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March 31, 2006

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. 060007-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".

bh

Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esq.

DOCUMENT NUMBER-DATE

02946 APR-3 06

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery)
Clause)
_____)

Docket No. 060007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 31st day of March, 2006 by U.S. Mail or hand delivery to the following:

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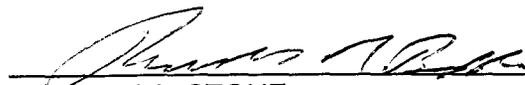
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENVIRONMENTAL COST RECOVERY
CLAUSE**

DOCKET NO. 060007-EI

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

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

JANUARY 2005 – DECEMBER 2005

APRIL 3, 2006



DOCUMENT NUMBER-DATE

02946 APR-3 8

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 James O. Vick
Docket No. 060007-EI
April 3, 2006

5 Q. Please state your name and business address.

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

8
9 Q. By whom are you employed and in what capacity?

10 A. I am employed by Gulf Power Company as the Director of Environmental
11 Affairs.

12
13 Q. Mr. Vick, will you please describe your education and experience?

14 A. I graduated from Florida State University, Tallahassee, Florida, in 1975 with a
15 Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's
16 Degree in Civil Engineering from the University of South Florida in Tampa,
17 Florida. In addition, I have a Masters of Science Degree in Management
18 from Troy State University, Pensacola, Florida. In August 1978 I joined Gulf
19 Power Company as an Associate Engineer, and have since held various
20 engineering positions with increasing responsibilities such as Air Quality
21 Engineer, Senior Environmental Licensing Engineer, and Manager of
22 Environmental Affairs. In 2003, I assumed my present position as Director of
23 Environmental Affairs.

24

25

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

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

8
9 Q. Are you the same James O. Vick who has previously testified before this
10 Commission on various environmental matters?

11 A. Yes.

12
13 Q. Mr. Vick, what is the purpose of your testimony?

14 A. The purpose of my testimony is to support Gulf Power Company's true-up for
15 the period from January 1, 2005 through December 31, 2005.

16
17 Q. Mr. Vick, please compare Gulf's recoverable environmental capital costs
18 included in the final true-up calculation for the period January 2005 through
19 December 2005 with the approved estimated true-up amounts.

20 A. As reflected in Ms. Davis' Schedule 6A, the recoverable capital costs
21 included in the estimated true-up total \$22,593,654, as compared to the
22 actual recoverable capital costs of \$22,457,108. This results in a small
23 variance of (\$136,546) or 0.6%. I will address four projects that contribute to
24 this variance.

1 Q. Please explain the capital project variance of 13.5% or \$1,803 in Sodium
2 Injection (Line Item 1.13).

3 A. The Sodium Injection program at Plant Smith was approved for recovery
4 through the ECRC in Doc. 990667-EI due to Phase II Acid Rain provisions of
5 the 1990 Clean Air Act Amendments (CAAA). The Smith sodium injection
6 system was the only project included in this line item until the project was
7 expanded during December of 2005. The program expansion included an
8 automatic sodium injection system for Units 4 and 5 at Plant Crist to regulate
9 the amount of sodium added to the coal supply as described in the 2006
10 ECRC projection filing. This project includes a silo storage tank system and
11 components that inject sodium carbonate directly onto the coal feeder belt to
12 enhance precipitator performance when low sulfur coal is used at Plant Crist.
13 The injection of sodium carbonate as an additive to low sulfur coal reduces
14 opacity levels to maintain compliance with Clean Air Act provisions.

15

16 Q. Please explain the (17%) variance of (\$1,299) in the Smith Water
17 Conservation (Line Item 1.17).

18 A. The Plant Smith closed loop cooling project for the laboratory sampling
19 system was placed in service during December 2005. Material expenditures
20 for the chiller were less than expected.

21

22 Q. Please explain the (1%) variance of (\$138,783) in the Crist DEP Project (Line
23 Item 1.19).

24 A. The Crist DEP Project deviation was a result of the Crist Unit 6 Selective
25 Non-Catalytic Reduction (SNCR) and other related components being placed

1 in service on a slightly different schedule than projected.

2
3 Q. Please explain the capital project variance of (\$3,067) or (24.6%) in the Crist
4 Switchyard Stormwater (Line Item 1.20).

5 A. Construction of the Crist Switchyard Stormwater project was postponed from
6 2005 to 2006 due to design modifications. These design modifications
7 required additional time for engineering review that delayed the procurement
8 process.

9
10 Q. How do the actual O&M expenses for the period January 2005 to December
11 2005 compare to the estimated true-up?

12 A. Mrs. Davis' Schedule 4A reflects that Gulf's recoverable environmental O&M
13 expenses for the current period were \$3,051,714, as compared to the
14 estimated true-up of \$3,432,403. This results in a year-end net variance of
15 \$380,689 or 11%. I will address twelve O&M projects and programs that
16 contribute to this variance.

