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August 11, 2005

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. 050007-EI are an original and fifteen copies of the following:

1. Prepared direct testimony of J. O. Vick.
2. Prepared direct testimony and exhibit of T. A. Davis.

Sincerely,

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

db

Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER-DATE

07848 AUG 12 05

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery)
Clause)
_____)

Docket No. 050007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 11th day of August 2005 by U.S. Mail or hand delivery to the following:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENVIRONMENTAL COST RECOVERY
CLAUSE**

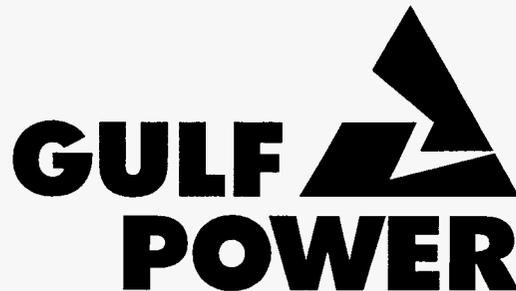
DOCKET NO. 050007-EI

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

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

JANUARY 2005 – DECEMBER 2005

AUGUST 12, 2005



A SOUTHERN COMPANY

DOCUMENT NUMBER - DAF
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FPSC-COMMISSION CLEF

1 GULF POWER COMPANY

2
3 Before the Florida Public Service Commission
4 Prepared Direct Testimony of
5 James O. Vick
6 Docket No. 050007-EI
7 August 12, 2005

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 with increasing responsibilities such as Air Quality
25 Engineer and Senior Environmental Licensing Engineer. In 2003, I assumed

1 my present position as Director 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 am
9 responsible 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, 2005 through December 31, 2005.
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, 2005
23 through December 31, 2005 with approved projected amounts.

24 A. As reflected in Mrs. Davis' Schedule 6E, the recoverable capital
25 costs approved in the original projection total \$22,496,105, as compared to

1 the estimated true-up amount of \$22,593,654. This results in a projected
2 variance of \$97,549 or 0.4%. There are seven capital projects and programs
3 with significant variances: Crist 7 Flue Gas Conditioning; Low NOx Burners;
4 Smith Water Conservation; Crist FDEP Agreement for Ozone Attainment;
5 Crist Storm Water Projects, Precipitator Upgrades for CAM, and finally, SO₂
6 allowances. These variances are discussed below.

7
8 Q. Please explain the capital project variance of (\$34,209) in Crist 7 Flue Gas
9 Conditioning (Line Item 1.3).

10 A. The Line Item 1.3 variance resulted from retirement of the Crist Unit 7 Flue
11 Gas Conditioning system due to the installation of the FDEP NOx Reduction
12 Agreement emission control systems.

13
14 Q. Please explain the variance of \$64,626 in the capital category entitled Low
15 NOx Burners, Crist 6 & 7 (Line Item 1.4).

16 A. The variance of \$64,626 over the original projection resulted from capital
17 additions being over budget in the fourth quarter of 2004. These fourth
18 quarter expenditures had not been incurred when the projection for 2005 was
19 prepared.

20
21 Q. Please explain the (\$11,585) variance in the capital category entitled Smith
22 Water Conservation (Line Item 1.17).

23 A. The Plant Smith closed loop cooling project for the laboratory sampling
24 system has been delayed while further design options are evaluated. Gulf
25 expects to complete the project design by October 2005 with construction

1 commencing in November 2005.

2
3 Q. Please explain the \$290,175 variance in the capital category entitled Crist
4 FDEP Agreement for Ozone Attainment (Line Item 1.19).

5 A. Costs associated with the Selective Catalytic Reduction (SCR) system
6 construction and startup were greater than originally expected. The overall
7 project involved the retrofitting of major pollution control equipment (a
8 precipitator and the SCR) to an existing plant. With a project of this
9 magnitude, Gulf expected to fine-tune the equipment as we worked to
10 harmonize operation of the new pieces of equipment with the operation of the
11 generating unit itself. During that process Gulf has encountered some startup
12 delays and issues which have resulted in increased costs.

13
14 Q. Please explain the capital project variance of (\$24,992), or 66.7% in the Crist
15 Storm Water Projects - Switchyard & Other Areas (Line Item 1.20).

16 A. The original Crist Switchyard Stormwater design incorporated the use of the
17 abandoned Crist Unit 6 discharge structure. After Hurricane Ivan, the Unit 6
18 structure was reutilized to allow Unit 6 to operate on once through cooling.
19 This has resulted in design modifications to the Crist Switchyard Storm Water
20 project.

