

Gulf Power Company
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ORIGINAL
FILE COPY

Susan D. Cranmer
Assistant Secretary and
Assistant Treasurer

the southern electric system

June 21, 1996

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

Enclosed for official filing in Docket No. 960007-EI are an original and fifteen copies of the following:

1. Petition of Gulf Power Company for Approval of Final Environmental Cost Recovery True-up Amounts for October 1995 through March 1996; Estimated Environmental Cost Recovery True-up Amounts for April 1996 through September 1996; Projected Environmental Cost Recovery Amounts for October 1996 through September 1997; and Environmental Cost Recovery Factors to be applied beginning with the period October 1996 through September 1997.
2. Prepared direct testimony of J. O. Vick.
3. Prepared direct testimony and exhibit of S. D. Cranmer.

ACK Also enclosed is a 3.5 inch double sided, double density diskette containing the Petition in
AFP 2 WordPerfect for Windows 6.1 format as prepared on a MS-DOS based computer.

APP _____ Sincerely,

CAF _____
CMM _____ *Susan D. Cranmer*

CTC _____
EAG B lw

LEG 1 Enclosures

LIN 3 cc: Beggs and Lane
OPC _____ Jeffrey A. Stone, Esquire

RCH _____
SEC 1 *Petition*
WAS _____ DOCUMENT NUMBER-DATE

OTH _____ 06716 JUN 24 1996
FPSC-RECORDS/REPORTING

Vick
DOCUMENT NUMBER-DATE
06717 JUN 24 1996
FPSC-RECORDS/REPORTING

Cranmer
DOCUMENT NUMBER-DATE
06718 JUN 24 1996
FPSC-RECORDS/REPORTING

"Our business is customer satisfaction"

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery)
Clause)
_____)

Docket No. 960007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 21st day of June 1996 by U.S. Mail or hand delivery to the following:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 960007-EI

PREPARED DIRECT TESTIMONY
OF

J. O. VICK

ENVIRONMENTAL COST RECOVERY CLAUSE

OCTOBER 1996 - SEPTEMBER 1997

JUNE 24, 1996


GULF POWER

DOCUMENT NUMBER-DATE

06717 JUN 24 86

1996 RECORDS/REPORTING

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 James O. Vick
Docket No. 960007-EI
Date of Filing: June 24, 1996

5 Q. Please state your name and business address.

6 A. My name is James O. Vick and my business address is 500 Bayfront
7 Parkway, Pensacola, Florida, 32501-0328.

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

10 A. I am employed by Gulf Power Company as the Supervisor 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
15 a 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. I joined Gulf Power Company
19 in August 1978 as an Associate Engineer. I have since held various
20 engineering positions such as Air Quality Engineer and Senior Environmental
21 Licensing Engineer. In 1990, I assumed my present position as Supervisor
22 of Environmental Affairs.

23
24 Q. What are your responsibilities with Gulf Power Company?

25 A. As Supervisor of Environmental Affairs, my primary responsibility is

1 overseeing the activities of the Environmental Affairs section to ensure the
2 Company is, and remains, in compliance with environmental laws and
3 regulations, i.e., both existing laws and such laws and regulations that may
4 be enacted or amended in the future. In performing this function, I have the
5 responsibility for numerous environmental activities.

6
7 Q. Are you the same James O. Vick who has previously testified before this
8 Commission on various environmental matters?

9 A. Yes.

10
11 Q. What is the purpose of your testimony in this proceeding?

12 A. The purpose of my testimony is to support Gulf Power Company's projection
13 of environmental compliance amounts recoverable through the
14 Environmental Cost Recovery Clause (ECRC) for the period October 1996
15 through September 1997. I will discuss the amounts included in the
16 projection period for those compliance activities previously approved by the
17 Commission and one new project requested for inclusion in ECRC.
18 Additionally, I will provide testimony to support Gulf Power Company's
19 projection of Clean Air Act Amendments (CAAA) emission allowances
20 expended during the period October 1996 through September 1997 and will
21 be available to answer any questions concerning the Company's CAAA
22 allowance administration.

23
24 Q. Mr. Vick, please identify the capital projects included in Gulf's ECRC
25 calculations.

