed in-service in January 2012 from the ECRC to base rates? If yes, what are they?

ANSWER:

Yes. The Crist 6 and 7 turbine upgrades are projected to be placed in service in May and December of 2012, respectively. Therefore, the revenue requirements currently requested for recovery through the ECRC in 2012 reflect costs for only a partial year since the investment is not in service for the full year. If base rates to be in effect going forward were set based on revenue requirements for only a partial year, Gulf would be unable to recover the full revenue requirements associated with this project without another rate case. Without some sort of adjustment or mechanism to make up for this shortfall, Gulf would be adversely impacted by having invested $48.6 million but having rates set as though the investment were approximately $15.4 million (13 month average of the 2012 investment of $48.6 million).

28. Will there be any adverse impacts to the Company by moving the costs associated with the components of the Crist Unit 7 turbine upgrades that were placed in-service in January 2010 from the ECRC to base rates? If yes, what are they?

ANSWER:

If it is assumed that new base rates take effect January 1, 2012, there would be no adverse impact. To the extent that there is a difference in the effective date of new base rates compared to the effective date of ECRC rates, there could be an adverse impact without some form of transitional adjustment.

The following question refers to Gulf's responses to Item No. 13 of Staff's Sixth Set of Interrogatories:

29. With respect to moving a capitalized item from the ECRC into base rates, Gulf stated that "the impact on customers is essentially the same whether the costs are recovered in base rates or through the clause." Will the impact on the Company also essentially be the same?

ANSWER:

To clarify Gulf's response to Item No. 13, the impact on customers is essentially the same whether the costs are recovered in base rates or through the clause assuming the project has been in service for 12 months or more. Stated differently, the annual revenue requirement recovered through the ECRC during a given 12-month period is the same as the annual revenue requirement that would be in included in a base rate proceeding for that same 12-month period as long as the capitalized item is in service during the entire 12 months.

In the case of the Crist turbine upgrades projected to go in service in 2012, the impact on the Company would be the same provided an appropriate transitional adjustment is made to reflect a full year of revenue requirements.

The following question pertains to Issue C, page 5, of Gulf's Prehearing Statement, and Gulf witness R.J. McMillan's testimony, pages 29 – 30, in Docket No. 110138-EI.

30. Gulf indicated in its ECRC Prehearing Statement that "Gulf's pending rate case in Docket No. 110138-EI assumes continued ECRC recovery for all components of the Plant Crist scrubber project, including those turbine upgrades already in-service and those projected to be placed in-service in 2012."

    In response to the question "[i]f the Commission did not allow recovery of the full Crist Scrubber Project costs through the ECRC, would any action be required to address those costs in this rate proceeding?" witness McMillan testified in Docket No. 110138-EI: "Yes. In the event any portion of the Crist scrubber costs were not allowed for recovery through the ECRC, the adjustment I have made to exclude those costs from rate base would have to be reversed in order to permit their recovery through base rates." (page 29) and "[t]he Company is therefore entitled to recover these costs either through the clause or in base rates."

    Is it correct that if the Commission denies the Crist Units 6 & 7 turbine upgrades for ECRC cost recovery, Gulf will be able to seek cost recovery of the upgrades through its pending rate case?

ANSWER:

Yes, this is Gulf's position.

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 by electronic mail this 25th day of October, 2011 to the following:

Martha Carter Brown, Esq.
Senior Counsel
FL Public Service Comm.
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
mbrown@psc.state.fl.us

Vicki Gordan Kaufman
John C. Moyle
FIPUG
118 N. Gadsden Street
Tallahassee, FL 32301
vkaufman@kagmlaw.com
jmoyle@kagmlaw.com

Paula K. Brown
Tampa Electric Company
P. O. Box 111
Tampa, FL 33601
Regdept@tecoenergy.com

John T. Butler, Esq.
Attorney for Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
John.Butler@fpl.com

