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March 28, 2002

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. 020007-EI are an original and ten copies of the following:

1. Prepared direct testimony of J. O. Vick. 03586-02
2. Prepared direct testimony and exhibit of S. D. Ritenour. 03587-02

Sincerely,

Susan D. Ritenour (sw)

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

Enclosures

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MMS _____
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cc: Beggs and Lane
Jeffrey A. Stone, Esquire

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery)
Clause)
_____)

Docket No. 020007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 28th day of March 2002 by U.S. Mail or hand delivery to the following:

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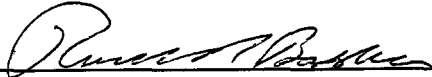
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ENVIRONMENTAL COST RECOVERY CLAUSE

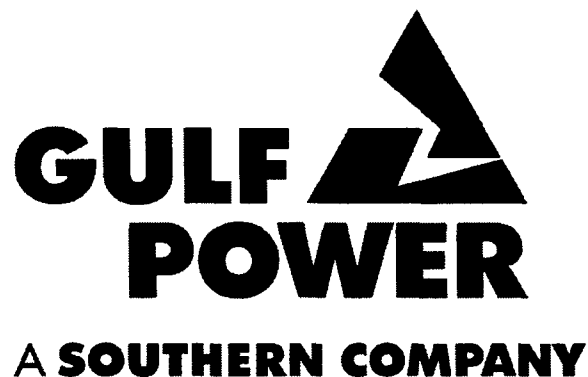
DOCKET NO. 020007-EI

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

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

JANUARY 2001 - DECEMBER 2001

APRIL 1, 2002



DOCUMENT NUMBER DATE

03586 MAR 29 02

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2
3 Before the Florida Public Service Commission
4 Prepared Direct Testimony of
5 James O. Vick
6 Docket No. 020007-EI
7 April 1, 2002

8

9 Q. Please state your name and business address.

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

12

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

14 A. I am employed by Gulf Power Company as the Manager of
15 Environmental Affairs.

16

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

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

1 assumed my present position as Manager of Environmental Affairs.

2

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

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

10

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

13 A. Yes.

14

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

16 A. The purpose of my testimony is to support Gulf Power Company's true-
17 up filing for the period from January 2001 through December 2001 and
18 to explain any significant variances in Gulf's recoverable environmental
19 projects.

20

21 Q. Mr. Vick, please compare Gulf's recoverable environmental capital
22 costs included in the final true-up calculation for the period January 1,
23 2001 through December 31, 2001 with approved estimated true-up
24 amounts.

25 A. As reflected in Ms. Ritenour's Schedule 6A, the actual recoverable

1 capital costs total \$8,141,208, as compared to the estimated true-up
2 amount of \$8,152,424. This results in a variance of (\$11,216). I will
3 discuss the major variances below.

4

5 Q. Please explain the variance in recoverable costs for the CEMS project
6 (Line Item 1.5).

7 A. The CEMS project reflects a variance of (\$9,760) for the year.
8 Upgrades are taking place at Plants Crist, Smith, and Scholz. Some of
9 these projects are running behind schedule.

10

11 Q. Please explain the variance of (\$1,518) in the capital category entitled
12 Substation Contamination Mobile Groundwater Treatment System (Line
13 Item 1.6).

14 A. The variance in the Mobile Groundwater Treatment system project is
15 due to expenditures occurring one month later than expected.

16

17 Q. How do the actual O&M expenses for the period January 1, 2001 to
18 December 31, 2001 compare to the estimated true-up?

19 A. Ms. Ritenour's Schedule 4A reflects that Gulf's actual recoverable
20 environmental O&M expenses 2001 were \$2,169,025, as compared to
21 the estimated true-up amount of \$2,428,250. This results in a year-end
22 variance of (\$259,225). I will address eleven O&M projects and
23 programs that contribute to this variance.