1 A. A listing of the environmental capital projects which have been included in
2 Gulf's ECRC calculations has been provided to Ms. Cranmer and includes
3 expenditures, clearings, retirements, and cost of removal currently projected
4 for each of these projects. These amounts were provided to Ms. Cranmer,
5 who has compiled Schedules 42-3P, 42-3PA, 42-4P, and 42-4PA of her
6 testimony. Schedules 42-4P and 42-4PA reflect the expenditures, clearings,
7 retirements, and cost of removal currently projected for each of these
8 projects. These amounts were provided to Ms. Cranmer, who calculated the
9 associated revenue requirements for our requested recovery. All the listed
10 projects are associated with environmental compliance activities which have
11 been previously approved for recovery through the ECRC by this
12 Commission in Docket No. 930613-EI and past proceedings in this ongoing
13 recovery docket.

14
15 Q. Are there any new capital projects included in the Company's projection for
16 which Gulf seeks recovery through the Environmental Cost Recovery
17 Clause?

18 A. Yes. One item, Upgrade Crist 6 CEMS Flow Monitors (PE 1164), is
19 requested for recovery through ECRC. The existing Crist 6 flow system, a
20 Clean Air Act Amendment requirement, is becoming more expensive to
21 maintain as it approaches the end of its life expectancy. The maintenance
22 costs of the existing system are anticipated to increase over the next four
23 years. Further, the accuracy and reliability of the existing system is
24 predicted to continue decreasing over the same time period. The upgraded
25 flow system will provide Gulf with the accuracy and reliability necessary to

1 maintain compliance with CAAA requirements. From an economic
2 standpoint, it is prudent for Gulf to upgrade the system at this time. The
3 expected savings from upgrading the system outweigh the expected
4 maintenance costs that would be incurred through maintenance of the
5 existing system over the next four years.

6
7 Q. Please compare the Environmental Operation and Maintenance (O & M)
8 activities listed on Schedules 42-2P and 42-2PA of Exhibit SDC-2 to the
9 O & M activities approved for cost recovery in past ECRC dockets.

10 A. The O & M activities listed on Schedules 42-2P and 42-PA have all been
11 approved for recovery through the ECRC in past proceedings. These O & M
12 activities are all on-going compliance activities and are grouped into four
13 major categories--Air Quality, Water Quality, Environmental Programs
14 Administration, and Solid and Hazardous Waste. I will discuss each O & M
15 activity within each of these major categories and the projected expenses
16 later in my testimony.

17
18 Q. What O & M activities are included in the Air Quality category?

19 A. There are five O & M activities included in this category:

20 The first, Sulfur (Line Item 1.1), refers to the flue gas sulfur injection
21 system needed to improve the collection efficiency of the Crist Unit 7
22 electrostatic precipitator when burning low sulfur coal. As stated in previous
23 testimony, the injection of raw sulfur into the flue gas enhances the
24 collection efficiency of the electrostatic precipitator when burning low sulfur
25 coal. Presently, the coal supply at Crist is of such quality in sulfur content

1 that sulfur injection is not necessary to meet the sulfur dioxide emission
2 requirements of the CAAA. Consequently, Gulf has not projected any
3 expenditures for this line item for the period since the availability of the
4 present fuel supply is expected to continue. However, sulfur injection is
5 dependent upon the quality of fuel, and might once again be required
6 depending upon the quality of a particular coal supply.

7 The second activity listed on Schedules 42-2P and 42-2PA, Air
8 Emission Fees (Line Item 1.2), represents the expenses projected for the
9 annual fees required by the CAAA. The expenses projected for the six-month
10 recovery period total \$162,093 and for the annual recovery period total
11 \$229,593.

12 The third activity listed on Schedules 42-2P and 42-2PA, Title V
13 Permits (Line Item 1.3), represents projected expenses associated with the
14 implementation of the Title V permits. The total estimated expenses for the
15 Title V Program during the recovery period are \$48,853 and \$97,989 for the
16 six-month and 12-month periods, respectively.