James D. Beasley, Esq.
J. Jeffry Wahlen
Attorneys for Tampa Electric Co.
Ausley & McMullen
P. O. Box 391
Tallahassee, FL 32302
jbeasley@ausley.com

Paul Lewis, Jr.
Progress Energy Florida, Inc.
106 E. College Ave., Ste. 800
Tallahassee, FL 32301
paul.lewisjr@pgnmail.com

Karen S. White, Staff Attorney
c/o AFCESA-ULFSC
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403-5319
Phone: 850-283-6348
FAX: 850-283-6219
karen.white@tyndall.af.mil

Kenneth Hoffman
Florida Power & Light Company
215 South Monroe Street, Suite 810
Tallahassee, FL 32301-1858
Ken.Hoffman@fpl.com

Gary V. Perko, Esq.
Hopping Green & Sams
P. O. Box 6526
Tallahassee, FL 32314
gperko@hgslaw.com

J.R. Kelly
P. Christensen
C. Rehwinkel
Associate Public Counsel
Office of Public Counsel
111 W. Madison St., Rm. 812
Tallahassee, FL 32399-1400
christensen.patty@leg.state.fl.us
rehwinkel.charles@leg.state.fl.us
kelly.jr@leg.state.fl.us

John T. Burnett, Esq.
Dianne M. Triplett
Progress Energy Service Co.
P. O. Box 14042
St. Petersburg, FL 33733-4042
john.burnett@pgnmail.com

JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 007455
STEVEN GRIFFIN
Florida Bar No. 0627569
BEGGS & LANE
P. O. Box 12950
Pensacola FL 32591-2950
(850) 432-2451
Attorneys for Gulf Power Company

Additional Materials: Gulf Power ECRC Projections for January 2012-December 2012 without turbine upgrades. See Exhibit RWD-3

Schedule 1P
Revised to exclude 2012 projected costs
associated with Crist turbine upgrades
October 19, 2011

Gulf Power Company
Environmental Cost Recovery Clause (ECRC)
Total Jurisdictional Amount to be Recovered

For the Projected Period
January 2012 - December 2012

Line No.		Energy ($)	Demand ($)	Total ($)
1	Total Jurisdictional Rev. Req. for the projected period			
	a Projected O & M Activities (Schedule 2P, Lines 7, 8 & 9)	21,533,397	3,682,074	25,215,471
	b Projected Capital Projects (Schedule 3P, Lines 7, 8 & 9)	133,615,975	6,243,986	139,859,961
	c Total Jurisdictional Rev. Req. for the projected period (Lines 1a + 1b)	155,149,372	9,926,060	165,075,432
2	True-Up for Estimated Over/(Under) Recovery for the period January 2011 - December 2011 (Schedule 1E, Line 3)	13,494,673	885,840	14,380,513
3	Final True-Up for the period January 2010 - December 2010 (Schedule 1A, Line 3)	815,244	46,081	861,325
4	Total Jurisdictional Amount to be Recovered/(Refunded) in the projection period January 2012 - December 2012 (Line 1c - Line 2 - Line 3)	140,839,455	8,994,139	149,833,594
5	Total Projected Jurisdictional Amount Adjusted for Taxes (Line 4 x Revenue Tax Multiplier)	140,940,859	9,000,615	149,941,474

Notes:

Allocation to energy and demand in each period are in proportion to the respective period split of costs indicated on Lines 7 & 8 of Schedules 5E & 7E and 5A & 7A.

