

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENVIRONMENTAL COST RECOVERY CLAUSE
DOCKET NO. 980007-EI**

PREPARED DIRECT TESTIMONY
AND EXHIBIT OF

J. O. VICK

JANUARY 1999 - DECEMBER 1999
PROJECTION

Revised 11/09/98



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

12606 NOV 10 88

FPSC-RECORDS/REPORTING

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 James O. Vick
5 Docket No. 980007-EI
6 October 12, 1998
7 Revised: November 9, 1998

8 Q. Please state your name and business address.

9 A. My name is James O. Vick and my business address is One
10 Energy Place, Pensacola, Florida, 32520
11

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

13 A. I am employed by Gulf Power Company as the Manager of
14 Environmental Affairs.
15

16 Q. Mr. Vick, will you please describe your education and
17 experience?

18 A. I graduated from Florida State University, Tallahassee,
19 Florida, in 1975 with a Bachelor of Science Degree in
20 Marine Biology. I also hold a Bachelor's Degree in Civil
21 Engineering from the University of South Florida in Tampa,
22 Florida. In addition, I have a Masters of Science Degree
23 in Management from Troy State University, Pensacola,
24 Florida. I joined Gulf Power Company in August 1978 as an
25 Associate Engineer. I have since held various engineering
positions such as Air Quality Engineer and Senior
Environmental Licensing Engineer. In 1996, I assumed my
present position as Manager of Environmental Affairs.

DOCUMENT NUMBER-DATE

Docket No. 980007-EI

Page 2606 NOW 10-10-98: James O. Vick

FPSC-RECORDS/REPORTING

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

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

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

14 A. Yes.

15
16 Q. What is the purpose of your testimony in this proceeding?
17 A. The purpose of my testimony is to support Gulf Power
18 Company's projection of environmental compliance amounts
19 recoverable through the Environmental Cost Recovery Clause
20 (ECRC) for the period January 1999 through December 1999.
21 I will discuss the amounts included in the projection
22 period for those compliance activities previously approved
23 by the Commission along with one new
24 capital project.

25

1 Q. Mr. Vick, do you have an exhibit to which you will refer?

2 A. Yes, I have.

3 Counsel: We ask that Mr. Vick's Exhibit
4 Consisting of a copy of Chapter 62-4.246,
5 F.A.C. be marked as Exhibit No. _____
6 (JOV-1).
7

8 Q. Mr. Vick, please identify the capital projects included in
9 Gulf's ECRC calculations.

10 A. A listing of the environmental capital projects which have
11 been included in Gulf's ECRC calculations has been
12 provided to Ms. Cranmer and is included in Schedules 42-3P
13 and 42-4P of her testimony. Schedule 42-4P reflects the
14 expenditures, clearings, retirements, salvage and cost of
15 removal currently projected for each of these projects.
16 These amounts were provided to Ms. Cranmer, who has
17 compiled the schedules and calculated the associated
18 revenue requirements for our requested recovery. All but
19 one of the listed projects are associated with
20 environmental compliance activities which have been
21 previously approved for recovery through the ECRC by this
22 Commission in Docket No. 930613-EI and past proceedings in
23 this ongoing recovery docket.
24
25

1 Q. Mr. Vick, what new capital project is included in this
2 testimony for which recovery has yet to approved by this
3 Commission?

4 A. The new capital project, Crist Units 4 - 7 Ash Pond
5 Diversion Curtains, is an environmental project that meets
6 the specific requirements for inclusion in ECRC. Pursuant
7 to Chapter 62-4.246, F.A.C. (Exhibit JOV-1, attached), the
8 Florida Deparatment of Environmental Protection (FDEP) has
9 adopted new analytical methods which lower the Method
10 Detection Limits (MDLs) and Practical Quantification
11 Limits (PQLs) for each constituent or substance included
12 in permit-required monitoring. This in effect, lowers the
13 quantification limits for metals analysis. For example,
14 our historical contract laboratory has previously used a
15 method detection limit for copper of 0.01 mg/l; the
16 revised MDLs/PQLs now make those limits for copper .001
17 mg/l and .005 mg/l, respectively. These MDLs and PQLs
18 have been included in the National Pollution Discharge
19 Elimination System (NPDES) renewal permit at Plant Crist.
20 Due to the fact that the Company must meet the much lower
21 detection limits now required by Chapter 62-4.246, F.A.C.,
22 it becomes critical that the Company reduce the
23 possibility of discharges of metal constituents from the
24 outfall at the Plant Crist ash pond. The installation of
25 additional flow diversion curtains in the Plant Crist ash

1 pond will effectively increase retention time in the ash
2 pond, thereby allowing for the sedimentation precipitation
3 treatment process to be more effective.
4

5 Q. Please compare the Environmental Operation and Maintenance
6 (O&M) activities listed on Schedule 42-2P of Exhibit SDC-1
7 to the O&M activities approved for cost recovery in past
8 ECRC dockets.

