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April 1, 2008

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COMMISSION  
CLERK

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

Dear Ms. Cole:

Enclosed for official filing in Docket No. 080007-EI are an original and fifteen  
copies of the following:

1. Prepared direct testimony and exhibit of J. O. Vick.
2. Prepared direct testimony and exhibit of Rhonda J. Martin.

02512-08

Sincerely,

CMP \_\_\_\_\_  
COM 5 Susan D. Ritenour  
CTR \_\_\_\_\_ *buh*

ECR \_\_\_\_\_  
GCL 1 originals forwarded  
OPC \_\_\_\_\_

RCA 3 Enclosures  
SCR \_\_\_\_\_  
SGA \_\_\_\_\_  
SEC \_\_\_\_\_  
OTH \_\_\_\_\_

cc w/encl.: Beggs & Lane  
Jeffrey A. Stone, Esq.

DOCUMENT NUMBER-DATE  
02511 APR-2 8  
FPSC-COMMISSION CLERK

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MAY 20 2008

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No.: **080007-EI**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a copy of the foregoing has been furnished this  
1<sup>st</sup> day of April, 2008, by regular U. S. Mail to the following:

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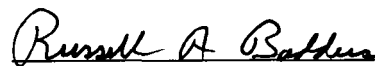
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**Attorneys for Gulf Power Company**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENVIRONMENTAL COST RECOVERY  
CLAUSE**

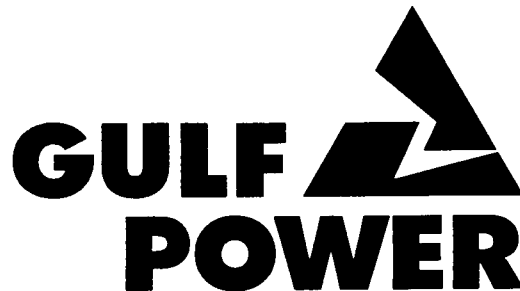
**DOCKET NO. 080007-EI**

**PREPARED DIRECT TESTIMONY  
OF  
JAMES O. VICK**

**FINAL TRUE-UP FILING  
FOR THE PERIOD**

**JANUARY 2007 – DECEMBER 2007**

**APRIL 2, 2008**



**A SOUTHERN COMPANY**

DOCUMENT NUMBER-DATE

02511 APR-28

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission  
3 Prepared Direct Testimony and Exhibit of  
4 James O. Vick  
Docket No. 080007-EI  
April 2, 2008

5 Q. Please state your name and business address.

6 A. My name is James O. Vick and my business address is One Energy Place,  
7 Pensacola, Florida, 32520.

8  
9 Q. By whom are you employed and in what capacity?

10 A. I am employed by Gulf Power Company as the Director of Environmental  
11 Affairs.

12  
13 Q. Mr. Vick, will you please describe your education and experience?

14 A. I graduated from Florida State University, Tallahassee, Florida, in 1975 with a  
15 Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's  
16 Degree in Civil Engineering from the University of South Florida in Tampa,  
17 Florida. In addition, I have a Masters of Science Degree in Management  
18 from Troy State University, Pensacola, Florida. In August 1978, I joined Gulf  
19 Power Company as an Associate Engineer and have since held various  
20 engineering positions with increasing responsibilities such as Air Quality  
21 Engineer, Senior Environmental Licensing Engineer, and Manager of  
22 Environmental Affairs. In 2003, I assumed my present position as Director of  
23 Environmental Affairs.

24  
25 DOCUMENT NUMBER-DATE

02511 APR-28

FPSC-COMMISSION CLERK

1 Q. What are your responsibilities with Gulf Power Company?

2 A. As Director of Environmental Affairs, my primary responsibility is overseeing  
3 the activities of the Environmental Affairs area to ensure the Company is, and  
4 remains, in compliance with environmental laws and regulations, i.e. both  
5 existing laws and such laws and regulations that may be enacted or amended  
6 in the future. In performing this function, I am responsible for numerous  
7 environmental activities.