Schedule 3P
Revised to exclude 2012 projected costs
associated with Crist turbine upgrades
October 19, 2011

Gulf Power Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Projected Period Amount
January 2012 - December 2012

Capital Investment Projects - Recoverable Costs
(in Dollars)

Line		Projected January	Projected February	Projected March	Projected April	Projected May	Projected June	Projected July	Projected August	Projected September	Projected October	Projected November	Projected December	End of Period 12-Month	Method of Classification Demand	Method of Classification Energy
1	Description of Investment Projects (A)															
.1	Air Quality Assurance Testing	5,404	5,367	5,328	5,289	5,252	5,213	5,174	5,136	5,097	5,057	5,018	4,979	62,314	0	62,314
.2	Crist 5, 6 & 7 Precipitator Projects	272,549	338,345	442,113	516,164	529,601	512,255	617,126	615,825	614,523	613,222	611,920	610,854	6,294,497	0	6,294,497
.3	Crist 7 Flue Gas Conditioning	13,983	13,981	13,979	13,977	13,974	13,973	13,971	13,969	13,967	13,965	13,963	13,961	167,663	0	167,663
.4	Low NOx Burners, Crist 6 & 7	163,044	162,793	162,543	162,293	162,043	161,793	161,543	161,292	161,042	160,791	160,541	160,291	1,940,009	0	1,940,009
.5	CEMS - Plants Crist, Scholz, Smith, & Daniel	116,953	116,753	116,552	116,353	116,153	115,953	115,753	115,553	115,354	115,154	114,954	114,754	1,390,239	0	1,390,239
.6	Sub. Contam. Mobile Groundwater Treat. Sys.	8,531	8,508	8,485	8,463	8,440	8,417	8,395	8,372	8,349	8,327	8,304	8,281	100,872	93,113	7,759
.7	Raw Water Well Flowmeters - Plants Crist & Smith	2,157	2,150	2,144	2,138	2,131	2,125	2,117	2,111	2,104	2,098	2,091	2,085	25,451	23,495	1,956
.8	Crist Cooling Tower Cell	4,889	4,887	4,885	4,884	4,883	4,880	4,879	4,878	4,876	4,874	4,873	4,871	58,559	54,054	4,505
.9	Crist Dechlorination System	3,948	3,936	3,923	3,911	3,898	3,886	3,873	3,861	3,848	3,835	3,823	3,811	46,553	42,971	3,582
.10	Crist Diesel Fuel Oil Remediation	532	531	529	527	525	523	522	519	518	516	514	512	6,208	5,785	483
.11	Crist Bulk Tanker Unload Sec Contain Struc	698	695	692	689	686	684	681	679	675	672	670	667	8,188	7,558	630
.12	Crist IWW Sampling System	406	405	404	401	400	399	396	395	394	392	390	388	4,770	4,404	366
.13	Sodium Injection System	3,876	3,866	3,855	3,844	3,834	3,823	3,813	3,802	3,791	3,781	3,771	3,759	45,815	0	45,815
.14	Smith Stormwater Collection System	20,694	20,622	20,550	20,478	20,405	20,333	20,261	20,189	20,117	20,045	19,973	19,901	243,568	224,832	18,736
.15	Smith Waste Water Treatment Facility	2,968	2,963	2,959	2,954	2,950	2,945	2,940	2,936	2,930	2,926	2,921	2,916	35,308	32,592	2,716
.16	Daniel Ash Management Project	170,936	170,494	170,051	169,609	169,167	168,725	168,283	167,840	167,398	166,956	166,514	166,072	2,022,045	1,866,501	155,544
.17	Smith Water Conservation	51,893	52,990	54,088	56,285	59,583	62,882	66,180	69,479	72,777	76,076	79,374	82,672	784,279	723,949	60,330
.18	Underground Fuel Tank Replacement	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