9 A. The O&M activities listed on Schedule 42-2P have all been
10 approved for recovery through the ECRC in past
11 proceedings. These O&M activities are all on-going
12 compliance activities and can be grouped into four major
13 categories-Air Quality, Water Quality, Environmental
14 Programs Administration, and Solid and Hazardous Waste. A
15 discussion of each O&M activity within each of these major
16 categories and the projected expenses follows in my
17 testimony.
18

19 Q. What O&M activities are included in the Air Quality
20 category?

21 A. There are six O&M activities included in this category:

22 The first, Sulfur (Line Item 1.1), reflects
23 operational expenses associated with the burning of low
24 sulfur coal. This item refers to the flue gas sulfur
25 injection system needed to improve the collection

1 efficiency of the Crist Unit 7 electrostatic precipitator
2 and is required due to the burning of low sulfur coal at
3 this unit pursuant to the sulfur dioxide requirements of
4 the Clean Air Act Amendments (CAAA). The expenses
5 projected for the recovery period total \$10,500.

6 The second activity listed on Schedule 42-2P, Air
7 Emission Fees (Line Item 1.2), represents the expenses
8 projected for the annual fees required by the CAAA. The
9 expenses projected for the recovery period total \$149,332.

10 The third activity listed on Schedule 42-2P, Title V
11 Permits (Line Item 1.3), represents projected expenses
12 associated with the implementation of the Title V permits.
13 The total estimated expense for the Title V Program during
14 the recovery period is \$10,000.

15 The fourth activity listed on Schedule 42-2P,
16 Asbestos Fees (Line Item 1.4), is required to be paid to
17 the FDEP for the purpose of funding the state's asbestos
18 removal program. The expenses projected for the recovery
19 period total \$5,000.

20 The fifth activity listed on Schedule 42-2P, Emission
21 Monitoring (Line Item 1.5), reflects an ongoing O&M
22 expense associated with the new Continuous Emission
23 Monitoring equipment (CEM) as required by the CAAA. These
24 expenses are incurred in response to the federal
25 Environmental Protection Agency's (EPA) requirements that

1 the Company perform Quality Assurance/Quality Control
2 (QA/QC) testing for the CEMs, including Relative Accuracy
3 Test Audits (RATA) and Linearity Tests. The expenses
4 projected to occur during the recovery period for these
5 activities total \$454,800.

6 The sixth activity listed in the Air Quality
7 category, Low NOx (Line Item 1.13), reflects the most
8 recent Commission-approved activity, the installation of
9 Low NOx burner tips at our generating plants. Projected
10 expenses in 1999 for this activity total \$1,301,112 and
11 include Plant Crist Unit 5 and Plant Smith Unit 1.

12
13 Q. What O&M activities are included in Water Quality?

14 A. General Water Quality (Line Item 1.6), identified in
15 Schedule 42-2P, includes Soil Contamination Studies,
16 Dechlorination, Groundwater Monitoring Plan Revisions and
17 Surface Water Studies. All of the on-going programs
18 included in Line Item 1.6, General Water Quality, have
19 been approved in past proceedings. The expenses projected
20 to occur during the recovery period for these activities
21 total \$414,990.

22 The second activity in the Water Quality Category,
23 Groundwater Contamination Investigation (Line Item 1.7),
24 was previously approved for environmental cost recovery in
25 Docket No. 930613-EI. This on-going activity is projected

1 to incur incremental expenses totaling \$1,182,627 during
2 the recovery period.

3 Line Item 1.8, State NPDES Administration, was
4 previously approved for recovery in the ECRC and reflects
5 expenses associated with annual fees for Gulf's three
6 generating facilities. These expenses are expected to be
7 \$49,500 during the recovery period.

8 Finally, Line Item 1.9, Lead and Copper Rule, was
9 also previously approved for ECRC recovery and reflects
10 sampling, analytical and chemical costs related to lead
11 and copper in drinking water. These expenses are expected
12 to total \$12,000 during 1999.

13
14 Q. What activities are included in the Environmental Affairs
15 Administration Category?

16 A. Only one O&M activity is included in this category on
17 Schedule 42-2P (Line Item 1.10) of my exhibit. This Line
18 Item refers to the Company's Environmental
19 Audit/Assessment function. This program is an on-going
20 compliance activity previously approved and is projected
21 to incur expenses totaling \$23,772 during the recovery
22 period.

23
24 Q. What O&M activities are included in the Solid and
25 Hazardous Waste category?

1 A. Only one program, General Solid and Hazardous Waste (Line
2 Item 1.11), is included in the Solid and Hazardous Waste
3 category on Schedule 42-2P. This activity involves the
4 proper identification, handling, storage, transportation
5 and disposal of solid and hazardous wastes as required by
6 Federal and State regulations. This program is an on-
7 going compliance activity previously approved and is
8 projected to incur incremental expenses totaling \$170,508
9 during the recovery period.