8  
9 Q. Are you the same James O. Vick who has previously testified before this  
10 Commission on various environmental matters?

11 A. Yes.

12  
13 Q. Mr. Vick, what is the purpose of your testimony?

14 A. The purpose of my testimony is to support Gulf Power Company's  
15 Environmental Cost Recovery Clause (ECRC) final true-up for the period  
16 January through December 2007.

17  
18 Q. Have you prepared an exhibit that contains information to which you will refer  
19 in your testimony?

20 A. Yes, I have. My exhibit includes the following document:

- 21 • Letter of Clarification from the Florida Department of Environmental  
22 Protection (FDEP) on Department Policy after Environmental Protection  
23 Agency (EPA) Suspension of 316(b) Phase II Existing Facilities Rule

24

25

1 Counsel: We ask that Mr. Vick's exhibit consisting  
2 of one document be marked as  
3 Exhibit No. \_\_\_\_\_(JOV-1).  
4

5 Q. Mr. Vick, please compare Gulf's recoverable environmental capital costs  
6 included in the final true-up calculation for the period January 2007 through  
7 December 2007 with the approved estimated true-up amounts.

8 A. As reflected in Ms. Martin's Schedule 6A, the actual recoverable capital costs  
9 were \$33,735,639 as compared to the estimated true-up total of \$33,857,505.  
10 This results in a variance of \$121,866 or 0.4% below the estimated true-up. I  
11 will address two projects that contribute to this variance: Precipitator  
12 Upgrades for CAM Compliance and SO<sub>2</sub> Allowances.

13  
14 Q. Please explain the capital project variance of (5.2%) or (\$109,704) in  
15 Precipitator Upgrades for CAM Compliance (Line Item 1.22).

16 A. At the time of the 2007 ECRC estimated/actual true-up filing, Gulf expected  
17 the Crist Unit 5 precipitator upgrade to be completed by December 2007;  
18 however, the project was not placed in service until March of 2008 due to  
19 changes in the unit outage schedule. This change in the timing of the Crist  
20 Unit 5 upgrade was reflected in the 2008 projection filing.

21  
22 Q. Please explain the capital variance of 36.0% or \$22,079 in SO<sub>2</sub> Allowances  
23 (Line Item 1.28).

24 A. This variance resulted from the fact that the sulfur content of the coal actually  
25 burned during the period was lower than anticipated. This lower sulfur

1 content allowed Gulf to surrender fewer SO<sub>2</sub> allowances from inventory,  
2 meaning that Gulf's inventory balance and working capital was higher than  
3 anticipated.

4  
5 Q. How do the actual O&M expenses for the period January 2007 to December  
6 2007 compare to the amounts included in the estimated true-up filing?

7 A. Ms. Martin's Schedule 4A reflects that Gulf's recoverable environmental O&M  
8 expenses for the current period were \$16,904,925, as compared to the  
9 estimated true-up of \$17,849,512. This results in a net variance of  
10 \$944,587 or 5.3% below the estimated true-up. I will address eight O&M  
11 projects and programs that contribute to this variance -- Title V, Emission  
12 Monitoring, General Water Quality, State NPDES Administration, General  
13 Solid and Hazardous Waste, Above Ground Storage Tanks, FDEP NO<sub>x</sub>  
14 Reduction Agreement, and SO<sub>2</sub> Allowances.

15  
16 Q. Please explain the (13.6%) variance of (\$10,905) in Title V (Line Item 1.3).

17 A. Title V expenses are associated with the implementation of Gulf's Title V  
18 permits. There were no significant modifications to the Plants Smith and  
19 Scholz Title V permits during 2007. Therefore, the expenses associated with  
20 these permits were less than previously projected.

21  
22 Q. Please explain the variance of (10.2%) or (\$49,060) in the category Emission  
23 Monitoring (Line Item 1.5).