.19	Crist FDEP Agreement for Ozone Attainment	1,379,115	1,375,368	1,371,621	1,369,447	1,367,744	1,364,044	1,361,888	1,359,731	1,357,899	1,356,076	1,355,509	1,354,620	16,373,062	0	16,373,062
.20	SPCC Compliance	10,009	9,983	9,958	9,933	9,907	9,881	9,856	9,830	9,804	9,779	9,753	9,728	118,421	109,313	9,108
.21	Crist Common FTIR Monitor	621	620	618	616	614	613	611	609	608	606	604	603	7,343	0	7,343
.22	Precipitator Upgrades for CAM Compliance	324,826	324,029	323,232	322,435	321,638	320,841	320,045	319,247	318,450	317,653	316,856	316,059	3,845,311	0	3,845,311
.23	Plant Groundwater Investigation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
.24	Crist Water Conservation	233,709	233,163	232,616	232,069	231,523	230,976	230,431	229,884	229,337	228,791	228,244	227,698	2,768,441	2,555,486	212,955
.25	Crist Condenser Tubes	66,251	66,080	65,909	65,738	65,566	65,395	65,224	65,054	64,882	64,711	64,540	64,369	783,719	723,433	60,286
.26	CAIR/CAMR/CAVR Compliance	7,498,501	7,478,692	7,459,166	8,186,276	9,448,464	9,470,872	9,503,723	9,505,376	9,507,140	9,508,549	9,499,022	9,473,958	106,499,709	0	106,499,709
.27	General Water Quality	624	619	614	608	603	598	593	588	583	578	573	569	7,150	6,600	550
.28	Mercury Allowances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
.29	Annual NOx Allowances	11,964	11,964	11,964	11,964	11,964	11,964	11,964	11,964	11,964	11,964	11,964	11,964	143,568	0	143,568
.30	Seasonal NOx Allowances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
.31	SO2 Allowances	71,586	71,229	70,735	70,138	69,523	68,891	68,175	67,375	66,657	66,065	65,545	65,140	821,059	0	821,059
2	Total Investment Projects - Recoverable Costs	10,440,667	10,481,033	10,559,513	11,357,483	12,591,471	12,632,884	12,768,417	12,766,494	12,765,084	12,763,429	12,752,224	12,725,482	144,604,181	6,474,086	138,130,095
3	Recoverable Costs Allocated to Energy	9,906,903	9,947,470	10,026,155	10,823,311	12,055,471	12,095,053	12,228,757	12,225,002	12,221,767	12,218,282	12,205,250	12,176,674	138,130,095		
4	Recoverable Costs Allocated to Demand	533,764	533,563	533,358	534,172	536,000	537,831	539,660	541,492	543,317	545,147	546,974	548,808	6,474,086		
5	Retail Energy Jurisdictional Factor	0.9652215	0.9648222	0.9664461	0.9668523	0.9681053	0.9685036	0.9681176	0.9675075	0.9669696	0.9670002	0.9651934	0.9637848			
6	Retail Demand Jurisdictional Factor	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582			
7	Jurisdictional Energy Recoverable Costs (B)	9,569,049	9,604,258	9,696,521	10,471,868	11,679,135	11,722,302	11,847,162	11,836,061	11,826,350	11,830,688	11,788,673	11,743,908	133,615,975		
8	Jurisdictional Demand Recoverable Costs (C)	514,793	514,599	514,401	515,187	516,950	518,716	520,480	522,246	524,017	525,771	527,534	529,302	6,243,986		
9	Total Jurisdictional Recoverable Costs for Investment Projects (Lines 7 + 8)	10,083,842	10,118,857	10,210,922	10,987,055	12,196,085	12,241,018	12,367,642	12,358,307	12,350,357	12,356,459	12,316,207	12,273,210	139,859,961		