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DOCKET NO. 050007-E1

1 Q. Please explain the variance of (\$200,463) in the capital category entitled
2 Precipitator Upgrades for CAM compliance (Line Item 1.22).

3 A. The Plant Smith labor construction costs were less than originally projected
4 because the successful bid was lower than Gulf's initial cost projection.
5

6 Q. Please explain the (\$28,454) variance in SO₂ allowances in Line Item 1.23.

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

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

13 A. Mrs. Davis' Schedule 4E reflects that Gulf's recoverable environmental O&M
14 expenses for the current period are now estimated to be \$3,432,403 as
15 compared to the original projection of \$3,991,191. This will result in a year-
16 end variance of (\$558,788). There are seven O&M projects and programs
17 that contributed to the majority of this variance that I will discuss – General
18 Water Quality; State NPDES Administration; Lead and Copper Rule; General
19 Solid and Hazardous Waste; Sodium Injection; FDEP NO_x Reduction
20 Agreement; and SO₂ Allowances.
21

22 Q. Please explain the (\$71,350) variance in General Water Quality (Line Item
23 1.6).

24 A. The General Water Quality variance primarily resulted from the Cooling

1 being less than originally projected.

2
3 Q. Please explain the variance of (\$33,735) in the category State NPDES
4 Administration (Line Item 1.8).

5 A. This variance resulted from booking the 2005 annual state National Pollution
6 Discharge Elimination System (NPDES) industrial wastewater permit fees
7 early. The fees were projected for January of 2005.

8
9 Q. Please explain the variance of (\$7,939) in the category entitled Lead and
10 Copper Rule (Line Item 1.9).

11 A. The Lead and Copper Rule line item includes corrosion control treatment and
12 analysis expenses for the potable water systems at Gulf's generating
13 facilities. The 2005 expenses will be less than originally projected at Plant
14 Crist and Plant Smith because both facilities will be purchasing a smaller
15 amount of corrosion inhibitor. Plant Crist plans to abandon its potable water
16 system to tie into the Escambia County water supply system during August
17 2005 and Plant Smith has sufficient treatment chemicals.

18
19 Q. Please explain the variance of \$69,993 or 32.6% in General Solid and
20 Hazardous Waste (Line Item 1.11).

21 A. This variance resulted from waste removal and disposal costs for Gulf's
22 distribution systems being more than originally anticipated during normal
23 operations. The amount of solid and hazardous waste generated varies from
24 one period to the next.

1 Q. Please explain the variance of \$210,791 in Sodium Injection (Line Item 1.16).

2 A. The Sodium Injection System, approved in Docket Number No. 990667-EI for
3 inclusion in the ECRC, involves sodium injection on the coal supply to
4 enhance precipitator efficiencies when burning certain low sulfur coals. The
5 expenses that Gulf incurs for this program are dependent on the available
6 coal composition and the necessity for sodium injection. Plant Crist began
7 routinely using sodium injection on Unit 4 and Unit 5 during 2005 creating a
8 \$210,791 deviation in the Line Item 1.16 year end projection.

9
10 Q. Please explain the variance of (\$163,815) in Line Item 1.19, FDEP NOx
11 Reduction Agreement.

12 A. The FDEP NOx Reduction Agreement (Line Item 1.19) includes the cost of
13 anhydrous ammonia, air monitoring, and general operation and maintenance
14 expenses related to the activities undertaken in connection with the Plant
15 Crist FDEP Agreement for Ozone Attainment. The variance in this line item
16 primarily resulted from the anhydrous ammonia usage being less than
17 originally anticipated for the January – June 2005 recovery period. The Crist-
18 Unit 7 SCR was completed earlier this year and is now operational. The
19 overall project involved the retrofitting of major pollution control equipment (a
20 precipitator and the SCR) to an existing plant. With a project of this
21 magnitude, Gulf expected to fine-tune the equipment as we worked to
22 harmonize operation of the new pieces of equipment with the operation of the
23 generating unit itself. During that process Gulf has encountered some startup
24 delays and issues that are temporarily causing the unit to operate at a

1 expected due to these startup delays and temporarily restricted loads.

2

3 Q. Please explain the (\$562,733) variance in SO2 allowances in Line Item 1.20?

4 A. The Company's proceeds from the spring allowance auction and associated
5 gains returned to customers are unpredictable from year to year and were
6 therefore unbudgeted for the current period.

7

8 Q. Does this conclude your testimony?

9 A. Yes.

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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 050007-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 11th day of September, 2005.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