24 A. The Emission Monitoring variance resulted primarily from the Daniel  
25 continuous emission monitoring (CEM) expenses recoverable through the

1 ECRC being less than originally projected. The CEM maintenance expenses  
2 at Plant Daniel were also lower than expected due to the installation of new  
3 flow monitors in October of 2007.

4  
5 Q. Please explain the variance of 12.5% or \$42,989 in the category General  
6 Water Quality (Line Item 1.6).

7 A. The General Water Quality variance resulted primarily from re-initiating  
8 portions of the Cooling Water Intake Program biological sampling and data  
9 collection plan. The scope of Gulf's 2007 Cooling Water Intake Program  
10 biological sampling plan was reduced in March of 2007, as reflected in the  
11 estimated/actual true-up filing, after EPA announced that the rule it adopted  
12 pursuant to Section 316(b) of the Clean Water Act should be considered  
13 suspended. After the estimated/actual true-up filing, Gulf decided to move  
14 forward with these plans after receiving guidance from FDEP regarding  
15 implementation of Section 316(b) of the Clean Water Act. A copy of the letter  
16 from FDEP is included in my exhibit.

17  
18 Q. Please explain the 99.3% variance of \$34,500 in the category State NPDES  
19 Administration (Line Item 1.8).

20 A. This variance resulted from the timing of payment of the 2008 annual state  
21 National Pollution Discharge Elimination System (NPDES) industrial  
22 wastewater permit fees. The fees were paid during December 2007, but had  
23 been projected for January 2008.



1 Q. Please explain the 23.3% variance of \$128,982 in Line Item 1.11, General  
2 Solid and Hazardous Waste.

3 A. This line item includes expenses for proper identification, handling, storage,  
4 transportation and disposal of solid and hazardous wastes as required by  
5 federal and state regulations. The program includes expenses for Gulf's  
6 generating and power delivery facilities. The 2007 variance resulted primarily  
7 from inadvertently omitting waste removal and disposal costs for Gulf's power  
8 delivery facilities from the estimated/actual true-up filing; however, these  
9 expenses were appropriately included in Gulf's original 2007 projection.

10  
11 Q. Please explain the variance of (40.8%) or (\$41,195) in the category entitled  
12 Above Ground Storage Tanks (Line Item 1.12).

13 A. Plant Crist originally planned to recoat several above ground storage tank  
14 concrete secondary containment areas during 2007. After further evaluation,  
15 Plant Crist determined that this work could be postponed.

16  
17 Q. Please explain the (6.2%) variance of (\$185,238) in Line Item 1.19, FDEP  
18 NO<sub>x</sub> Reduction Agreement.

19 A. This O&M line item includes the cost of anhydrous ammonia, urea, air  
20 monitoring, and general operation and maintenance expenses related to the  
21 activities undertaken in connection with the FDEP NO<sub>x</sub> Reduction Agreement.  
22 The project variance resulted primarily from delaying maintenance expenses  
23 associated with the Crist Unit 5 Selective Non-Catalytic Reduction (SNCR)  
24 urea injection system from 2007 to 2008 due to a change in the outage  
25 schedule. This under run was partially offset by an increase in the Crist Unit

1 7 Selective Catalytic Reduction (SCR) and Crist Units 4 – 6 SNCR  
2 maintenance expenses.

3

4 Q. Please explain the variance of (7.5%) or (\$814,773) in SO<sub>2</sub> Allowances (Line  
5 Item 1.20).

6 A. This variance resulted from the fact that the sulfur content of the coal  
7 actually burned during the period was lower than anticipated. This lower  
8 sulfur content allowed Gulf to surrender fewer SO<sub>2</sub> allowances.

9

10 Q. Mr. Vick, does this conclude your testimony?

11 A. Yes.

12

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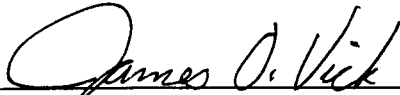
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AFFIDAVIT

STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA )

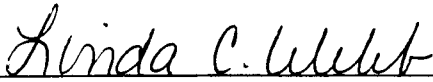
Docket No. 080007-EI

Before me the undersigned authority, personally appeared James O. Vick, who being first duly sworn, deposes, and says that he is the Director of Environmental Affairs of Gulf Power Company, a Florida corporation, and that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.



