

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**ENVIRONMENTAL COST RECOVERY  
CLAUSE**

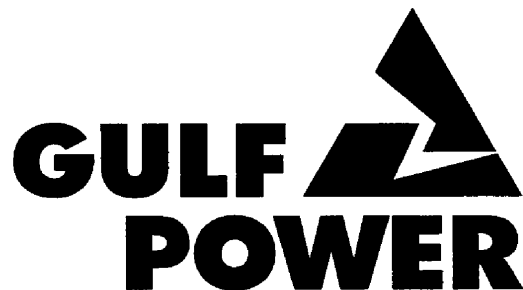
**DOCKET NO. 010007-EI**

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

**PROJECTION FILING  
FOR THE PERIOD**

**JANUARY 2002 – DECEMBER 2002**

**SEPTEMBER 20, 2001**



**A SOUTHERN COMPANY**

DOCUMENT NUMBER-DATE  
11744 SEP 20 01  
FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission  
3 Prepared Direct Testimony of  
4 James O. Vick  
5 Docket No. 010007-EI  
6 September 20, 2001

7 Q. Please state your name and business address.

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

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

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

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

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

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

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

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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  
4 may be enacted or amended in the future. In performing this function, I  
5 have the 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  
13 projection of environmental compliance costs recoverable through the  
14 Environmental Cost Recovery Clause (ECRC) for the period from January  
15 2002 through December 2002.

16

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

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

1 recovery. With the exception of one, all of the listed projects are  
2 associated with environmental compliance activities which have been  
3 previously approved for recovery through the ECRC by this Commission  
4 in Docket No. 930613-EI and past proceedings of this ongoing recovery  
5 docket or one of several spin-off dockets from the ECRC.

6  
7 Q. Mr. Vick, is Gulf requesting recovery of any projects not previously  
8 approved by this Commission?

9 A. Yes. In Docket No. 000007-EI, Gulf requested the recovery of a Generic  
10 Nox Control Intelligent System (GNOCIS). At the prehearing conference  
11 held November 3, 2000, Gulf agreed to defer this issue pending a  
12 workshop on generic policy issues related to the ECRC. At that time, Gulf  
13 reserved its right to once again request recovery of the costs related to  
14 this project, which are now included in this projection. As I described in  
15 direct testimony filed on September 22, 2000, this project (PE 1412)  
16 involves the addition of GNOCIS to Plant Smith Unit 1. This system  
17 continuously and automatically adjusts boiler controls in order to optimize  
18 NOx emissions with other boiler operating parameters. This system will  
19 be completely installed by December 2001, and is expected to help offset  
20 NOx emissions from the Smith Unit 3 combined cycle. Addition of  
21 GNOCIS to Smith Unit 1 is explicitly required by the air construction permit  
22 for Smith Unit 3. Additionally, this system will further ensure compliance  
23 with the NOx averaging plan required by the Clean Air Act Amendments of  
24 1990.

25

1 Q. Mr. Vick, please identify any expansions of previously approved capital  
2 projects for the projection period, which are required for environmental  
3 compliance.

4 A. There are two previously approved capital projects that will be expanded.  
5 These include Air Quality Assurance Testing (PE 1244) and CEMs (PE  
6 1154, PE 1312, and PE1442). The CEMs system in the trailer will be  
7 replaced during the recovery period at a cost \$60,000. The replacement  
8 of this equipment is necessary in order to provide Gulf with the accuracy  
9 and reliability needed to accurately measure SO2, NOx, CO2, and  
10 Opacity, and to further maintain compliance with Clean Air Act  
11 Amendment (CAAA) requirements.

12  
13 Changes to the CEMs project during this recovery period will include the  
14 replacement of gas analyzers on Plant Crist Units 6 & 7 (PE 1154) and  
15 Plant Smith Unit 2 (PE 1442) and the replacement of flow monitors on  
16 Plant Scholz Units 1 & 2 (PE 1312). The gas analyzers and flow monitors  
17 are necessary in order to provide Gulf with the accuracy and reliability  
18 needed to accurately measure SO2, NOx, CO2, Opacity, and Flow and  
19 further maintain compliance with CAAA requirements. Expenditures for  
20 this project are expected to be \$510,000 and will be allocated on an  
21 energy basis, as is all other equipment associated with emission  
22 monitoring. All of the existing analyzers are approaching the end of their  
23 useful life, and will be retired upon replacement.

24  
25

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  
6 are all on-going compliance activities and are grouped into four major  
7 categories-Air Quality, Water Quality, Environmental Programs  
8 Administration, and Solid 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 associated  
14 with the burning of low sulfur coal. This item refers to the flue gas sulfur  
15 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  
17 sulfur coal at this unit pursuant to the sulfur dioxide requirements of the  
18 CAAA. Expenses during the projected recovery period total \$55,000.

19  
20 The second activity listed on Schedule 2P, Air Emission Fees (Line Item  
21 1.2) represents the expenses projected for the annual fees required by the  
22 CAAA. The expenses projected for the recovery period total \$778,106.

