

Susan D. Ritenour  
Secretary and Treasurer  
and Regulatory Manager

One Energy Place  
Pensacola, Florida 32520-0781

Tel 850.444.6231  
Fax 850.444.6026  
SDRITEND@southernco.com

ORIGINAL

RECEIVED FPSC

AUG -4 AM 9:07



August 3, 2004

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. 040007-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 T. A. Davis.

Sincerely,

*Susan D. Ritenour*

CMP \_\_\_\_\_ lw  
COM 5+orig  
CTR \_\_\_\_\_ Enclosures  
ECR \_\_\_\_\_ cc: Beggs and Lane  
GCL 1 Jeffrey A. Stone, Esquire  
OPC \_\_\_\_\_  
MMS \_\_\_\_\_  
RCA \_\_\_\_\_  
SCR \_\_\_\_\_  
SEC 1  
OTH \_\_\_\_\_

04 AUG -4 AM 8 18  
REGISTRATION CENTER  
DOCUMENT NUMBER-DATE  
08446 AUG-4 8  
FPSC COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery )  
Clause )  
\_\_\_\_\_ )

Docket No. 040007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished  
this 3rd day of August 2004 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

John T. Butler, Esquire  
Steel, Hector & Davis LLP  
200 S. Biscayne Blvd., Ste 4000  
Miami FL 33131-2398

Robert Vandiver, Esquire  
Office of Public Counsel  
111 W. Madison St., Room 812  
Tallahassee FL 32399-1400

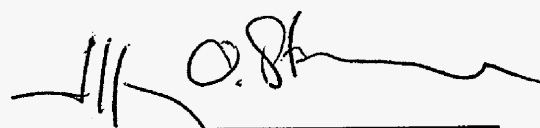
Lee L. Willis, Esquire  
James D. Beasley, Esquire  
Ausley & McMullen  
P. O. Box 391  
Tallahassee FL 32302

Vicki Gordon Kaufman, Esquire  
McWhirter Reeves, P.A.  
117 S. Gadsden Street  
Tallahassee FL 32301

John W. McWhirter, Jr., Esquire  
McWhirter Reeves, P.A.  
400 N Tampa St Suite 2450  
Tampa FL 33602

Gary V. Perko, Esquire  
Hopping Green & Sams  
P. O. Box 6526  
Tallahassee FL 32314

James McGee, Esquire  
Progress Energy Service Co., LLC  
P. O. Box 14042  
St. Petersburg FL 33733-4042



\_\_\_\_\_  
JEFFREY A. STONE  
Florida Bar No. 325953  
RUSSELL A. BADDERS  
Florida Bar No. 0007455  
Beggs & Lane  
P. O. Box 12950  
Pensacola FL 32591-2950  
850 432-2451  
Attorneys for Gulf Power Company

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**ENVIRONMENTAL COST RECOVERY  
CLAUSE**

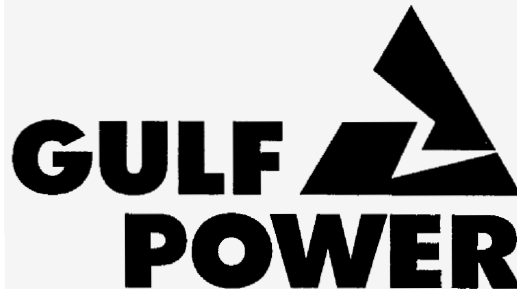
**DOCKET NO. 040007-EI**

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

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

**JANUARY 2004 – DECEMBER 2004**

**AUGUST 4, 2004**



**A SOUTHERN COMPANY**

DOCUMENT NUMBER-DATE

08446 AUG-4 3

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. 040007-EI  
7 August 4, 2004  
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 Director 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  
22 from Troy State University, Pensacola, Florida. I joined Gulf Power Company  
23 in 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 2003, I assumed my present position as Director

1 of Environmental Affairs.

2

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

4 A. As Director 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  
8 be 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, 2004 through December 31, 2004.  
18 This 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, 2004  
23 through December 31, 2004 with approved projected amounts.

24 A. As reflected in Mrs. Davis' Schedule 6E, the recoverable capital  
25 costs approved in the original projection total \$11,593,128, as compared to

1 the estimated true-up amount of \$12,429,822. This results in a projected  
2 variance of \$836,694. There are six capital projects and programs that  
3 contributed to the majority of this variance- Low NOx burners, Crist 6&7;  
4 Continuous Emission Monitoring; Smith Waste Water Treatment Facility; and  
5 finally, Crist FDEP Agreement. These variances are discussed below.

6  
7 Q. Please explain the variance of (\$108,353) in the capital category entitled Low  
8 NOx burners, Crist 6&7 (Line Item 1.4).