Notes:

(A) Pages 1-27 of Schedule 8E, Line 9, Pages 28-31 of Schedule 8E, Line 6
(B) Line 3 x Line 5 x Line loss multiplier
(C) Line 4 x Line 6

00000531

Gulf Power Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Projected Period Amount
January 2012 - December 2012

Return on Capital Investments, Depreciation and Taxes
For Project: CAIR/CAMR/CAVR Compliance
P.E.s 1034, 1035, 1036, 1037, 1222, 1233, 1279, 1362, 1468, 1469, 1512, 1513, 1646, 1647, 1684, 1810, 1824, & 1826
(in Dollars)

Line	Description	Beginning of Period Amount	Projected January	Projected February	Projected March	Projected April	Projected May	Projected June	Projected July	Projected August	Projected September	Projected October	Projected November	Projected December	End of Period Amount
1	Investments														
	a Expenditures/Additions		0	0	0	158,346,116	7,557,020	6,215,088	2,151,165	2,138,853	2,195,053	2,035,476	0	0	
	b Clearings to Plant		0	0	0	158,346,116	7,557,020	6,215,088	2,151,165	2,138,853	2,195,053	2,035,476	0	0	
	c Retirements		0	0	0	0	15,907	0	0	0	0	0	0	0	
	d Cost of Removal		0	59,959	59,959	0	0	0	0	0	0	0	0	0	
	e Salvage		0	0	0	0	0	0	0	0	0	0	0	0	
2	Plant-in-Service/Depreciation Base (B)	622,412,999	622,412,999	622,412,999	622,412,999	780,759,115	788,300,228	794,515,316	796,666,481	798,805,334	801,000,387	803,035,863	803,035,863	803,035,863	
3	Less: Accumulated Depreciation (C)	(54,151,735)	(56,281,672)	(58,351,652)	(60,421,634)	(62,551,577)	(65,127,510)	(67,741,350)	(70,373,321)	(73,011,569)	(75,656,056)	(78,306,946)	(80,963,774)	(83,620,602)	
4	CWIP - Non Interest Bearing	0	0	0	0	0	0	0	0	0	0	0	0	0	
5	Net Investment (Lines 2 + 3 + 4)	568,261,264	566,131,327	564,061,347	561,991,365	718,207,538	723,172,718	726,773,966	726,293,160	725,793,765	725,344,331	724,728,917	722,072,089	719,415,261	
6	Average Net Investment		567,196,296	565,096,337	563,026,356	640,099,452	720,690,128	724,973,342	726,533,563	726,043,463	725,569,048	725,036,624	723,400,503	720,743,675	
7	Return on Average Net Investment														
	a Equity Component (Line 6 x Equity Component x 1/12) (D)		4,167,191	4,151,763	4,136,555	4,702,811	5,294,910	5,326,379	5,337,842	5,334,241	5,330,756	5,326,844	5,314,823	5,295,304	59,719,419
	b Debt Component (Line 6 x Debt Component x 1/12)		1,183,739	1,179,356	1,175,036	1,335,888	1,504,080	1,513,019	1,516,276	1,515,253	1,514,263	1,513,151	1,509,737	1,504,192	16,963,990
8	Investment Expenses														
	a Depreciation (E)		1,802,564	1,802,564	1,802,564	1,802,564	2,264,459	2,286,457	2,304,586	2,310,861	2,317,100	2,323,503	2,329,441	2,329,441	25,676,104
	b Amortization (F)		12,476	12,478	12,480	12,482	12,484	12,486	12,488	12,490	12,490	12,490	12,490	12,490	149,824
	c Dismantlement		314,897	314,897	314,897	314,897	314,897	314,897	314,897	314,897	314,897	314,897	314,897	314,897	3,778,764
	d Property Taxes		17,634	17,634	17,634	17,634	17,634	17,634	17,634	17,634	17,634	17,634	17,634	17,634	211,608
	e Other (G)		0	0	0	0	0	0	0	0	0	0	0	0	0
9	Total System Recoverable Expenses (Lines 7 + 8)		7,498,501	7,478,692	7,459,166	8,186,276	9,408,464	9,470,872	9,503,723	9,505,376	9,507,140	9,508,519	9,499,022	9,473,958	106,499,709
	a Recoverable Costs Allocated to Energy		7,498,501	7,478,692	7,459,166	8,186,276	9,408,464	9,470,872	9,503,723	9,505,376	9,507,140	9,508,519	9,499,022	9,473,958	106,499,709
	b Recoverable Costs Allocated to Demand		0	0	0	0	0	0	0	0	0	0	0	0	0
10	Energy Jurisdictional Factor		0.9652215	0.9648222	0.9664461	0.9668523	0.9681053	0.9685036	0.9681176	0.9675075	0.9669696	0.9676002	0.9651934	0.9637848	
11	Demand Jurisdictional Factor		0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	
12	Retail Energy-Related Recoverable Costs (H)		7,242,781	7,220,659	7,213,928	7,920,460	9,114,760	9,178,994	9,207,162	9,202,960	9,199,551	9,206,885	9,174,811	9,137,248	103,020,199
13	Retail Demand-Related Recoverable Costs (I)		0	0	0	0	0	0	0	0	0	0	0	0	0
14	Total Jurisdictional Recoverable Costs (Lines 12 + 13)		7,242,781	7,220,659	7,213,928	7,920,460	9,114,760	9,178,994	9,207,162	9,202,960	9,199,551	9,206,885	9,174,811	9,137,248	103,020,199