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  
2 during 2002 is \$77,046.

3  
4 The fourth activity listed on Schedule 2P, Asbestos Fees (Line Item 1.4),  
5 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  
8 period 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  
14 Protection Agency's (EPA) requirements that the Company perform  
15 Quality Assurance/Quality Control (QA/QC) testing for the CEMs,  
16 including Relative Accuracy Test Audits (RATA) and Linearity Tests. The  
17 expenses expected to occur during the recovery period for these activities  
18 total \$605,311. New activities within this category include the testing,  
19 development, and implementation of new Periodic Monitoring and  
20 Compliance Assurance Monitoring (CAM) associated with the Clean Air  
21 Act Amendment.

22

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

24 A. General Water Quality (Line Item 1.6), identified in Schedule 2P, includes  
25 Soil Contamination Studies, Dechlorination, Groundwater Monitoring Plan

1 Revisions and Surface Water Studies. All of the programs included in  
2 Line Item 1.6, General Water Quality, have been approved in past  
3 proceedings. The expenses expected to be incurred during the projection  
4 recovery period for these activities total \$400,367.

5  
6 The second activity listed in the Water Quality Category, Groundwater  
7 Contamination Investigation (Line Item 1.7), was previously approved for  
8 environmental cost recovery in Docket No. 930613-EI. This activity is  
9 projected to incur incremental expenses totaling \$819,967.

10  
11 Line Item 1.8, State NPDES Administration, was previously approved for  
12 recovery in the ECRC and reflects expenses associated with annual fees  
13 for Gulf's three generating facilities in Florida. These expenses are  
14 expected to be \$42,000 during the projected recovery period.

15  
16 Finally, Line Item 1.9, Lead and Copper Rule, was also previously  
17 approved for ECRC recovery and reflects sampling, analytical and  
18 chemical costs related to lead and copper in drinking water. These  
19 expenses are expected to total \$18,257 during 2002.

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

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



1 on-going compliance activity previously approved and is expected to incur  
2 \$3,000 of 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)  
7 is included in the Solid and Hazardous Waste category on Schedule 2P.  
8 This activity involves the proper identification, handling, storage,  
9 transportation and disposal of solid and hazardous wastes as required by  
10 federal and state regulations. This program is an on-going compliance  
11 activity previously approved and is projected to incur incremental  
12 expenses totaling \$196,974.

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

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

20  
21 Q. What O & M activities are included in the Above Ground Storage Tanks?  
22 Only one program, Above Ground Storage Tanks (Line Item 1.12), is  
23 included in this category. This program is expected to incur \$50,000 of  
24 expenses during 2002.

25

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  
4 burner tips at Plant Crist and Plant Smith to comply with Phase II  
5 requirements of the CAAA. There are no expenses projected for this  
6 project during the recovery period.

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

10 A. This project, previously approved by the Commission, refers to the  
11 installation of flow diversion curtains in the Plant Crist ash pond to  
12 effectively increase water retention time in the ash pond, thereby allowing  
13 for the sedimentation/precipitation treatment process to be more effective  
14 in reducing levels of suspended particulate from the outfall at the Plant  
15 Crist ash pond. Installation was completed in 1999, and there are no  
16 expected expenses for this activity in 2002.

17  
18 Q. Please identify the activity included in the Mercury Emissions (Line Item  
19 1.15) 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  
22 coal 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  
25 1999. No further notices of continued sampling requirements of coal

1 shipments beyond 1999 have been issued by EPA. It is unknown at this  
2 time whether EPA will require further sampling during 2002, therefore no  
3 expenses have been planned for this activity.

4  
5 Q. What activity is included in the Sodium Injection (Line Item 1.16)  
6 category?

7 A. The sodium injection system, which was recently approved in Docket  
8 Number No. 990667-EI for inclusion in the ECRC, involves sodium  
9 injection to the coal supply at Plant Smith to enhance precipitator  
10 efficiencies when burning low sulfur coal. Projected expenses for the  
11 purchase of raw sodium are expected to be \$48,000 in 2002.

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

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

1 available that may be required to meet the new eight-hour ambient air  
2 ozone standard. Expenses for this project during the recovery period are  
3 anticipated to be \$235,000. Consistent with Order No. PSC-00-1167-  
4 PAA-EI, all of these expenses are projected as recoverable through the  
5 ECRC because the amount of expenditures on non-ECRC environmental  
6 studies during 2002 is projected to exceed the amount included in the last  
7 approved rate case budget.

8  
9 Q. Are there any project or program expenses resulting from either new or  
10 more stringent environmental regulations which may significantly increase  
11 O & M costs for the recovery period January 2002 through December  
12 2002?

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

14  
15 Q. Mr. Vick, does this conclude your testimony?

16 A. Yes.


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AFFIDAVIT

STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA )

Docket No. 010007-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 19<sup>th</sup> day of September, 2001.

  
\_\_\_\_\_  
Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