9 A. The Low NOx burner variance resulted from under estimating the Plant Crist  
10 Unit 7 Low NOx burner retirement.

11  
12 Q. Please explain the capital project variance of (\$40,457) in Continuous  
13 Emission Monitoring (Line Item 1.5).

14 A. The Continuous Emission Monitoring (CEMs) variance resulted from  
15 postponing the Plant Daniel Units 1 and 2 gas analyzers replacement (PE  
16 1560) until the fall outage. This deviation was partially offset by adding the  
17 Plant Crist Continuous Assurance opacity monitor to the CEMs budget  
18 projection. The Compliance Assurance Monitoring (CAM) requirements  
19 under Title V of the Clean Air Act require a method of continuously monitoring  
20 particulate emissions. Opacity can be used as a surrogate parameter if the  
21 facility demonstrates a correlation between opacity and particulate matter.  
22 This method of monitoring is less capital intensive than a stand alone  
23 continuous particulate compliance monitor

1 Q. Please explain the capital project variance of \$5,153 or 26.3% in the Smith  
2 Waste Water Treatment Facility (Line Item 1.5).

3 A. The existing Plant Smith domestic waste water treatment facility is designed  
4 to operate at a maximum capacity of 3,000 gallons per day. The plant is  
5 planning to upgrade the domestic treatment system because the current  
6 system load frequently exceeds the maximum daily capacity, which may  
7 result in potential exceedances of Plant Smith's State Pollution Discharge  
8 Elimination System (SPDES) permit. This upgrade was not included in the  
9 2004 ECRC projection filing creating a variance in the Smith Waste Water  
10 Treatment Facility line item.

11  
12 Q. Please explain the variance of \$988,206 variance in the capital category  
13 entitled Crist FDEP Agreement for ozone attainment (Line Item 1.19).

14 A. The Crist FDEP Agreement variance is a result of the Plant Crist Unit 7  
15 precipitator going into service ahead of our projected schedule.

16  
17 Q. How do the estimated/actual O&M expenses compare to the original  
18 projection?

19 A. Mrs. Davis' Schedule 4E reflects that Gulf's recoverable environmental O&M  
20 expenses for the current period are now estimated to be \$2,665,823 as  
21 compared to the original projection of \$3,005,759. This will result in a year-  
22 end variance of (\$339,936). There are six O&M projects and programs that  
23 contributed to the majority of this variance which I will discuss – General  
24 Water Quality; Auditing/Assessment; Sodium Injection; Gulf Coast Ozone  
25 Study (GCOS); SPCC Substation Project; and SO<sub>2</sub> Allowances.

1 Q. Please explain the (\$75,000) variance in General Water Quality (Line Item  
2 1.6).

3 A. The General Water Quality variance resulted from Plant Crist canceling a  
4 surface water project to investigate copper exceedances that occurred during  
5 the 2003 sampling events. Subsequent sampling events have not confirmed  
6 elevated copper concentrations, allowing postponement of the project.  
7

8 Q. Please explain the variance of \$5,382 or 107.6% in Auditing/Assessment  
9 (Line Item 1.10).

10 A. Two additional audits were conducted during the period that were not  
11 included in the 2004 budget projection. The auditing/assessment schedule  
12 is modified throughout the year.  
13

14 Q. Please explain the variance of \$13,473 in Sodium Injection (Line Item 1.16).

15 A. The expenses that Gulf incurs for this program are dependent on the  
16 available coal supply and the necessity for sodium injection. The chemical  
17 composition of the coal supply at Plant Smith during the first half of the year  
18 required sodium injection, although the plant does not anticipate the need for  
19 sodium injection during the remainder of the year.  
20

21 Q. Please explain the variance of (\$10,000) in Line Item 1.17, Gulf Coast Ozone  
22 Study (GCOS).

23 A. GCOS modeling is currently being conducted at a slower rate than  
24 originally expected. Gulf Power anticipates that the GCOS project will be  
25 completed by 2006.



1 Q. Please explain what has contributed to the (\$37,783) variance in the SPCC  
2 Substation Project (Line Item 1.18)?

3 A. The Century substation SPCC project has been postponed until electrical  
4 equipment can be removed from the site. Gulf Power is currently evaluating  
5 temporary power supply alternatives for use while the site is being dismantled  
6 and reconstructed.

7  
8 Q. Please explain the (\$243,239) variance in SO<sub>2</sub> allowances in Line Item 1.18?

9 A. The Company's proceeds from the spring allowance auction are  
10 unpredictable from year to year and were therefore unbudgeted for the  
11 current period.

12

13 Q. Does this conclude your testimony?

14 A. Yes.

15

16

17

18

19

20

21

22

23

24

25

AFFIDAVIT


STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA )

Docket No. 040007-EI

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

Sworn to and subscribed before me this 3rd day of August, 2004.

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

Commission Number:

Commission Expires:

