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090007-EI

**From:** Rogers, Mallory [MAROGER@SOUTHERNCO.COM]  
**Sent:** Friday, October 02, 2009 1:41 PM  
**To:** Filings@psc.state.fl.us  
**Subject:** E-filing

**Attachments:** 10-2-09 Gulf's Pre Hearing Statement.pdf



10-2-09 Gulf's  
Pre Hearing Sta..

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B. Docket No. 090007-EI

C. Gulf Power Company

D. Document consists of 9 pages.

E. The attached document is Gulf's Pre Hearing Statement in the above referenced docket.

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DOCUMENT NUMBER-DATE

10207 OCT-28

FPSC-COMMISSION CLERK

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October 2, 2009

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

Dear Ms. Cole:

RE: Docket No. 090007-EI

Enclosed is the Prehearing Statement of Gulf Power Company to be filed in the above docket.

Sincerely,

*Susan D. Ritenour*

mr

Enclosures

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

DOCUMENT NUMBER-DATE  
10207 OCT-28  
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No.: **090007-EI**

**CERTIFICATE OF SERVICE**

2<sup>ND</sup> I HEREBY CERTIFY that a copy of the foregoing has been furnished this day of October, 2009, by regular U. S. Mail to the following:

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**Attorneys for Gulf Power Company**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery )  
Clause )

Docket No. 090007-EI  
Date Filed: October 2, 2009

**PREHEARING STATEMENT OF GULF POWER COMPANY**

Gulf Power Company, ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned attorneys, and pursuant to Order No. PSC-09-0138-PCO-EI, issued March 6, 2009, establishing the prehearing procedure in this docket, files this prehearing statement, saying:

**A. APPEARANCES:**

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

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

<u>Witness</u> (Direct)	<u>Subject Matter</u>	<u>Issues</u>
1. J. O. Vick (Gulf)	Environmental compliance activities (True-ups and Projection)	1, 2, 3, 4 (Generic) 11A, 11C, 11E, 11F (Company Specific)
2. R.W. Dodd (Gulf)	Environmental compliance cost recovery calculations (True-ups and Projection)	1, 2, 3, 4, 5, 6, 7, 8 (Generic) 11A – 11G (Company Specific)

**C. EXHIBITS:**

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
(RWD-1)	Dodd	Calculation of Final True-up 1/08 – 12/08
(RWD-2)	Dodd	Calculation of Estimated True-up 1/09 – 12/09
(RWD-3)	Dodd	Calculation of Projection 1/10 - 12/10

**D. STATEMENT OF BASIC POSITION**

**Gulf Power Company's Statement of Basic Position:**

It is the basic position of Gulf Power Company that the environmental cost recovery factors proposed by the Company present the best estimate of Gulf's environmental compliance costs recoverable through the environmental cost recovery clause for the period January 2010 through December 2010 including the true-up calculations and other adjustments allowed by the Commission.

**E. STATEMENT OF ISSUES AND POSITIONS**

**Generic Environmental Cost Recovery Issues**

**ISSUE 1:** What are the final environmental cost recovery true-up amounts for the period January 2008 through December 31, 2008?

**GULF:** Over recovery of \$1,381,411. (Vick, Dodd)

**ISSUE 2:** What are the estimated/actual environmental cost recovery true-up amounts for the period January 2009 through December 2009?

**GULF:** Over recovery of \$405,127. (Vick, Dodd)

**ISSUE 3:** What are the projected environmental cost recovery amounts for the period January 2010 through December 2010?

**GULF:** \$155,938,965. (Vick, Dodd)

**ISSUE 4:** What are the environmental cost recovery amounts, including true-up amounts, for the period January 2010 through December 2010?

**GULF:** Recovery of \$154,152,427 (excluding revenue taxes). (Vick, Dodd)

**ISSUE 5:** What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2010 through December 2010?

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

**ISSUE 6:** What are the appropriate jurisdictional separation factors for the projected period January 2010 through December 2010?

**GULF:** The demand jurisdictional separation factor is 96.42160%. Energy jurisdictional separation factors are calculated each month based on retail KWH sales as a percentage of projected total territorial KWH sales. (Dodd)

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

**GULF:** See table below: (Dodd)

<b>RATE CLASS</b>	<b>ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH</b>
RS, RSVP	1.391
GS	1.384
GSD, GSDT, GSTOU	1.372
LP, LPT	1.343
PX, PXT, RTP, SBS	1.322
OS-I/II	1.327
OSIII	1.358

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

**GULF:** The new environmental cost recovery factors should be effective beginning with the first billing cycle for January 2010 and thereafter through the last billing cycle for December 2010. The first billing cycle may start before January 1, 2010, and the last cycle may be read after December 31, 2010, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Dodd)

## **F. COMPANY-SPECIFIC ISSUES**

### **Gulf Power Company**

**ISSUE 11A:** Should Gulf be allowed to recover the costs associated with its proposed Plant Smith Reclaimed Water Project?

