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August 8, 2002

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk and Administrative Services
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.
2. Prepared direct testimony and exhibit of S. D. Ritenour.

Sincerely,

Susan D. Ritenour

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

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Ritenour
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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 8th day of August 2002 by U.S. Mail or hand delivery to the following:

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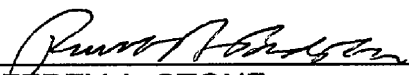
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENVIRONMENTAL COST RECOVERY
CLAUSE**

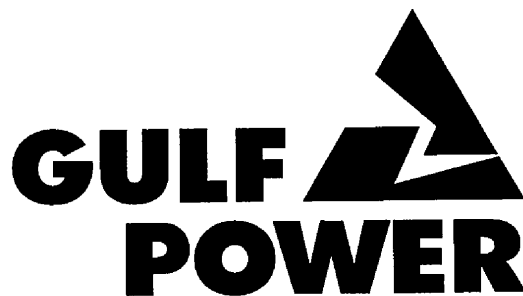
DOCKET NO. 020007-EI

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

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

JANUARY 2002 – DECEMBER 2002

AUGUST 9, 2002



A SOUTHERN COMPANY

DOCUMENT NUMBER

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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 August 9, 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 Place,
11 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 Environmental
15 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 with a
19 Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's
20 Degree in Civil Engineering from the University of South Florida in Tampa,
21 Florida. In addition, I have a Masters of Science Degree in Management from
22 Troy State University, Pensacola, Florida. I joined Gulf Power Company in
23 August 1978 as an Associate Engineer. I have since held various
24 engineering positions such as Air Quality Engineer and Senior Environmental
25 Licensing Engineer. In 1996, I assumed my present position as Manager

1 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 the
6 Company is, and remains, in compliance with environmental laws and
7 regulations, i.e., both existing laws and such laws and regulations that may be
8 enacted or amended in the future. In performing this function, I have the
9 responsibility for numerous environmental activities.

10

11 Q. Are you the same James O. Vick who has previously testified before this
12 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 estimated
17 true-up for the period from January 1, 2002 through December 31, 2002. This
18 true-up is based on six months of actual and six months of projected
19 expenses.

20

21 Q. Mr. Vick, please compare Gulf's recoverable environmental capital costs
22 included in the estimated true-up calculation for the period January 1, 2002
23 through December 31, 2002 with approved projected amounts.

24 A. As reflected in Ms. Ritenour's Schedule 6E, the recoverable capital

1 costs approved in the original projection total \$8,068,016, as compared to the
2 estimated true-up amount of \$8,540,399. This results in a projected variance
3 of \$472,383. I will discuss the major variances below.
4

5 Q. Are there any factors that have had an effect on all capital projects?

6 A. Yes. First, the company is required to file a depreciation study with the
7 Commission every four years. New depreciation rates were approved by the
8 Florida Public Service Commission (FPSC) as part of the company's rate
9 case in Docket No. 010949-EI. These depreciation rates were effective
10 January 1, 2002 and resulted in a variance for each project. Additionally, the
11 company's allowed rate of return was changed in the recently completed rate
12 case, which resulted in an increase in the estimated/actual amounts being
13 over the original projections. Ms. Ritenour will discuss both of these issues in
14 more detail in her testimony.
15

16 Q. Please explain the variance of (\$28,187) in the capital category entitled
17 CEMS (Line Item 1.5).

18 A. The CEMS flow monitor replacement project at Plant Scholz has been
19 postponed until 2003. This delay will allow Gulf Power Company time to
20 review the performance of similar monitors installed in 2001 at Plant Smith.
21
22

23 Q. Please explain the variance of \$30,100 in the capital category entitled
24 Substation Contamination Mobile Groundwater Treatment System (Line Item
25 1.6).

1 A. Gulf's original projection of costs for the mobile groundwater system was
2 based on our experience in 1998 with the purchase of similar equipment.
3 After the projection was filed, Gulf learned that more sophisticated equipment
4 was available than previously used by the company. Actual expenditures for
5 this equipment and the resulting revenue requirements are over budget as a
6 result of purchasing a better product.

