

One Energy Place
Pensacola, Florida 32520

850.444.6111

ORIGINAL



September 21, 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. The Petition of Gulf Power Company.
2. Prepared direct testimony and exhibit of J. O. Vick.
3. Prepared direct testimony and exhibit of S. D. Ritenour.

Also enclosed is a 3.5 inch double sided, double density diskette containing the Petition in WordPerfect for Windows 6.1 format as prepared on a NT computer.

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Ritenour".

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

APP _____ lw
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENVIRONMENTAL COST RECOVERY
CLAUSE**

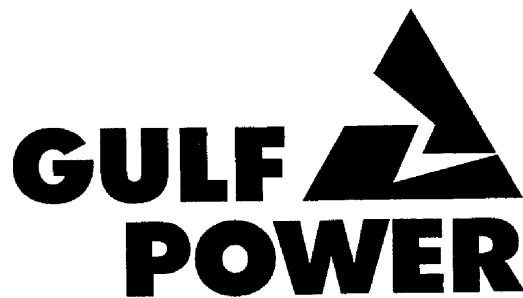
DOCKET NO. 000007-EI

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

**PROJECTION FILING
FOR THE PERIOD**

JANUARY 2001 – DECEMBER 2001

September 22, 2000



A SOUTHERN COMPANY

DOCUMENT NUMBER - DATE

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FPSC-RECORDS/REPORTING

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 James O. Vick
5 Docket No. 000007-EI
6 September 22, 2000

7 Q. Please state your name and business address.

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

10

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

12 A. I am employed by Gulf Power Company as the Manager of Environmental
13 Affairs.

14

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

16 A. I graduated from Florida State University, Tallahassee, Florida, in 1975 with a
17 Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's
18 Degree in Civil Engineering from the University of South Florida in Tampa,
19 Florida. In addition, I have a Masters of Science Degree in Management
20 from Troy State University, Pensacola, Florida. I joined Gulf Power Company
21 in August 1978 as an Associate Engineer. I have since held various
22 engineering positions such as Air Quality Engineer and Senior Environmental
23 Licensing Engineer. In 1996, I assumed my present position as Manager of
24 Environmental Affairs.

25

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

27 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 A. The purpose of my testimony is to support Gulf Power Company's projection
12 of environmental compliance costs recoverable through the Environmental
13 Cost Recovery Clause (ECRC) for the period from January 2001 through
14 December 2001.

15
16 Q. Mr. Vick, please identify the capital projects included in Gulf's ECRC
17 calculations.

18 A. A listing of the environmental capital projects, which have been included in
19 Gulf's ECRC calculations, has been provided to Ms. Ritenour and is included
20 in Schedules 3P and 4P of her testimony. Schedule 4P reflects the
21 expenditures, clearings, retirements, salvage and cost of removal currently
22 projected by month for each of these projects. These amounts were provided
23 to Ms. Ritenour, who has compiled the schedules and calculated the
24 associated revenue requirements for Gulf's requested recovery. With the
25 exception of one, all of the listed projects are associated with environmental

1 compliance activities which have been previously approved for recovery
2 through the ECRC by this Commission in Docket No. 930613-EI and past
3 proceedings of this ongoing recovery docket or one of several spin-off
4 dockets from the ECRC.

5
6 Q. Mr. Vick, please identify any new capital projects or expansions of previously
7 approved capital projects for the projection period which are required for
8 environmental compliance.

9
10 A. As I mentioned earlier, there is one new capital project scheduled for the
11 projected recovery period. This project (PE 1412) involves the addition of a
12 Generic NOx Control Intelligent System (GNOCIS) to Plant Smith Unit 1.
13 This system continuously and automatically adjusts boiler controls in order to
14 optimize NOx emissions with other boiler operating parameters. This system
15 will be added to Smith Unit 1 in 2001, and is expected to help offset NOx
16 emissions from the proposed Smith Unit 3 combined cycle. Addition of
17 GNOCIS to Smith Unit 1 is explicitly required by the air construction permit for
18 Smith Unit 3. Additionally, this system will further ensure compliance with the
19 NOx averaging plan required by the Clean Air Act Amendment of 1990.

20
21 In addition, there are three previously approved capital projects that
22 will be expanded. These include Air Quality Assurance Testing (PE 1244),
23 CEMs (PE 1154, PE 1311, and PE1441), and Substation Contamination
24 Mobile Groundwater Treatment System (PE 3412). The existing continuous
25 emission monitors in the audit test trailer will be replaced during the recovery

1 period at a cost \$30,000. The replacement of these monitors is necessary in
2 order to provide Gulf with the accuracy and reliability needed to accurately
3 measure SO₂, NO_x, CO₂, and Opacity, and to further maintain compliance
4 with Clean Air Act Amendment (CAAA) requirements.

5
6 Changes to the CEMs project during this recovery period will include
7 the replacement of gas analyzers on Plant Crist Units 6 & 7 (PE 1154), Plant
8 Smith Unit 1 (PE 1441) and Plant Scholz Units 1 & 2 (PE 1311). The gas
9 analyzers are necessary in order to provide Gulf with the accuracy and
10 reliability needed to accurately measure SO₂, NO_x, CO₂, and Opacity and
11 further maintain compliance with CAAA requirements. Expenditures for this
12 project are expected to be \$575,000 and will be allocated on an energy basis,
13 as is all other equipment associated with emission monitoring. All of the
14 existing analyzers are approaching the end of their useful life, and will be
15 retired upon replacement (See Page 5 of Schedule 4P for the monthly
16 details).

17
18 The Substation Contamination Mobile Groundwater Treatment System
19 Project is expected to incur \$300,000 in expenditures in 2001. These
20 expenditures are required for the purchase of an additional contamination
21 treatment facility that will enable Gulf to maintain compliance with state
22 environmental regulations related to the treatment of contaminated
23 groundwater.

24

1 Q. Please compare the Environmental Operation and Maintenance (O&M)
2 activities listed on Schedule 2P of Exhibit SDR-3 to the O&M activities
3 approved for cost recovery in past ECRC dockets.

4 A. All of the O&M activities listed on Schedule 2P have been approved for
5 recovery through the ECRC in past proceedings. These O&M activities are
6 all on-going compliance activities and are grouped into four major categories-
7 Air Quality, Water Quality, Environmental Programs Administration, and Solid
8 and Hazardous Waste.

9

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

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

12

13 The first, Sulfur (Line Item 1.1) reflects operational expenses
14 associated with the burning of low sulfur coal. This item refers to the flue gas
15 sulfur injection system needed to improve the collection efficiency of the Crist
16 Unit 7 electrostatic precipitator and is required due to the burning of low sulfur
17 coal at this unit pursuant to the sulfur dioxide requirements of the CAAA.
18 Expenses during the projected recovery period total \$5,000.

19

20 The second activity listed on Schedule 2P, Air Emission Fees (Line
21 Item 1.2) represents the expenses projected for the annual fees required by
22 the CAAA. The expenses projected for the recovery period total \$594,000.

23

24 The third activity listed on Schedule 2P, Title V Permits (Line Item 1.3),
25 represents projected expenses associated with the implementation of the

1 Title V permits. The total estimated expense for the Title V Program during
2 2001 is \$62,616.

3
4 The fourth activity listed on Schedule 2P, Asbestos Fees (Line Item
5 1.4), consists of the fees required to be paid to the Florida Department of
6 Environmental Protection (FDEP) for the purpose of funding the State's
7 asbestos removal program. The expenses projected for the recovery period
8 total \$4,500.

9
10 The fifth activity listed on Schedule 2P, Emission Monitoring (Line Item
11 1.5), reflects an ongoing O&M expense associated with the Continuous
12 Emission Monitoring equipment (CEM) as required by the CAAA. These
13 expenses are incurred in response to the federal Environmental Protection
14 Agency's (EPA) requirements that the Company perform Quality
15 Assurance/Quality Control (QA/QC) testing for the CEMs, including Relative
16 Accuracy Test Audits (RATA) and Linearity Tests. The expenses expected to
17 occur during the recovery period for these activities total \$422,050. New
18 activities within this category include the testing, development, and
19 implementation of new Periodic Monitoring and Compliance Assurance
20 Monitoring (CAM) associated with the Clean Air Act Amendment.

21
22 Q. What O&M activities are included in Water Quality?

23 A. General Water Quality (Line Item 1.6), identified in Schedule 2P, includes
24 Soil Contamination Studies, Dechlorination, Groundwater Monitoring Plan
25 Revisions and Surface Water Studies. All the programs included in Line Item

1 1.6, General Water Quality, have been approved in past proceedings. The
2 expenses expected to be incurred during the projection recovery period for
3 these activities total \$280,724.

4
5 The second activity listed in the Water Quality Category, Groundwater
6 Contamination Investigation (Line Item 1.7), was previously approved for
7 environmental cost recovery in Docket No. 930613-EI. This activity is
8 projected to incur incremental expenses totaling \$866,458.

9
10 Line Item 1.8, State NPDES Administration, was previously approved for
11 recovery in the ECRC and reflects expenses associated with annual fees for
12 Gulf's three generating facilities in Florida. These expenses are expected to
13 be \$34,500 during the projected recovery period.

14
15 Finally, Line Item 1.9, Lead and Copper Rule, was also previously approved
16 for ECRC recovery and reflects sampling, analytical and chemical costs
17 related to lead and copper in drinking water. These expenses are expected
18 to total \$21,000 during 2001.

19
20 Q. What activities are included in the Environmental Affairs Administration
21 Category?

22 A. Only one O&M activity is included in this category on Schedule 2P (Line
23 Item 1.10) of Ms. Ritenour's exhibit. This Line Item refers to the Company's
24 Environmental Audit/Assessment function. This program is an on-going

1 compliance activity previously approved and is expected to incur \$3,200 of
2 expenses during the recovery period.

3
4 Q. What O&M activities are included in the Solid and Hazardous Waste
5 category?

6 A. Only one program, General Solid and Hazardous Waste (Line Item 1.11) is
7 included in the Solid and Hazardous Waste category on Schedule 2P. This
8 activity involves the proper identification, handling, storage, transportation
9 and disposal of solid and hazardous wastes as required by federal and state
10 regulations. This program is an on-going compliance activity previously
11 approved and is projected to incur incremental expenses totaling \$180,574.

12
13 Q. In addition to the four major O & M categories listed above, are there any
14 other O & M activities which have been approved for recovery?

15 A. Yes. There are five other O & M categories which have been approved in
16 past proceedings. They are Above Ground Storage Tanks, Low NOx, Ash
17 Pond Diversion Curtains, Mercury Emissions, Sodium Injection System, and
18 Gulf Coast Ozone Study (GCOS).

19
20 Q. What O & M activities are included in the Above Ground Storage Tanks?
21 Only one program, Above Ground Storage Tanks (Line Item 1.12), is included
22 in this category. This program is not expected to incur any expenses during
23 2001.

24

1 Q. Please identify the activities included in the Low NOx (Line Item 1.13)
2 category.

3 A. This project refers to the purchase and installation costs of Low NOx burner
4 tips at Plant Crist and Plant Smith to comply with Phase II requirements of the
5 CAAA. There are no expenses projected for this project during the recovery
6 period.

7
8 Q. What O & M activity is included in the Ash Pond Diversion Curtains (Line Item
9 1.14) category.

10 A. This project, previously approved by the Commission, refers to the installation
11 of flow diversion curtains in the Plant Crist ash pond to effectively increase
12 water retention time in the ash pond, thereby allowing for the
13 sedimentation/precipitation treatment process to be more effective in reducing
14 levels of suspended particulate from the outfall at the Plant Crist ash pond.
15 Installation was completed in 1999, and there are no expected expenses for
16 this activity in 2001.

17
18 Q. Please identify the activity included in the Mercury Emissions (Line Item 1.15)
19 category.

20 A. This program, approved by the Commission for recovery in Docket
21 No. 981973-EI, pertains to requirements for Gulf to periodically analyze coal
22 shipments for mercury and chlorine content. There are no expected
23 expenses during the recovery period. The EPA only mandated that
24 shipments of coal would be analyzed for mercury and chlorine during 1999.
25 No further notices of continued sampling requirements of coal shipments

1 beyond 1999 have been issued by EPA. It is unknown at this time whether
2 EPA will require further sampling during 2001, therefore no expenses have
3 been planned for this activity.

4

5 Q. What activity is included in the Sodium Injection (Line Item 1.16) category?

6 A. The sodium injection system, which was recently approved in Docket Number
7 No. 990667-EI for inclusion in the ECRC, involves sodium injection to the
8 coal supply at Plant Smith to enhance precipitator efficiencies when burning
9 low sulfur coal. Projected expenses for the purchase of raw sodium are
10 expected to be \$25,000 in 2001.

11

12 Q. Please identify the activity included in the Gulf Coast Ozone Study (Line Item
13 1.17) category.

14 A. This program, approved for recovery in Docket No. 991834-EI for inclusion in
15 the ECRC involves a joint modeling analysis between Gulf Power and the
16 State of Florida to provide an improved basis for assessment of eight-hour
17 ozone air quality for Northwest Florida. The project will model past episodes
18 of high ozone levels in Northwest Florida and will then be used in developing
19 potential control strategies for both stationary and mobile sources to provide
20 a comprehensive evaluation of the area as required under Title I of the Clean
21 Air Act. This will support FDEP's State Implementation Plan (SIP) revisions,
22 which are required by July 2003. This evaluation is considered pre-
23 engineering work necessary to evaluate the most viable, low cost emission
24 control technologies available that may be required to meet the new eight-
25 hour ambient air ozone standard. Expenses for this project during the

1 recovery period are anticipated to be \$501,276. Consistent with Order No.
2 PSC-00-1167-PAA-EI, all of these expenses are projected as recoverable
3 through the ECRC because the amount of expenditures on environmental
4 studies during 2001 is projected to exceed the amount included in the last
5 approved rate case budget.

6

7 Q. Are there any project or program expenses resulting from either new or more
8 stringent environmental regulations which may significantly increase O&M
9 costs for the recovery period January 2001 through December 2001?

10 A. Gulf Power is not aware of any at this time.

11

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

13 A. Yes.

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

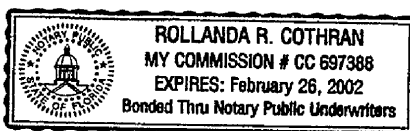
Sworn to and subscribed before me this 21st day of September, 2000.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:



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 21st day of September 2000 by U.S. Mail or hand delivery to the following:

Marlene Stern, Esquire
Staff Counsel
FL Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0863

Matthew M. Childs, Esquire
Steel, Hector & Davis
215 South Monroe, Suite 601
Tallahassee FL 32301


John Roger Howe, Esquire
Office of Public Counsel
c/o The Florida Legislature
111 W. Madison St., Room 812
Tallahassee FL 32399-1400

Lee L. Willis, Esquire
Ausley & McMullen
P. O. Box 391
Tallahassee FL 32302

Joseph A. McGlothlin, Esquire
McWhirter Reeves, P.A.
117 S. Gadsden Street
Tallahassee FL 32301

John W. McWhirter, Esquire
McWhirter Reeves, P.A.
P. O. Box 3350
Tampa FL 33601-3350

Ms. Debra Swim
LEAF
1114 Thomasville Rd, Suite E
Tallahassee FL 32303



JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 0007455
Beggs & Lane
P. O. Box 12950
Pensacola FL 32576
850 432-2451
Attorneys for Gulf Power Company