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A SOUTHERN COMPANY

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COMMISSION
CLERK

March 31, 2009

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

Dear Ms. Cole:

Enclosed for official filing in Docket No. 090007-EI are an original and fifteen copies of the following:

1. Prepared direct testimony of James O. Vick.
2. Prepared direct testimony and exhibit of Richard W. Dodd.

Sincerely,

Susan D. Ritenour (lw)

mv

Enclosures

cc w/encl.: Squire, Sanders, & Dempsey, L.L.P.
Charles A. Guyton, Esq.
Beggs & Lane
Jeffrey A. Stone, Esq.

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ECR	10
GCL	2
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02877 APR-1 09

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No.: **090007-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing has been furnished this 31st day of March, 2009, by regular U. S. Mail to the following:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENVIRONMENTAL COST RECOVERY
CLAUSE**

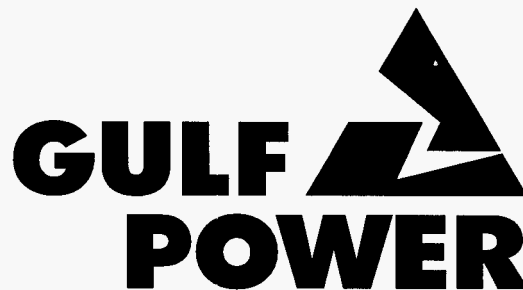
DOCKET NO. 090007-EI

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

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

JANUARY 2008 – DECEMBER 2008

APRIL 1, 2009



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

02877 APR-18

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony and Exhibit of
4 James O. Vick
Docket No. 090007-EI
April 1, 2009

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.

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DOCUMENT NUMBER-DATE

02877 APR -1 8

FPSC-COMMISSION CLERK

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
15 Environmental Cost Recovery Clause (ECRC) final true-up for the period
16 January through December 2008.

17

18 Q. Mr. Vick, please compare Gulf's recoverable environmental capital costs
19 included in the final true-up calculation for the period January 2008 through
20 December 2008 with the approved estimated true-up amounts.

21 A. As reflected in Mr. Dodd's Schedule 6A, the actual recoverable capital costs
22 were \$38,775,663 as compared to the estimated true-up total of \$38,990,615.
23 This results in a variance of \$214,952 or 0.6% below the estimated true-up. I
24 will address one program that contributed to the majority of this variance, the
25 CAIR/CAMR/CAVR Compliance Program.

1 Q. Please explain the capital variance of (2.8%) or (\$197,255) in the
2 CAIR/CAMR/CAVR Compliance Program (Line Item 1.26).

3 A. The majority of the variance in the CAIR/CAMR/CAVR Compliance Program
4 line item is due to the Smith Selective Non-Catalytic Reduction (SNCR)
5 projects. The projected 2008 expenditures for the Smith SNCR projects were
6 overstated in the 2008 ECRC estimated/actual true-up filing. At the time of
7 the estimated/actual true-up filing, Gulf expected equipment common to both
8 the Smith Unit 1 SNCR and the Smith Unit 2 SNCR to be placed in service
9 during October; however, this equipment was not placed in service until
10 December of 2008.

11
12 Q. How do the actual O&M expenses for the period January 2008 to December
13 2008 compare to the amounts included in the estimated true-up filing?

14 A. Mr. Dodd's Schedule 4A reflects that Gulf's recoverable environmental O&M
15 expenses for the current period were \$14,503,470, as compared to the
16 estimated true-up of \$15,216,886. This results in a net variance of
17 \$713,416 or 4.7% below the estimated true-up. I will address nine O&M
18 projects and programs that contribute to this variance -- General Water
19 Quality, Environmental Auditing and Assessment, General Solid and
20 Hazardous Waste, Above Ground Storage Tanks, Sodium Injection, SPCC
21 Substation Project, FDEP NO_x Reduction Agreement, CAIR/CAMR/CAVR
22 Compliance Program and SO₂ Allowances.