**GULF:** Yes. The Smith Reclaimed Water Project is part of the existing Smith Water Conservation and consumptive use efficiency program, the first two phases of which were approved by the Commission in Order Nos. PSC-01-1788-PAA-EI and PSC-04-1187-FOF-EI, respectively. The Smith Water Conservation and consumptive use efficiency program is required by the Plant Smith Individual Water Use Permit No. 19850073 issued by the North West Florida Water Management District. Specific Condition nine of Plant Smith's water use permit requires the plant to implement measures to increase water conservation and efficiency at the facility. Gulf Power is currently assessing the feasibility of utilizing reclaimed water in the cooling tower for Smith Unit 3. Utilizing reclaimed water in Unit 3's cooling tower would increase groundwater and surface water conservation at the facility as required in Specific Condition Nine of the consumptive use permit. If Gulf determines that it is feasible to move forward with the project, Gulf projects expending approximately \$1.5 million for engineering and design services in 2010. The total project cost is estimated to be \$20-30 million. (Vick, Dodd)

**ISSUE 11B:** How should the costs associated with the Plant Smith Reclaimed Water Project be allocated to the rate classes?

**GULF:** Capital costs for the Plant Smith Reclaimed Water Project should be allocated to the rate classes on a 12 CP and 1/13 Average Demand basis. (Dodd)

**ISSUE 11C:** Should Gulf be allowed to recover the costs associated with its proposed Plant Crist Unit 6 Precipitator Project?

**GULF:** Yes. Plant Crist Unit 6 and 7 precipitator upgrades were originally undertaken in the early 1990's and approved for environmental cost recovery in Docket 930613-

EI. These upgrades were required, and continue to be needed to comply with the Clean Air Act Amendments of 1990. During the 2010 recovery period, Gulf will begin incurring preliminary engineering and design costs to rebuild portions of the Plant Crist Unit 6 precipitator. Recent inspections of the Crist Unit 6 precipitator have indicated that internals will need to be replaced in 2013. The 2010 projected expenditures for the Plant Crist Unit 6 precipitator project are \$1.1 million. (Vick, Dodd)

**ISSUE 11D:** How should the costs associated with the Plant Crist Unit 6 Precipitator Project be allocated to the rate classes?

**GULF:** Capital costs for the Plant Crist Unit 6 Precipitator Project should be allocated to the rate classes on a 100% energy basis. (Dodd)

**ISSUE 11E:** Should the Commission approve Gulf's Environmental Compliance Program Update for the Clean Air Interstate Rule and Clean Air Visibility Rule as reasonable and prudent?

**GULF:** Yes. On April 1, 2009, Gulf Power filed its annual Environmental Compliance Program Update with the Commission. This document is an update of Gulf's original Compliance Plan set forth in the Stipulation between OPC, FIPUG and Gulf which was approved by the Commission in Order No. PSC-07-0721-S-EI. The Update reflects all of the changes to Gulf's Compliance Plan since the initial plan was approved. In the Update, Gulf outlines its ongoing compliance projects and the reasons Gulf plans to continue these projects. Gulf Power has begun implementation of all stipulated components of the Company's Compliance Plan. The remaining components of the Company's Plan remain in the planning stage for possible future implementation. (Vick, Dodd)

**ISSUE 11F:** Should Gulf be allowed to recover the costs associated with its newly proposed Maximum Achievable Control Technology Information Collection Request (MACT-ICR) Project?

**GULF:** Yes. EPA recently proposed an extensive Information Collection Request (ICR) in the Federal Register for coal- and oil-fired steam electric generating units to support Maximum Achievable Control Technology (MACT) rulemaking under section 112 of the Clean Air Act (CAA). EPA is currently accepting comments on this proposal and is expected to finalize the ICR in January 2010. The ICR will require submission of information on control equipment efficiencies, emissions, capital and O&M costs, and fuel data for all coal and oil-fired generating units greater than 25 MW. The proposed ICR also requires each of Gulf's facilities to conduct a broad range of emissions testing. Gulf should be allowed to recover prudently incurred costs associated with the MACT ICR project. The 2010 cost for this program is projected to be \$541,000.



**ISSUE 11G:** How should the costs associated with the MACT-ICR Project be allocated to the rate classes?

**GULF:** Operation and maintenance costs associated with the MACT-ICR project should be allocated to the rate classes on a 100% energy basis.

**G. STIPULATED ISSUES**

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

**H. PENDING MOTIONS:**

**GULF:** NONE.

**I. PENDING CONFIDENTIALITY REQUEST:**

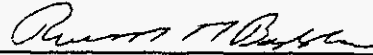
1. Request for confidentiality relating to Gulf Power Company's Environmental Compliance Program Update for the Clean Air Interstate Rule, Clean Air Mercury Rule, and Clean Air Visibility Rule filed September 18, 2008 (DN 08808-08).
2. Request for confidentiality relating to Gulf Power Company's Environmental Compliance Program Update for the Clean Air Interstate Rule, Clean Air Mercury Rule, and Clean Air Visibility Rule filed April 1, 2009 (DN 02887-09).
3. Request for extended confidentiality dated March 19, 2009 relating to Gulf Power Company's Supplemental Petition regarding its Environmental Compliance Program Update for the Clean Air Interstate Rule, Clean Air Mercury Rule, and Clean Air Visibility Rule (DN 02473-09).

**J. OTHER MATTERS:**

**GULF:** To the best knowledge of counsel, Gulf has complied with all requirements set forth in the orders on procedure and/or the Commission rules governing this prehearing statement. If other issues are raised for determination at the hearings set for November 2-4, 2009, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 2nd day of October, 2009.

Respectfully submitted,



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