7

8 Q. How do the estimated/actual O&M expenses compare to the original
9 projection?

10 A. Ms. Ritenour's Schedule 4E reflects that Gulf's recoverable environmental
11 O&M expenses for the current period are now estimated to be \$2,609,850, as
12 compared to the original projection of \$3,250,696. This results in a year-end
13 variance of (\$640,846). I will address nine O&M projects and programs that
14 contribute to this variance.

15

16 Q. Please explain the (\$70,900) variance in the Air Emission Fees category (Line
17 Item 1.2).

18 A. Fee projections are based on generation projections for future years using
19 projected fuel quality while the actual fees are calculated based upon
20 emissions from the previous year. Variances between projected and actual
21 fees can be attributed to electricity demand, fuel quality, and unexpected unit
22 outages.

23

24 Q. Please explain the variance of (\$2,980) in Asbestos Fees (Line Item 1.4)

1 A. Gulf expects fewer renovations at its generating plants than originally
2 predicted, and less asbestos containing material has been encountered so far
3 this year than was anticipated.

4
5 Q. Please explain the (\$57,909) variance in the Emission Monitoring (Line Item
6 1.5).

7 A. This variance is primarily due to the fact that Plant Smith has postponed
8 Continuous Assurance Monitoring (CAM) testing until after precipitator
9 maintenance is performed. The CAM test is an evaluation of the precipitator
10 performance. Precipitator maintenance will be performed later this year. Gulf
11 anticipates that CAM testing will be performed in 2003.

12
13 Q. Please explain the variance of (\$172,015) in General Water Quality (Line
14 Item 1.6).

15 A. The surface water studies budget was inadvertently over stated in our
16 projection.

17
18 Q. Please explain the (\$34,487) variance in State NPDES Administration (Line
19 Item 1.8).

20 A. The 2002 NPDES administration fees for Gulf's facilities were paid in
21 December 2001. This variance was partially offset by the addition of the
22 NPDES permit renewal fee for Plant Smith.

23
24 Q. Please explain the (\$32,604) variance in Above Ground Storage Tanks (Line
25 Item 1.12).

1 A. Anticipated tank maintenance at Plant Crist was postponed after an
2 inspection of the tank system revealed that routine maintenance is not
3 necessary at this time.

4
5 Q. Please explain the variance of \$11,586 in Sodium Injection (Line Item 1.16).

6 A. Colombian coal was burned during January and February of this year.
7 This coal has a lower sodium content which required that more sodium be
8 injected.

9
10 Q. Please explain the variance of (\$213,395) in Line Item 1.17, Gulf Coast
11 Ozone Study (GCOS).

12 A. The expected completion date for the GCOS project has been
13 extended due to a delay in the final 8 hour ozone standard rule development
14 by Environmental Protection Agency (EPA). Gulf expects to spend \$21,605
15 for the ongoing project in 2002. Gulf expects this project to fully resume in
16 2003 once EPA finalizes the rule.

17
18 Q. What has contributed to the (\$67,304) variance in SO₂ allowances in Line
19 Item 1.18?

20 A. The Company's proceeds from the spring allowance auction are
21 unpredictable from year to year and were unbudgeted for the current period.

22
23 Q. Does this conclude your testimony?

24 A. Yes.

25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

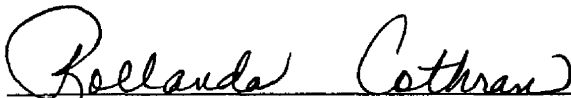
Docket No. 020007-EI

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



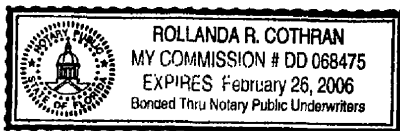
James O. Vick
Manager of Environmental Affairs

Sworn to and subscribed before me this 7th day of August, 2002.



Notary Public, State of Florida at Large

Commission Number:



Commission Expires: