

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENVIRONMENTAL COST RECOVERY
CLAUSE**

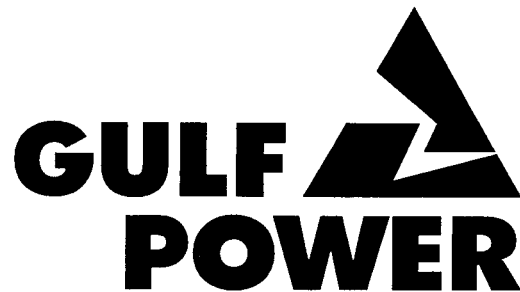
DOCKET NO. 060007-EI

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

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

JANUARY 2006 – DECEMBER 2006

AUGUST 4, 2006



A SOUTHERN COMPANY

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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. 060007-EI

7 August 4, 2006

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, 2006 through December 31, 2006.
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, 2006
23 through December 31, 2006 with approved projected amounts.

24 A. As reflected in Ms. Martin's Schedule 6E, the recoverable capital
25 costs approved in the original projection total \$29,608,324, as compared to

1 the estimated true-up amount of \$29,694,980. This results in a projected
2 variance of \$86,656 or 0.3%. There are five capital projects and programs
3 that contributed to the majority of this variance: Air Quality Assurance
4 Testing; Precipitator Upgrades for Compliance Assurance Monitoring (CAM);
5 Plant Groundwater Investigation; Crist Condenser Tubes, and finally, SO₂
6 allowances. The variances for these projects are discussed below.

7
8 Q. Please explain the capital project variance of (\$14,477) in Air Quality
9 Assurance Testing (Line Item 1.1).

10 A. The Air Quality Assurance Testing variance is due to an over estimation of
11 amortization in the projection filing.

12
13 Q. Please explain the variance of (\$109,224) in the capital category entitled
14 Precipitator Upgrades for CAM compliance (Line Item 1.22).

15 A. The CAM variance primarily resulted from timing delays associated with the
16 Smith Unit 1 precipitator expenditures. Material expenses are also expected
17 to be less than originally projected because the successful bid was lower than
18 Gulf's initial cost projection.

19
20 Q. Please explain the variance of (\$18,991) in the capital category entitled Plant
21 Groundwater Investigation (Line Item 1.23).

22 A. The Line Item 1.23 variance resulted from postponing the Plant Groundwater
23 Investigation capital projects. These projects have been delayed until Gulf
24 receives Florida Department of Environmental Protection's response to the
25 Plant Crist and Plant Scholz groundwater studies.

1 Q. Please explain the variance of \$146,259 in the capital category entitled Crist
2 Condenser Tubes (Line Item 1.25).

3 A. The variance in Line Item 1.25, Crist Condenser Tubes, is primarily due to
4 additional repair work that was required in conjunction with the condenser
5 tube installation. These repairs were not included in the original scope of
6 work.

7
8 Q. Please explain the \$161,890 variance in SO₂ allowances in Line Item 1.26.

9 A. Gulf purchased allowances a month earlier and at a higher cost per
10 allowance than originally anticipated. Allowance pricing varies with the daily
11 market.

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

15 A. Ms. Martin's Schedule 4E reflects that Gulf's recoverable environmental O&M
16 expenses for the current period are now estimated to be \$10,612,425 as
17 compared to the original projection of \$13,369,436. This will result in a year-
18 end variance of (\$2,757,011). There are five O&M projects and programs
19 that contributed to the majority of this variance that I will discuss – Asbestos
20 Fees; Environmental Auditing / Assessment; General Solid and Hazardous
21 Waste; FDEP NO_x Reduction Agreement; and SO₂ Allowances.

22
23 Q. Please explain the (\$4,869) variance in Asbestos Fees (Line Item 1.4).

24 A. This deviation primarily resulted from \$4,369 being included in December
25 2005 that was subsequently determined to be unrecoverable. The error was

1 reversed and corrected during January 2006.

2
3 Q. Please explain the variance of \$11,672 in the category entitled
4 Environmental Auditing/Assessment (Line Item 1.10).

5 A. The 2005 District environmental assessments were rescheduled for first
6 quarter 2006 after the 2006 Environmental Cost Recovery Clause (ECRC)
7 projection filing submittal. This postponement created a deviation in the
8 Environmental Auditing/Assessment line item.

9
10 Q. Please explain the variance of \$34,960 in General Solid and Hazardous
11 Waste (Line Item 1.11).

12 A. This variance resulted from waste removal and disposal costs for Gulf's
13 distribution system being more than originally anticipated during normal
14 operations. The amount of solid and hazardous waste generated varies from
15 one period to the next.

16
17 Q. Please explain the variance of (\$2,217,690) in Line Item 1.19, FDEP NOx
18 Reduction Agreement.

19 A. The FDEP NOx Reduction Agreement (Line Item 1.19) includes the cost of
20 anhydrous ammonia, urea, air monitoring, and general operation and
21 maintenance expenses related to the activities undertaken in connection with
22 the Plant Crist FDEP Agreement for Ozone Attainment. The variance in this
23 line item primarily resulted from urea usage being less than originally
24 anticipated for the selective non-catalytic reduction (SNCR) systems. The
25 original cost projection was based on the estimated annual urea usage;

1 however, the Unit 4 and Unit 5 SNCRs were not placed in service until April
2 2006. In addition, industry standards and estimates were used for the
3 original projection whereas the updated projection is based on site specific
4 usage.

5
6 Q. Please explain the (\$569,345) variance in SO2 allowances in Line Item 1.20.

7 A. Due to the volatility of the allowance market, the Company's proceeds from
8 the spring allowance auction and associated gains returned to customers
9 were difficult to predict and, therefore, were not included in the projection for
10 the current period.

11
12 Q. Does this conclude your testimony?

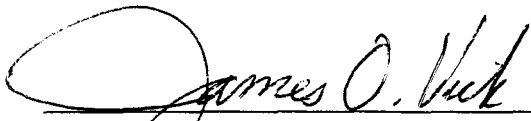
13 A. Yes.

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 3rd day of August, 2006.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

