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April 1, 2008

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0850

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COMMISSION
CLERK

Dear Ms. Cole:

Enclosed for official filing in Docket No. 080007-EI are an original and fifteen copies of the following:

1. Prepared direct testimony of J. O. Vick. 06795-08
2. Prepared direct testimony and exhibit of Susan D. Ritenour. 06796-08

Sincerely,

Susan D. Ritenour

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Enclosures

cc w/encl.: Beggs & Lane
Jeffrey A. Stone, Esq.

DOCUMENT NUMBER-DATE

06795 AUG -4 8

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: **Environmental Cost**)
Recovery Clause)
_____)

Docket No.: **080007-EI**

CERTIFICATE OF SERVICE

15th I HEREBY CERTIFY that a copy of the foregoing has been furnished this day of August, 2008, by regular U. S. Mail to the following:

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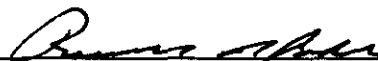
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENVIRONMENTAL COST RECOVERY
CLAUSE**

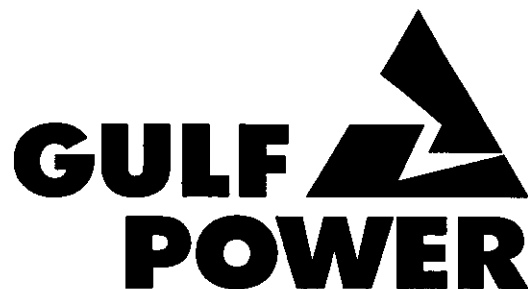
DOCKET NO. 080007-EI

PREPARED DIRECT TESTIMONY
OF
JAMES O. VICK

ESTIMATED TRUE-UP FILING
FOR THE PERIOD

JANUARY 2008 – DECEMBER 2008

AUGUST 4, 2008



A SOUTHERN COMPANY

DOCUMENT NO. DATE
0679508 08/04/08
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1 GULF POWER COMPANY

2
3 Before the Florida Public Service Commission

4 Prepared Direct Testimony of

5 James O. Vick

6 Docket No. 080007-EI

7 August 4, 2008

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

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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, 2008 through December 31, 2008.
18 This true-up is based on six months of actual data and six months of
19 estimated data.

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, 2008
23 through December 31, 2008 with approved projected amounts.

24 A. As reflected in Ms. Ritenour's Schedule 6E, the recoverable capital
25 costs approved in the original projection total \$37,497,220, as compared

1 to the estimated true-up amount of \$38,990,615. This results in a projected
2 variance of \$1,493,395. There are two capital projects and programs that
3 contributed to the majority of this variance: the CAIR/CAMR/CAVR
4 Compliance Program and SO₂ allowances. The variances for these projects
5 are discussed below.

6
7 Q. Please explain the \$1,376,116 variance in the CAIR/CAMR/CAVR
8 Compliance Program (Line Item 1.26).

9 A. The majority of this variance is a result of clearings to plant for portions of the
10 Plant Crist scrubber project being inadvertently omitted from the original 2008
11 projection. The Units 4 and 5 boiler controls and ductwork modifications were
12 placed in-service during the April-May 2008 timeframe and the
13 substation/transmission upgrades are scheduled to be placed in-service
14 during December of 2008. Expenditures for these upgrades were included in
15 the 2008 budget projection; however, the expected plant clearings associated
16 with the upgrades were not included in the projection filing.

17 It was necessary for Plant Crist to upgrade the Units 4 and 5 boiler controls in
18 order for the units to tie into a common scrubber vessel and draft system with
19 Crist Units 6 and 7. The original boiler controls did not meet the speed and
20 reliability requirements necessary for proper draft control and boiler implosion
21 protection that will be required for a combined discharge into the common
22 scrubber stack. The substation/transmission upgrades were necessary to
23 provide additional station service needs necessary to operate the Crist Units
24 4 through 7 scrubber. The Plant Crist scrubber variance was partially offset
25 by the cancellation of the Daniel Activated Carbon Injection (ACI) project after

1 vacatur of the Clean Air Mercury Rule (CAMR) rule earlier this year.

2
3 Q. Please discuss the CAMR vacatur and its affect on Gulf's CAIR/CAMR/CAVR
4 Compliance Program (Line Item 1.26).