17 The fourth activity listed on Schedules 42-2P and 42-2PA, Asbestos
18 Notification Fees (Line Item 1.4), are required to be paid to the Florida
19 Department of Environmental Protection (FDEP) for the purpose of allowing
20 planned and emergency asbestos abatement activities at Gulf's facilities.
21 The expenses projected for the recovery periods total \$3,246 for six- months
22 and \$5,000 for 12-months.

23 The fifth activity listed on Schedules 42-2P and 42-2PA, Emission
24 Monitoring (Line Item 1.5), reflects an ongoing O & M expense associated
25 with the new Continuous Emission Monitoring equipment (CEM) as required

1 by the CAAA. These expenses are incurred in response to the federal
2 Environmental Protection Agency's (EPA) requirements that the Company
3 perform Quality Assurance/Quality Control (QA/QC) testing for the CEMs,
4 including Relative Accuracy Test Audits (RATA) and Linearity Tests. The
5 expenses projected to occur during the recovery period for these activities
6 total \$152,485 for six-months and \$305,773 for 12-months.
7

8 Q. What O & M activities are included in Water Quality?

9 A. General Water Quality (Line Item 1.6), identified in Schedules 42-2P and
10 42-2PA, includes Soil Contamination Studies, Dechlorination, Groundwater
11 Monitoring Plan Revisions, Surface Water Studies, and Daniel Groundwater
12 Monitoring. All the programs included in Line Item 1.6, General Water
13 Quality, have been approved in past proceedings. The expenses projected
14 to occur during the recovery period for these activities total \$299,532 and
15 \$543,340 for the six-month and 12-month periods, respectively.

16 The second activity listed in the Water Quality Category, Groundwater
17 Contamination Investigation (Line Item 1.7), was previously approved for
18 environmental cost recovery in Docket No. 930613-EI. This activity is
19 projected to incur incremental expenses totaling \$530,212 and \$979,551
20 during the six-month and 12-month recovery periods.

21 Line Item 1.8, State NPDES Administration, was previously approved
22 for recovery in the ECRC and reflects expenses associated with the filing of
23 two permit applications. These expenses are expected to incur \$49,500
24 during the recovery period.

1 Finally, Line Item 1.9, Lead and Copper Rule, was also previously
2 approved for ECRC recovery and reflects sampling and analytical costs for
3 lead and copper in drinking water. These expenses are expected to total
4 \$4,133 and \$8,127 during the six-month and 12-month recovery periods.
5

6 Q. What activities are included in the Environmental Affairs Administration
7 Category?

8 A. Only one O & M activity is included in this category on Schedules 42-2P and
9 42-2PA (Line Item 1.10). This Line Item refers to the Company's
10 Environmental Audit/Assessment function. This program is an on-going
11 compliance activity previously approved and is projected to incur expenses
12 totaling \$5,076 and \$7,230 during the six-month and 12-month recovery
13 periods, respectively.
14

15 Q. What O & M activities are included in the Solid and Hazardous Waste
16 category?

17 A. Only one program, General Solid and Hazardous Waste (Line Item 1.11), is
18 included in the Solid and Hazardous Waste category on Schedules 42-2P
19 and 42-2PA. This activity involves the proper identification, handling,
20 storage, transportation and disposal of solid and hazardous wastes as
21 required by Federal and State regulations. This program is an on-going
22 compliance activity previously approved and is projected to incur incremental
23 expenses totaling \$89,537 for the six-month period and \$180,509 during the
24 12-month recovery period.
25

1 Q. How did you derive the O & M expenses the Company identified in
2 Ms. Cranmer's exhibits for consideration in the Environmental Cost Recovery
3 Clause?

4 A. We have based this information on projected 1996-1997 environmental
5 expenses for the time frame of October 1996 through September 1997.
6 O & M expenses resulting from environmental compliance activities for the
7 period October 1996 through March 1997 are listed on Schedule 42-2P and
8 for the period October 1996 through September 1997 are listed on Schedule
9 42-2PA. This information was provided to Ms. Cranmer for her to include in
10 the calculation of the total revenue requirements.

11
12 Q. For the period April 1996 through September 1996, do you expect significant
13 variances in O & M expenses, and if so, please explain these variances.

14 A. Yes. Gulf's best estimate is that nine categories are expected to have
15 variances during this period. These expected variances are based on two
16 months of actual and four months of projected data. However, these
17 variances are subject to change depending on the level of activity during the
18 remainder of the period.