James O. Vick  
Director of Environmental Affairs

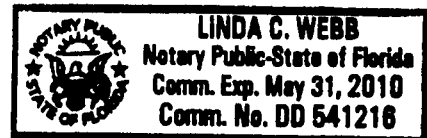
Sworn to and subscribed before me this 1st day of April, 2008.



Notary Public, State of Florida at Large

Commission Number: DD541216

Commission Expires: May 31, 2010





## Florida Department of Environmental Protection

Bob Martinez Center  
2600 Blair Stone Road  
Tallahassee, Florida 32399-2400

Charlie Crist  
Governor

Jeff Kotrkamp  
Lt. Governor

Michael W. Sole  
Secretary

August 21, 2007

Winston K. Borkowski  
Hopping, Green & Sams  
P.O. Box 6526  
Tallahassee, Florida 32314

Re: Request for Clarification of Department Policy after EPA  
Suspension of 316(b) Phase II Existing Facilities Rule

Dear Mr. Borkowski,

This letter is in response to your June 4, 2007 letter and is intended to clarify the Florida Department of Environmental Protection's (Department) future plans and implementation of Section 316(b) of the Clean Water Act (CWA 316(b)) regarding Phase II "Existing Facilities." You specifically had an interest in the need to complete a Comprehensive Demonstration Study (CDS).

As you know, CWA 316(b) requires "that the location, design, construction and capacity of the cooling water intake structures reflect the best technology available [BTA] for minimizing adverse environmental impacts."

In light of the ruling in Riverkeeper Inc. v. EPA, 475 F. 3d 83 (2d Cir. Jan 25 2007) and EPA's subsequent suspension of majority of their rule, the Department plans to revise its rules regarding Phase II "Existing Facilities." In the near future, the Department will begin rulemaking that will amend its current rules that adopt by reference the suspended federal rules. The Department's amended rules will be applied either at permit renewal (for permits that do not incorporate the suspended EPA rules) or in a permit reopening (for permits that currently incorporate the suspended EPA rules).

Despite the Court's ruling and EPA's suspension of the rule, the requirements of CWA 316(b) still exist and need to be addressed. Thus, all facilities subject to CWA 316(b) must meet BTA. The Department will implement the requirements of CWA 316(b) on a Best Professional Judgment basis. Historically, this has been conducted in a three step-process:

- Evaluation of site specific entrainment and impingement impacts
- Identification and evaluation of measures to minimize adverse impacts
- Design and implementation of specific measures, if needed, to minimize any identified adverse impacts

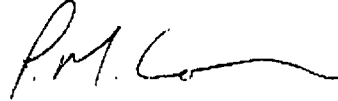
The Department believes that some form of Comprehensive Demonstration Study (CDS), especially the biological studies used to determine baseline conditions, and evaluation of control technologies and operational strategies is an integral part of this three-step process. All of the Florida power plants with once through cooling water systems have provided a proposal for information collection, and nine plants are expected to complete their CDS by January 2008, with another eleven plants expected to complete their CDS throughout the remainder of 2008. Very few plants have not started or are at the very early stages of this information collection.

*"More Protection, Less Process"*  
[www.dep.state.fl.us](http://www.dep.state.fl.us)

EPA has provided guidance to the states on the implementation of 316(b) requirements in light of the rule suspension. We are currently reviewing the EPA guidance and plan to develop Florida specific guidance in the near future to coincide with our rulemaking to repeal the suspended EPA rule.

If you have any further questions, please feel free to contact me.

Sincerely,



Phil Coram, P.E.  
Deputy Director  
Division of Water Resource Management

cc: Allen Hubbard, P.E., DEP - Tallahassee  
Jim Giattina, Director, EPA Region 4, Water Management Division  
Roosevelt Childress, Chief, EPA Region 4, NPDES & Biosolids Permit Section