23
24
25

1 Q. Please explain the 11.6% variance of \$42,391 in General Water Quality (Line
2 Item 1.6).

3 A. The General Water Quality variance resulted from increased expenses
4 associated with Gulf's surface water sampling program. During 2008, at the
5 request of FDEP, Gulf expanded the scope of the Plant Crist surface water
6 sampling program to include a more detailed thermal study. The Plant Crist
7 NPDES industrial wastewater permit required the plant to develop and
8 implement a thermal evaluation plan, subject to FDEP's review and approval,
9 to determine compliance with Chapter 62 Part 302.520(1), F.A.C.

10

11 Q. Please explain the variance of 181.3% or \$12,147 in the category
12 Environmental Auditing/Assessment (Line Item 1.10).

13 A. During 2008, Line Item 1.10 included expenses associated with
14 environmental assessments at the corporate, plant, and district levels. The
15 variance in this line item primarily resulted from an unanticipated audit of
16 Gulf's environmental air testing group.

17

18 Q. Please explain the 14.6% variance of \$54,557 in Line Item 1.11, General
19 Solid and Hazardous Waste.

20 A. This line item includes expenses for proper identification, handling, storage,
21 transportation and disposal of solid and hazardous wastes as required by
22 federal and state regulations. The program includes expenses for Gulf's
23 generating and power delivery facilities. The 2008 variance resulted from
24 increased solid and hazardous waste disposal costs associated with several
25 substation and distribution projects. The amount of solid and hazardous

1 waste generated varies from one period to the next.

2

3 Q. Please explain the variance of (39.8%) or (\$70,738) in the category entitled
4 Above Ground Storage Tanks (Line Item 1.12).

5 A. Plant Scholz originally planned to take a diesel fuel tank out of service during
6 2008 to inspect the integrity of the tank bottom. After further evaluation by a
7 certified tank inspector it was determined that an out-of-service inspection
8 was not necessary. Plant Crist storage tank maintenance expenses were
9 also less than originally projected.

10

11 Q. Please explain the variance of (\$40,640) or (16.4%) in Sodium Injection (Line
12 Item 1.16).

13 A. The expenses that Gulf incurs for this program are dependent on the quantity
14 and quality of coal burned. During 2008 the need for sodium injection was
15 less than projected because Gulf did not burn as much coal as originally
16 expected.

17

18 Q. Please explain the variance of \$68,945 in the SPCC Substation Project (Line
19 Item 1.18).

20 A. Gulf Power's substation oil spill response plan was reviewed and updated
21 during 2008 as required by SPCC regulation, 40 CFR Part 112. The review
22 noted that more detailed site diagrams were needed for numerous substation
23 sites. The original scope of work did not include preparing new site
24 diagrams.

25

1 Q. Please explain the (2%) variance of (\$73,926) in Line Item 1.19, FDEP NO_x
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 NO_x Reduction Agreement.
6 The project variance resulted primarily from delaying maintenance expenses
7 associated with the Crist Unit 7 Selective Catalytic Reduction (SCR) system
8 from 2008 to 2009 since the work could be performed more efficiently during
9 the longer outage in February of 2009. This under run was partially offset by
10 an increase in the cost of anhydrous ammonia during the September through
11 November timeframe.

12
13 Q. Please explain the 23.3% variance of \$110,139 in the CAIR/CAMR/CAVR
14 Compliance Program, Line Item 1.20.

15 A. The CAIR/CAMR/CAVR Compliance Program (Line Item 1.20) currently
16 includes O&M expenses associated with the Plant Crist scrubber and Clean
17 Air Mercury Rule (CAMR) projects. The variance in this line item is primarily
18 due to incurring termination expenses associated with canceling a piping
19 fabrication contract for the Plant Crist scrubber project and awarding the work
20 to another contractor. This change will result in significant capital project cost
21 savings of approximately \$2.7 million. The variance was partially offset by
22 Plant Daniel mercury monitoring expenses being less than anticipated.

23
24
25

1 Q. Please explain the variance of (11.5%) or (\$787,632) in SO₂ Allowances (Line
2 Item 1.20).

3 A. This variance resulted from Gulf burning less coal in 2008 than originally
4 anticipated. Therefore, Gulf surrendered fewer SO₂ allowances because SO₂
5 emissions were less than originally projected.

6

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

8 A. Yes.

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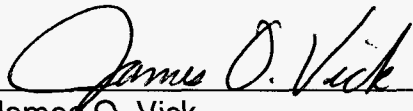
25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 090007-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 30 day of March, 2009.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