19 The first category Sulfur, reflects an expected variance of (\$11,496).
20 This variance is the result of the current fuel supply at Plant Crist being of
21 such quality that sulfur injection is not necessary to meet emission
22 requirements of the CAAA.

23 The second category, Air Emission Fees, reflects a variance of
24 (\$86,500). The projected emission fees for Plant Daniel were significantly
25 less than originally expected, which resulted in the variance.

1 Line item 1.4, Asbestos Fees, reflects a variance of (\$832). This
2 variance resulted from a smaller quantity of asbestos-containing material
3 (ACM) being encountered during the planned spring outage at Plant Crist.

4 Line item 1.5, Emission Monitoring, reflects a variance of
5 (\$16,349). The variance is the result of fewer Relative Accuracy Test Audits
6 (RATA's) being performed at Plant Crist due to the performance of the
7 continuous emission monitoring system (CEMS). When a RATA indicates an
8 accuracy of 95 percent or greater for a CEM system, only one RATA per year
9 is required instead of the normal two.

10 Line item 1.7, Groundwater Contamination Investigation, reflects a
11 variance of (\$124,326). This variance is simply the result of scheduling.
12 Planned activities within this category have yet to commence pending FDEP
13 approval of proposed action plans. Once FDEP has approved these plans,
14 activities in this project will resume as anticipated.

15 Line item 1.8, NPDES Administration, reflects a variance of (\$15,000).
16 This variance is the result of the submittal of the NPDES application fees for
17 Plant Crist and Scholz being moved to March 1997.

18 Line item 1.9, Lead and Copper Rule, reflects a variance of (\$5,242).
19 The variance is the result of actual program costs at Plant Smith being less
20 than projected. The quantity of chemicals anticipated for use at Plant Smith
21 are less than originally expected.

22 Line item 1.10, Environmental Auditing/Assessment, reflects a
23 variance of (\$846). The variance is the result of no environmental
24 assessment activities being performed during the period.

1 Line item 1.11, General Solid and Hazardous Waste, reflects a
2 variance of (\$18,282). The variance is the result of projected quantities of
3 waste generated being less than projected.
4

5 Q. Has the Company included expenditures for emission allowances in its
6 projection for this filing?

7 A. Yes. Phase I of the CAA became effective January 1, 1995; therefore, this
8 projection includes an estimate of the cost of allowances to be expended
9 during the period October 1996 through September 1997.
10

11 Q. How is the number of allowances expected to be used projected?

12 A. The same fuel budget model that predicts the coal burn in units affected by
13 CAA Phase I also forecasts the number of tons of sulfur in the coal burned,
14 which is readily converted to tons of SO₂.
15

16 Q. How was the cost of allowances to be expended determined for the forecast?

17 A. The projected cost of allowances was determined by a method very similar to
18 fuel inventory as specified by FERC procedures. In other words, allowances
19 are held "in stock" at cost and are "issued" at the projected cost of
20 allowances which is based on anticipated allowances granted net of
21 allowance sales, purchases, and transfers.
22

23 Q. Did the Company project the purchase or sale of allowances during the
24 forecast period?

1 A. No. The only transactions projected are the inventory adjustments for
2 allowances surrendered to the EPA for 1996 emissions and the 1996
3 allowances allocated from the EPA.
4

5 Q. Does this conclude your testimony?

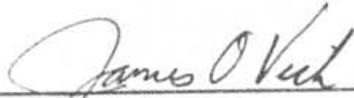
6 A. Yes.
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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

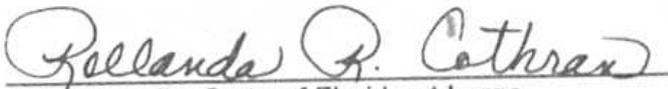
Docket No. 970007-EI

Before me the undersigned authority, personally appeared James O. Vick, who being first duly sworn, deposes, and says that he is the Supervisor of Environmental Affairs of Gulf Power Company, a Maine 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
Supervisor of Environmental Affairs

Sworn to and subscribed before me this 14th day of June, 1996.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