10

11 Q. What activities are included in the Above Ground Storage
12 Tanks program.

13 A. Only one O&M activity is included in this category on
14 Schedule 42-4P (Line Item 1.12). This activity has been
15 previously approved by the Commission and reflects
16 expenses for inspection and integrity testing of field-
17 erected above ground storage tank systems for hazardous
18 pollutants, i.e., petroleum fuel products. This program
19 is projected to incur expenses totaling \$25,000 during the
20 recovery period.

21

22 Q. What significant variances do you anticipate related to
23 Gulf's environmental capital costs in the estimated true-
24 up period October 1997 through September 1998?

1 A. As reflected in Ms. Cranmer's schedule 42-6E-1, the
2 recoverable capital costs included in estimated true-up
3 calculation total \$7,900,302, as compared to the original
4 projected amount of \$8,616,006. This resulted in a
5 variance of (\$715,704).
6

7 Q. Have there been any changes that resulted in variances to
8 all capital projects?

9 A. Yes. Order No. PSC-98-0921-FOF-EI dated July 7, 1998
10 outlined new depreciation rates, amortization schedules,
11 and dismantlement accruals effective January 1, 1998. Ms.
12 Cranmer has reflected these changes in her calculations
13 which created a variance in virtually every capital
14 project included for cost recovery, including significant
15 variances for Crist 5, 6, & 7 Precipitator Projects (Line
16 1.2), Daniel Ash Management Project (Line 1.14), and the
17 Underground Fuel Tank Replacement (Line Item 1.15).
18

19 Q. What capital projects other than those specifically
20 mentioned above contributed significantly to the
21 (\$715,704) variance in the October 1997-September 1998
22 recovery period?

23 A. Three projects contributed significantly to this variance.
24 The first, Low NOx Burners, Crist 6 & 7 (Line Item
25 1.4) reflects a variance of \$52,478. The variance is from

1 a negotiated agreement with a vendor which resulted in a
2 project credit that occurred in December 1997, offset by
3 an increase in depreciation expense.

4 The second project, Substation Contamination Mobile
5 Groundwater Treatment System (Line Item 1.6) reflects a
6 variance of \$13,710, which is the result of the purchase
7 of an additional mobile groundwater treatment system.
8 This system was purchased because the existing mobile
9 groundwater treatment system previously approved by the
10 Commission does not have adequate water treatment capacity
11 for other sites which require remediation.

12 Finally, SO2 Allowances (Line Item 1.16) reflects a
13 variance of (\$1,077,434). Two events have contributed to
14 this variance. First, the proceeds from the spring
15 allowance auction are unpredictable from year to year and
16 therefore were not budgeted. Secondly, Gulf took
17 advantage of an unforeseen opportunity to sell some
18 emission allowances from its bank that the Company deemed
19 were in excess of current or projected future needs. This
20 transaction was completed in August, 1998 at fair market
21 value. The gain from this transaction is being realized
22 during the remaining months of 1998 (September through
23 December).

24

1 Q. What significant variances do you anticipate for Gulf's
2 environmental Operation and Maintenance (O&M) activities
3 listed on Schedule 42-4E-1 in the estimated true-up period
4 October 1997 through September 1998.

5 A. The O&M activities listed on Schedule 42-4E-1 have all
6 been approved for cost recovery in past ECRC dockets.
7 This schedule reflects that Gulf now projects a total of
8 \$3,246,861 in recoverable O&M expenses for the period
9 October 1997-September 1998, compared to the amount
10 included in the original projection of \$3,550,964. This
11 will result in a variance of (\$304,103). I will address
12 nine O&M projects/programs that attributed to this
13 variance.

14
15 Q. Please explain the variance in the Sulfur category (Line
16 Item 1.1).

17 A. As discussed in previous testimony, this category reflects
18 operational expenses associated with the burning of low
19 sulfur coal and refers to the flue gas conditioning system
20 on Crist Unit 7. The use of sulfur is entirely dependent
21 upon the quality of a low sulfur coal supply. During the
22 recovery period, the flue gas conditioning system was
23 activated due to the coal supply and expenses of \$8,499
24 were incurred.

25

1 Q. Please explain the (\$74,166) variance in the Air Emission
2 Fees category (Line Item 1.2).

3 A. This variance is the result of a reduction in Gulf's
4 proportionate share of Plant Daniel's annual air emission
5 fees.

6
7 Q. Please explain the (\$12,614) variance in the Title V
8 program (Line Item 1.3).

9 A. Title V permits remain in draft form as the FDEP has yet
10 to issue final permits. We expect a re-issue of our draft
11 Title V permits for Plants Crist, Smith and Scholz during
12 the October 1998 through December 1998 recovery period.