Notes:
(A) Description and reason for 'Other' adjustments to net Investment for this project, if applicable
(B) Beginning Balances: Crist $617,356,712; Smith $4,568,463; Daniel $6,773,199, Scholz $9,007,142. Ending Balances: Crist $857,420,028; Smith $4,568,463; Daniel $6,773,199, Scholz $9,007,142.
(C) Description of Adjustments to Reserve for Gross Salvage and Other Recoveries and Cost of Removal
(D) The equity component has been grossed up for taxes. The approved ROE is 12%.
(E) Crist: 3.5%, Plant Smith Steam 3.3%, Smith CT 3.6%, Daniel 2.8%, Scholz 4.1%. Portion of PE 1222 is transmission 2.3%, 3.6%, and 2.5%
(F) Portion of PE 1222 applicable 7 year amortization period beginning in 2008.
(G) Description and reason for "Other" adjustments to investment expenses for this project.
(H) Line 9a x Line 10 x 1.0007 line loss multiplier
(I) Line 9b x Line 11
(J) Project #1222 qualifies for AFUDC treatment. As portions of the project are moved to P-4-S, they are included in the ECRC.

00000532

Schedule 7P
Revised to exclude 2012 projected costs
associated with Crist turbine upgrades
October 19, 2011

Gulf Power Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Energy & Demand Allocation % By Rate Class
January 2012 - December 2012

Rate Class	(1) Percentage of KWH Sales at Generation (%)	(2) Percentage of 12 CP Demand at Generation (%)	(3) Energy-Related Costs	(4) Demand-Related Costs	(5) Total Environmental Costs	(6) Projected Sales at Meter (KWH)	(7) Environmental Cost Recovery Factors (¢/KWH)
RS, RSVP	47.91951%	56.37207%	67,538,170	5,073,833	72,612,003	5,611,580,000	1.294
GS	2.53361%	2.70218%	3,570,892	243,213	3,814,105	296,697,000	1.286
GSD, GSDT, GSTOU	23.21732%	21.18065%	32,722,690	1,906,389	34,629,079	2,719,213,000	1.273
LP, LPT	15.68230%	12.52737%	22,102,768	1,127,540	23,230,308	1,866,508,000	1.245
PX, PXT, RTP, SBS	9.28652%	6.59685%	13,088,501	593,757	13,682,258	1,114,916,000	1.227
OS-I, OS-II	0.98816%	0.37320%	1,392,721	33,590	1,426,311	115,719,000	1.233
OS-III	0.37258%	0.24768%	525,117	22,293	547,410	43,632,000	1.255
TOTAL	100.00000%	100.00000%	$140,940,859	$9,000,615	149,941,474	11,768,265,000	1.274

Notes:
(1) From Schedule 6P, Col 8
(2) From Schedule 6P, Col 9
(3) Col 1 x Total Energy $ from Schedule 1P, line 5
(4) Col 2 x Total Demand $ from Schedule 1P, line 5
(5) Col 3 + Col 4
(6) Projected KWH sales for the period January 2011 - December 2011
(7) Col 5 / Col 6 x 100