5 A. On February 8, 2008, the U.S. Court of Appeals for the District of Columbia
6 Circuit issued an opinion vacating EPA's CAMR. The vacatur became
7 effective with the issuance of the court's mandate on March 14, 2008,
8 nullifying CAMR mercury emission control obligations and monitoring
9 requirements. With CAMR voided, electric generating facilities are no longer
10 required to install mercury controls to meet the CAMR emission limits and are
11 not required to install mercury monitoring equipment to meet the January
12 2009 monitoring deadline. In response to the CAMR vacatur Gulf has
13 canceled the Plant Daniel ACI and mercury monitoring projects and moved
14 further mercury monitoring capital costs out to at least 2010.
15 EPA can be expected to initiate a rulemaking proceeding to develop
16 maximum achievable control technology (MACT) standards for power plants;
17 however, this process could take up to three years to complete. The CAMR
18 court decision does not impact state mercury rules that may continue to be
19 developed in Florida.

20
21 Q. Please explain the \$87,381 variance in SO₂ Allowances in Line Item 1.31.

22 A. As explained in the 2007 Final True-Up filing, Gulf's 2007 SO₂ allowance
23 inventory balance and net working capital balance was higher than
24 anticipated because the sulfur content of the coal burned during 2007 was
25 lower than Gulf projected. As a result, the 2008 projected variance is due to

1 higher revenue requirements on this higher balance.

2
3 Q. How do the estimated/actual O&M expenses compare to the original
4 projection?

5 A. Ms. Ritenour's Schedule 4E reflects that Gulf's recoverable environmental
6 O&M expenses for the current period are now estimated to be \$15,216,886
7 as compared to the original projection of \$14,148,879. This will result in a
8 year-end variance of \$1,068,007. There are four O&M projects and programs
9 that contributed to the majority of this variance which I will discuss:
10 Groundwater Contamination Investigation; General Solid and Hazardous
11 Waste; FDEP NOx Reduction Agreement; and the CAIR/CAMR/CAVR
12 Compliance Program.

13
14 Q. Please explain the variance of \$107,961 in Groundwater Contamination
15 Investigation (Line Item 1.7) and the \$42,306 variance in General Solid and
16 Hazardous Waste (Line Item 1.11).

17 A. These variances are due to an error in the calculation of total labor costs
18 included in the projection filing.

19
20 Q. Please explain the variance of \$652,104 in Line Item 1.19, FDEP NOx
21 Reduction Agreement.

22 A. The FDEP NOx Reduction Agreement includes the cost of anhydrous
23 ammonia, urea, air monitoring, and general operation and maintenance
24 expenses related to the activities undertaken in connection with the Plant
25 Crist FDEP Agreement for Ozone Attainment. The project variance primarily

1 resulted from additional maintenance expenses associated with the Crist
2 Units 4 and 5 Selective Non-Catalytic Reduction (SNCR) urea injection
3 systems. As mentioned in Gulf's ECRC 2007 Final True-Up filing, the Unit 5
4 maintenance activities were postponed from 2007 to 2008 due to a change in
5 the outage schedule. In addition, the Unit 4 maintenance expenses were not
6 included in the Plant Crist budget projection.

7
8 **Q.** Please explain the variance of \$197,866 in CAIR/CAMR/CAVR Compliance
9 Program (Line Item 1.20).

10 **A.** During 2007, capital expenditures for ACI systems at Plant Daniel were
11 added to Gulf's Compliance Plan for mercury control as part of the obligation
12 to meet CAMR requirements beginning in 2010. Based on the vacatur of
13 CAMR earlier this year, the Plant Daniel ACI projects have been removed
14 from the compliance schedule and budget projections. The Daniel mercury
15 monitors that were scheduled to be placed in-service during 2008 were also
16 removed from the compliance schedule and the budget. Capital
17 expenditures that Gulf incurred for these projects prior to the CAMR vacatur
18 were expensed to Line Item 1.20 when the projects were canceled.

19
20 **Q.** Mr. Vick, are there any other O&M project variances that you would like to
21 explain?

22 **A.** Yes, the Emission Monitoring line item, Line Item 1.5, had a (\$132,937)
23 variance. This variance is primarily related to Compliance Assurance
24 Monitoring (CAM) certification testing associated with Gulf's Title V permit
25 renewals. The testing originally planned for this permit renewal cycle has not

1 yet occurred and FDEP may not require this testing. Relative accuracy test
2 audit (RATA) expenses were also less than originally projected. Fewer RATA
3 tests have been required than originally expected.
4

5 Q. Does this conclude your testimony?

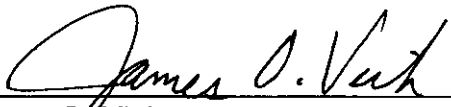
6 A. Yes.
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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 080007-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 July, 2008.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