24

25

1 Q. Please explain the \$2,497 variance in the activity entitled Sulfur (Line
2 Item 1.1).

3 A. The amount of sulfur used at Plant Crist is based on the available coal
4 supply. The necessity for sulfur was more than what was anticipated
5 for the recovery period.
6

7 Q. Please explain the \$103,157 variance in the Air Emission Fees category
8 (Line Item 1.2).

9 A. 2001 was the first year for Gulf Power to pay emission fees for several
10 sources previously exempt from these fees. Fee projections are based
11 on generation projections for future years using projected fuel quality
12 while the actual fees are calculated based upon emissions from the
13 previous year. Variances between projected and actual fees can be
14 attributed to electricity demand and fuel quality.
15

16 Q. Please explain the variance of (\$2,742) in Asbestos Fees (Line Item 1.4).

17 A. This variance is explained by the fact that Gulf's generating plants had
18 less asbestos abatement in 2001 than was anticipated. The projected
19 expenses for this project were based on Gulf's history of abatement in
20 previous years.
21

22 Q Please explain the variance of (\$31,592) in Emission Monitoring (Line
23 Item 1.5).

24 A. Some of the projected expenses have not been incurred due to
25 Compliance Assurance Monitoring (CAM) testing being cancelled as a

1 result of equipment failure at Plant Crist. Until the equipment needed
2 for the test is replaced, the results of the CAM tests would not produce
3 meaningful information. The testing will be rescheduled pending
4 equipment replacement and availability of the equipment contractor.

5

6 Q. Please explain the variance of (\$87,295) in General Water Quality (Line
7 Item 1.6).

8 A. The variance of (\$87,295) is related to three projects consisting of the
9 Soil Contamination Studies, Groundwater Monitoring, and Surface
10 Water Studies. The Soil Contamination Studies were under budget this
11 year due to the Florida Department of Environmental Protection (FDEP)
12 continuing to review our request for "No Further Action with
13 Restrictions". In the event that this request is approved, then Gulf will
14 have expenses for the removal of equipment and abandonment of
15 wells. These activities did not occur during 2001.

16

17 The Groundwater Monitoring activity was reduced slightly due to
18 resampling activities not being required during NPDES sampling events.
19 For groundwater purposes, we only had one re-sampling event for
20 confirmation purposes.

21

22 Surface Water Studies were under budget for 2001. This was a result of
23 cost saving measures which were implemented by Gulf Power
24 Company. The cost saving measures included utilization of new
25 technology. In addition, weather delays were not a problem during

1 the year 2001.

2

3 Q. Please explain the variance of (\$54,763) in Groundwater Monitoring
4 Investigation (Line Item 1.7).

5 A. The (6.3%) variance in this project was due to delays in gaining
6 approval of the Remedial Action Plan for the Beach Haven Substation
7 site from the FDEP.

8

9 Q. Please explain the variance of \$34,585 in State NPDES Administration
10 (Line Item 1.8).

11 A. The 2002 NPDES administration fees for Gulf's facilities were paid during
12 the 2001 projection period.

13

14 Q. Please explain the variance of (\$6,390) in Line Item 1.9, Lead and
15 Copper Rule.

16 A. This variance is due to chemical usage at Plants Crist and Scholz that
17 was much less than what was anticipated. In addition, Plant Smith
18 inadvertently charged their year 2000 expenses for this program to a
19 non-ECRC account. This error was detected after the books were
20 closed for 2000. The expenses were recovered during 2001, partially
21 offsetting the under-recovery described above.

22

23 Q. Please explain the variance of (\$2,607) in Environmental Auditing/
24 Assessment (Line Item 1.10)

25 A. This variance is due to the the fact that the scope of audits conducted

1 during the period focused less on environmental activities than what
2 was originally anticipated.

3
4 Q. Please explain the variance of (\$73,230) in Line Item 1.11, General Solid
5 & Hazardous Waste.

6 A. This variance is due to the fact that less waste was generated at Gulf's
7 facilities than was originally anticipated. Each of the Company's four
8 locations that generate solid and hazardous waste were under budget
9 for the recovery period, which cumulatively reflect the (\$73,230)
10 variance.

11
12 Q. Please explain the variance of (\$140,055) in Line Item 1.17, Gulf Coast
13 Ozone Study (GCOS).

14 A. The expected completion date for the GCOS project was extended
15 due to a delay in the final rule development by EPA. At the time of the
16 estimated true-up Gulf anticipated spending \$185,145 for the ongoing
17 modeling and analysis associated with this project in 2001, but only a
18 portion of the modeling has been completed.

19
20 Q. Does this conclude your testimony?

21 A. Yes.
22
23
24
25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)


Docket No. 020007-EI

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

Sworn to and subscribed before me this 27th day of March,
2002.



Notary Public, State of Florida at Large



LINDA C. WEBB
Notary Public-State of FL
Comm. Exp: May 31, 2002
Comm. No: CC 725989