17
18 Q. Please explain the variance of (\$25,373) in Title V (Line Item 1.3).

19 A. Gulf Power submitted Title V permit renewal applications for Plants Crist,
20 Smith, and Scholz during 2004. The revised permits became effective on
21 January 1, 2005. The 2005 permit implementation activities were determined
22 to be capital expenditures rather than O&M expenses. These expenditures
23 are included in Line 1.5, CEMS, on Schedule 8A page 5.

1 Q. Please explain the variance of \$5,354 in Asbestos Fees (Line Item 1.4).

2 A. This deviation primarily resulted from \$4,368 being included in December
3 2005 that was subsequently determined to be unrecoverable. The error was
4 reversed and corrected during January 2006.

5
6 Q. Please explain the variance of (\$70,460) or (13.2%) in Emission Monitoring
7 (Line Item 1.5 on Schedule 4A).

8 A. The Plant Daniel emission monitoring maintenance and relative accuracy test
9 audit (RATA) expenses were less than originally projected. The cost per test
10 for the Plant Daniel RATA tests were lower than expected.

11
12 Q. Please explain the variance of (\$136,605) in the category General Water
13 Quality (Line Item 1.6).

14 A. This deviation primarily resulted from the 2005 316b impingement and
15 entrainment sampling expenses being less than originally projected. Gulf
16 anticipated FDEP requiring additional sampling as part of the proposal for
17 information collection (PIC) review. These final PIC recommendations were
18 not received during 2005. Gulf expects to receive additional PIC guidance
19 from FDEP during 2006 at which time the projected sampling expenditures
20 may increase. The General Water Quality variance also resulted from the
21 Plant Smith domestic treatment plant operation and maintenance expenses
22 being less than expected for the recovery period and the scope of the Smith
23 biological study being reduced.

1 Q. Please explain the variance of (\$31,244) in the category Groundwater
2 Contamination Investigation (Line Item 1.7).

3 A. The Molino substation excavation activities were not completed until
4 December 2005 because FDEP concurrence with alternate clean-up levels
5 was not received until November 2005. The Molino project delay prevented
6 Gulf from being able to move forward with other groundwater investigation
7 projects prior to year end.

8
9 Q. Please explain the 73% variance of \$2,972 in the category Lead and Copper
10 Rule (Line Item 1.9).

11 A. The Plant Smith chemical usage costs for corrosion control treatment in the
12 potable water system were more than the projected expenses creating a
13 variance in the Lead and Copper Rule line item.

14
15 Q. Please explain the variance of (\$4,895) in the category entitled Environmental
16 Auditing/Assessment (Line Item 1.10).

17 A. Plant assessments were completed; however, district environmental
18 assessments were not conducted during 2005 resulting in a deviation in the
19 Environmental Auditing/Assessment line item. These assessments will be
20 conducted during 2006.

21
22 Q. Please explain the variance of \$31,643 in the category entitled General Solid
23 & Hazardous Waste (Line Item 1.11).

24 A. This variance resulted from waste removal and disposal costs for Gulf's
25 distribution systems being more than originally anticipated during normal

1 operations. The amount of solid and hazardous waste generated varies from
2 one period to the next.

3

4 Q. Please explain the variance of \$32,243 in Above Ground Storage Tanks (Line
5 Item 1.12).

6 A. This variance primarily resulted from painting the corporate office and district
7 above ground storage tanks. Painting is required to maintain the storage
8 tank systems pursuant to Chapter 62 Part 762, Florida Administrative Code
9 (F.A.C.). This expense was not originally planned for 2005..

10

11 Q. Please explain the variance of (\$18,584) in Sodium Injection (Line Item 1.16).

12 A. The expenses that Gulf incurs for this program are dependent on the
13 available coal supply and the necessity for sodium injection. The need for
14 sodium injection was less than what was anticipated for the 2005 projection
15 period.

16

17 Q. Please explain the variance of (\$8,399) in Line Item 1.17, Gulf Coast Ozone
18 Study (GCOS).

19 A. Phase III of the GCOS modeling was completed during 2004. The 2005
20 GCOS projection included final report preparation and review expenses. The
21 report review did not require as many revisions and follow-up items as Gulf
22 had originally anticipated.

23

24

25

1 Q. Please explain the variance of (\$160,282) in Line Item 1.19, FDEP NOX
2 Reduction Agreement.

3 A. This O&M line item includes the cost of anhydrous ammonia, urea, air
4 monitoring, and general operation and maintenance expenses related to the
5 activities undertaken in connection with the FDEP NOX Reduction
6 Agreement. The anhydrous ammonia and urea expenses are dependent on
7 the available coal supply, unit load, and market value. During 2005, less
8 anhydrous ammonia was required for the selective catalytic reduction (SCR)
9 system than originally anticipated.

10

11 Q. Mr Vick, does this conclude your testimony?

12 A. Yes.

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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 060007-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 Florida 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 31st day of March, 2006.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

