

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENVIRONMENTAL COST RECOVERY
CLAUSE**

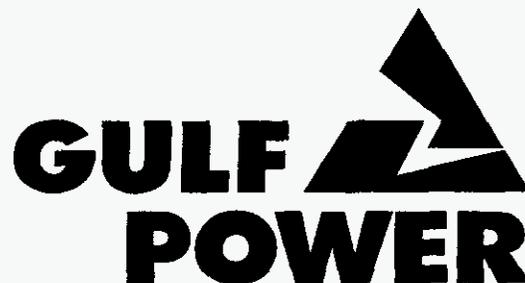
DOCKET NO. 000007-EI

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

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

JANUARY 2000 – DECEMBER 2000

AUGUST 18, 2000



A SOUTHERN COMPANY

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FPSO-RECORDS-REPORTING

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Prepared Direct Testimony of

4 James O. Vick

Docket No. 000007-EI

August 18, 2000

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 Manager 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. 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 1996, I assumed my present position as Manager of
22 Environmental Affairs.

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

25 A. As Manager 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. Mr. Vick, what is the purpose of your testimony?

12 A. The purpose of my testimony is to support Gulf Power Company's estimated
13 true-up for the period from January 1, 2000 through December 31, 2000.
14 This true-up is based on seven months of actual and five months of projected
15 expenses.

16
17 Q. Mr. Vick, please compare Gulf's recoverable environmental capital costs
18 included in the estimated true-up calculation for the period January 1, 2000
19 through December 31, 2000 with approved projected amounts.

20 A. As reflected in Ms. Ritenour's Schedule 6E, the recoverable capital costs
21 included in the original projection total \$8,422,180, as compared to the
22 estimated true-up amount of \$8,390,879. This results in a projected variance
23 of (\$31,301). I will discuss the major variances below.

24

1 Q. Please explain the variance of (\$26,567) in the capital category entitled
2 CEMS (Line Item 1.5).

3 A. The flow monitor replacement project on Smith Units #1 and #2 is currently
4 underway. The monitors were originally scheduled for installation in February
5 and April, but shipment was delayed due to limited availability of the monitors.
6 At the present time, the monitors are being tested, and the project is
7 expected to be complete by December 2000. This delay results in less
8 revenue requirements for the current period.

9
10 Q. Please explain the variance of \$3,680 in the capital category entitled Smith
11 Sodium Injection System (Line Item 1.12).

12 A. As previously reported in the final true-up for 1999, the total cost of this
13 project was more than anticipated. Consequently, the revenue requirements
14 (depreciation, return on investment, etc.) will also be more than originally
15 projected.

16
17 Q. Please explain the variance of (\$8,689) in the capital category entitled Daniel
18 Ash Management Project (Line Item 1.15).

19 A. The millage rate for property taxes in Mississippi varies from year to year.
20 The rate for 2000 was less than expected, therefore, the property taxes for
21 the Daniel Ash Management Project will be less.

22
23 Q. How do the estimated actual O&M expenses compare to the original
24 projection?

1 A. Mrs. Ritenour's Schedule 4E reflects that Gulf's recoverable environmental
2 O&M expenses for the current period are now estimated to be \$2,285,913, as
3 compared to the original projection of \$3,529,761. This results in a year-end
4 variance of (\$1,243,848). I will address twelve O&M projects and programs
5 that contribute to this variance.

6
7 Q. Please explain the \$61,155 variance in the activity entitled Sulfur (Line Item
8 1.1).

9 A. Through July, a total of \$56,197 has been spent repairing the Unit #7 sulfur
10 burner system at Plant Crist. Some additional expenses are expected in
11 August. These unbudgeted repairs were the result of an inspection that was
12 performed on the system during the spring 2000 outage and were required in
13 order to return the system to its normal operating capacity.

14
15 Q. Please explain the (\$545,086) variance in the Air Emission Fees category
16 (Line Item 1.2).

17 A. The difference between the estimated / actual projection for Air Emission
18 Fees and what was originally projected for the current period is due to
19 information that was received from the Florida Department of Environmental
20 Protection (FDEP) after the original projection was made. The Air Emission
21 Fees for Plant Crist Units #4, #5, #6, and #7, and Plant Scholz Units #1 and
22 #2 were expected to increase in the year 2000 with the expiration of the Acid
23 Rain Phase I Exemption applicable to those units from 1996 until 2000.
24 Based on clarification of the exemption by FDEP, the fees for these units will
25 increase in the year 2001.

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Q. Please explain the variance of (\$46,530) in Title V (Line Item 1.3).

A. This variance can be attributed to the fact that this is the first year of implementation for the Title V permitting program, and the original projections for the costs of said implementation were made prior to the finalization of the Title V permits. The actual costs of implementation have been less than what was originally anticipated.

Q. Please explain the variance of (\$59,892) in Emission Monitoring (Line Item 1.5).

A. Gulf's original projection for Emission Monitoring included quality assurance testing on emission monitors as required by the Environmental Protection Agency (EPA). The frequency of said quality assurance testing is based on the performance of the monitors, and as such, the cost of testing decreases if the units can meet EPA guidelines. The performance of the emission monitors during the recovery period has required less frequent testing to date, and therefore the associated costs will be substantially reduced.

Q. Please explain the variance of (\$312,819) in the category entitled General Water Quality (Line Item 1.6).

A. Gulf's original projection for this program included costs for an extensive soil contamination remediation project. During subsequent groundwater testing, additional soil assessment, and preliminary meetings with FDEP, it was determined that the majority of these costs will not in fact be incurred.

1 Q. Please explain the variance of (\$125,179) in Line Item 1.7, Groundwater
2 Contamination Investigation.

3 A. This variance is due to a delay in the implementation of Gulf's Remedial
4 Action Plan at Tyndall Air Force Base. Due to potential site modifications on
5 the base, FDEP has concurred with Gulf's recommendation to temporarily
6 postpone all remedial efforts at the site.

7

8 Q. Please explain the variance of (\$42,000) in State NPDES Administration
9 (Line Item 1.8).

10 A. As reported in the final true-up for 1999, all of the required annual fees were
11 paid in December of 1999. This will result in no expenses for this program
12 during this recovery period. The remaining \$7,500 was projected to be spent
13 on a modification of the Plant Crist NPDES permit. It was later decided not to
14 modify the permit this year.

15

16 Q. Please explain the variance of \$4,897 in the category entitled Lead and
17 Copper Rule (Line Item 1.9).

18 A. This variance is due to chemical usage at Plant Smith that was higher than
19 anticipated.

20

21 Q. Please explain the variance of \$41,440 in the category entitled General Solid
22 & Hazardous Waste (Line Item 1.11).

23 A. The projected variance in this program is attributable to the fact that more
24 waste has been generated at Gulf's facilities than was originally expected.

25

1 Q. Please explain the variance of (\$95,716) in Sodium Injection (Line Item 1.16).

2 A. The current coal supply at Plant Smith does not require the use of sodium
3 injection. Depending on the coal supply during the remainder of the year,
4 Gulf may incur expenses for this program during the remainder of the
5 recovery period.

6
7 Q. Please explain the variance of \$72,665 in Line Item 1.17, Gulf Coast Ozone
8 Study.

9 A. The Gulf Coast Ozone Study (GCOS) program was approved by the
10 Commission in June 2000. Consequently, no expenses for this program
11 were included in the projection for 2000.

12
13 Q. What has contributed to the (\$197,138) variance in SO₂ allowances?

14 A. This variance is primarily due to a gain on sale of allowances at the spring
15 auction, which was not budgeted. Due to a change in format of the ECRC
16 schedule, the emission allowance expenses and amortization of deferred
17 gains are now reported on Schedules 4E and 5E instead of the capital
18 schedules 6E and 7E.

19
20 Q. Does this conclude your testimony?

21 A. Yes.

22

23

24

25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 000007-EI

Before me the undersigned authority, personally appeared James O. Vick, who being first duly sworn, deposes, and says that he is the Manager 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
Manager of Environmental Affairs

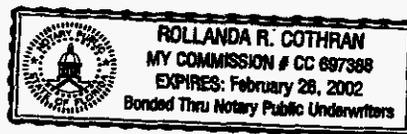
Sworn to and subscribed before me this 15th day of August, 2000.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:



One Energy Place
Pensacola, Florida 32520

850.444.6111

ORIGINAL



August 17, 2000

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. 000007-EI are an original and ten copies of the following:

1. Prepared direct testimony of J. O. Vick.
2. Prepared direct testimony and exhibit of S. D. Ritenour.

Sincerely,

Susan D. Ritenour

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

Enclosures

APP _____
 CAF _____
 CMP _____
 COM 3 foye
 CTR _____
 ECR _____
 LEG I
 OPC _____
 PAI _____
 RGO Handva
 SEC I
 SER Bremer
 OTH _____

cc: Beggs and Lane
 Jeffrey A. Stone, Esquire

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery)
Clause)
_____)

Docket No. 000007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 17th day of August 2000 by U.S. Mail or hand delivery to the following:

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