13
14 Q. Please explain the (\$47,007) variance in the Emission
15 Monitoring category (Line Item 1.5).

16 A. Due to better than expected performance of the Continuous
17 Emission Monitoring (CEMs) , there were fewer Relative
18 Accuracy Test Audits (RATA's) performed during the period
19 which accounts for the variance.

20
21 R. Please explain the (\$140,331) variance in the General
22 Water Quality (Line Item 1.6) category.

23 A. This variance results from activities associated with the
24 ECRC approved Surface Water Studies conducted at Plants
25 Crist, Smith and Scholz. This program is a NPDES

1 required biological integrity study and is conducted
2 during the summer months (July, August, September) when
3 estuarine systems are the most stressed due to low-flow
4 and high thermal conditions. Data retrieved during these
5 months will be compiled into an annual report which will
6 be submitted to the FDEP. Expenses for this program will
7 reflect an increase during the last quarter of 1998. We
8 anticipate these expenses to be on target by the end of
9 the fifteen month period.

10
11 Q. Please explain the \$366,269 variance in the Groundwater
12 Contamination Investigation (Line Item 1.7)

13 A. This variance is due to accelerated activities in the
14 approved Substation Groundwater Monitoring Investigation
15 project. During the first and second quarters of 1998,
16 soil excavation activities at select sites were
17 accelerated to avoid wet weather periods and to avoid
18 de-energizing active substations during periods of peak
19 demand. Expenses in this category will proportionately
20 decrease during the transitional period (October 1998-
21 December 1998) such that the fifteen month period will be
22 on target.

23
24 Q. Please explain the (\$100,306) variance in the General
25 Solid and Hazardous Waste category (Line Item 1.11).

1 A. Expenses in this category fluctuate and are proportional
2 to the quantities of solid and hazardous waste materials
3 generated which require proper disposal. There were less
4 quantities of waste generated during the period than were
5 anticipated. These activities are expected to be on
6 projection over the fifteen-month projection period.
7

8 Q. Please explain the (\$765,000) variance in the Above Ground
9 Storage Tanks category (Line Item 1.12).

10 A. Contractor bids have been received and are less than
11 originally anticipated. Preliminary work was begun in
12 September. Consequently, due to the delays and new
13 estimates, expenses will be less than originally projected
14 for the October 1997-September 1998 recovery period. The
15 majority of the expenses related to this activity will
16 occur in the October 1998 through December 1998
17 transitional period.
18

19 Q. Please explain the \$460,096 variance in the Low NOX
20 category (Line Item 1.13).

21 A. This project refers to the purchase and installation costs
22 of Low NOx burner tips on Plant Crist Units 4 & 5 in order
23 to comply with Phase II requirements of the CAA. Expenses
24 for this project were not included in the original
25 projection testimony. The Commission recently approved

1 the Plant Crist Units 4 & 5 Low NOx burner tips purchase
2 and installation costs. The burners and tips for Plant
3 Crist Unit 4 have been installed and are operational.
4

5 Q. Mr. Vick, are there significant variances or have there
6 been any changes that resulted in variances for either
7 capital or O&M expense reflected on Ms. Cranmer's Schedule
8 42-4E-2 or 42-6E-2 for the estimated transitional period
9 October 1998- December 1998?

10 A. Yes.

11 First, and as mentioned earlier in my testimony,
12 Order No. PSC-98-0921-FOF-EI dated July 7, 1998 outlined
13 new depreciation rates, amortization schedules, and
14 dismantlement accruals effective January 1, 1998. Ms.
15 Cranmer has reflected these changes in her calculations
16 which created a variance in virtually every capital
17 project included for cost recovery.

18 In addition, SO2 Allowances (Line Item 1.16) reflects
19 a variance of (\$2,887,810). As previously mentioned, Gulf
20 Power sold a quantity of emission allowances that the
21 Company deemed were in excess of current or projected
22 future needs. The gain from this transaction is being
23 realized during the remaining months of 1998 (September
24 through December).

1 There are two O&M projects that also are expected to
2 have variances during the transitional period. First,
3 Emission Monitoring (Line Item 1.5) reflects a variance of
4 \$8,800. This is due to a delay of project expenses from
5 September to October. Secondly, Above Ground Storage
6 Tanks (Line Item 1.13) reflects a variance of (\$156,000)
7 for the October 1998- December 1998 recovery period. As
8 discussed earlier in my testimony, contractor bids have
9 been received and are less than originally anticipated.
10 Preliminary work was begun in September. Consequently,
11 due to the delays and new estimates, expenses will be less
12 than originally projected for the October 1998-December
13 1998 recovery period.

14
15 Q. Does this conclude your testimony?

16 A. Yes.
17
18
19
20
21
22
23
24
25