

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENVIRONMENTAL COST RECOVERY
CLAUSE**

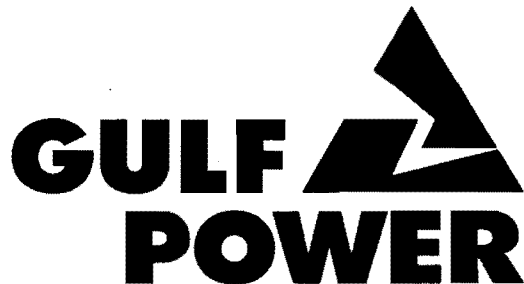
DOCKET NO. 990007-EI

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

**PROJECTION FILING
FOR THE PERIOD**

JANUARY 2000 – DECEMBER 2000

OCTOBER 1, 1999



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

11845 OCT-18

FPSC-RECORDS/REPORTING

1 **GULF POWER COMPANY**

2 **Before the Florida Public Service Commission**
3 **Prepared Direct Testimony of**
4 **James O. Vick**
Docket No. 990007-EI
October 1, 1999

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 Manager 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. I joined Gulf Power Company**
19 **in August 1978 as an Associate Engineer. I have since held various**
20 **engineering positions such as Air Quality Engineer and Senior Environmental**
21 **Licensing Engineer. In 1996, I assumed my present position as Manager of**
22 **Environmental Affairs.**

23
24 **Q. What are your responsibilities with Gulf Power Company?**

25 **A. As Manager of Environmental Affairs, my primary responsibility is**

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11845 OCT-1 99

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

6
7 Q. Are you the same James O. Vick who has previously testified before this
8 Commission on various environmental matters?

9 A. Yes.

10
11 A. The purpose of my testimony is to support Gulf Power Company's projection
12 of environmental compliance costs recoverable through the Environmental
13 Cost Recovery Clause (ECRC) for the period from January 2000 through
14 December 2000. I will also provide testimony for the estimated true-up period
15 January 1999 through December 1999.

16
17 Q. Mr. Vick, please identify the capital projects included in Gulf's ECRC
18 calculations.

19 A. A listing of the environmental capital projects which have been included in
20 Gulf's ECRC calculations has been provided to Ms. Ritenour and is included
21 in Schedules 42-3P and 42-4P of her testimony. Schedule 42-4P reflects the
22 expenditures, clearings, retirements, salvage and cost of removal currently
23 projected by month for each of these projects. These amounts were provided
24 to Ms. Ritenour, who has compiled the schedules and calculated the
25 associated revenue requirements for Gulf's requested recovery. All the listed

1 projects are associated with environmental compliance activities which have
2 been previously approved for recovery through the ECRC by this Commission
3 in Docket No. 930613-EI and past proceedings of this ongoing recovery
4 docket or one of several spin-off dockets from the ECRC.

5
6 Q. Mr. Vick, please identify any new capital projects or expansions of previously
7 approved capital projects for the projection period which are required for
8 environmental compliance.

9
10 A. There are no new capital projects scheduled for the projected recovery
11 period. There is one previously approved capital project, CEMS, that will be
12 expanded. An upgrade to the Smith Unit 1 (PE 1441) and Smith Unit 2 (PE
13 1442) Flow Monitors, a component of the CEMS, is scheduled for the
14 upcoming year. Gulf seeks recovery of this upgrade through the ECRC. This
15 project is a replicated project of the Crist Unit 6 flow monitor system which
16 was previously approved by the Commission in Docket No. 960007-EI. The
17 existing Smith Unit 1 and Smith Unit 2 flow monitor systems, a Clean Air Act
18 Amendment (CAAA) requirement, are approaching the end of their useful life.
19 The upgraded flow monitor systems will provide Gulf with the accuracy and
20 reliability necessary to maintain compliance with the CAAA requirements.
21 From an economic standpoint, it is prudent for Gulf to upgrade the flow
22 monitor systems on both Smith Unit 1 and Unit 2 during 2000. The expected
23 savings from upgrading the system outweigh the expected maintenance
24 costs that would be incurred by maintenance of the existing system.
25 Expenditures for this project are expected to be \$300,000. The

1 corresponding retirements of ECRC plant associated with this project are
2 estimated to total \$92,910 (See Form 42-4P, Page 5 of 17 for the monthly
3 details, including the cost of removal and salvage amounts). These
4 expenses will be allocated on an energy basis, as is all other equipment
5 associated with emission monitoring.

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

10 A. The O&M activities listed on Schedule 42-2P have all been approved for
11 recovery through the ECRC in past proceedings, with the exception of the
12 Gulf Coast Ozone Study, Line Item 1.17. These O&M activities are all on-
13 going compliance activities and are grouped into four major categories-Air
14 Quality, Water Quality, Environmental Programs Administration, and Solid
15 and Hazardous Waste. In my testimony, I will discuss each O&M activity
16 within each of these major categories and the projected expenses.

17
18 Q. What O&M activities are included in the Air Quality category?

19 A. There are five O&M activities included in this category:

20
21 The first, Sulfur (Line Item 1.1) reflects operational expenses
22 associated with the burning of low sulfur coal. This item refers to the flue gas
23 sulfur injection system needed to improve the collection efficiency of the Crist
24 Unit 7 electrostatic precipitator and is required due to the burning of low sulfur

1 coal at this unit pursuant to the sulfur dioxide requirements of the CAAA.
2 Expenses during the projected recovery period total \$10,500.

3
4 The second activity listed on Schedule 42-2P, Air Emission Fees (Line
5 Item 1.2) represents the expenses projected for the annual fees required by
6 the CAAA. The expenses projected for the recovery period total \$711,000.

7
8 The third activity listed on Schedule 42-2P, Title V Permits (Line Item
9 1.3), represents projected expenses associated with the implementation of
10 the Title V permits. The total estimated expense for the Title V Program
11 during 2000 is \$65,767.

12
13 The fourth activity listed on Schedule 42-2P, Asbestos Fees (Line Item
14 1.4), is required to be paid to the Florida Department of Environmental
15 Protection (FDEP) for the purpose of funding the State's asbestos removal
16 program. The expenses projected for the recovery period total \$5,500.

17
18 The fifth activity listed on Schedule 42-2P, Emission Monitoring (Line
19 Item 1.5), reflects an ongoing O&M expense associated with the Continuous
20 Emission Monitoring equipment (CEM) as required by the CAAA. These
21 expenses are incurred in response to the federal Environmental Protection
22 Agency's (EPA) requirements that the Company perform Quality
23 Assurance/Quality Control (QA/QC) testing for the CEMs, including Relative
24 Accuracy Test Audits (RATA) and Linearity Tests. The expenses expected to
25 occur during the recovery period for these activities total \$307,389.

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

2 A. General Water Quality (Line Item 1.6), identified in Schedule 42-2P, includes
3 Soil Contamination Studies, Dechlorination, Groundwater Monitoring Plan
4 Revisions and Surface Water Studies. All the programs included in Line Item
5 1.6, General Water Quality, have been approved in past proceedings. The
6 expenses expected to be incurred during the projection recovery period for
7 these activities total \$563,005.

8
9 The second activity listed in the Water Quality Category, Groundwater
10 Contamination Investigation (Line Item 1.7), was previously approved for
11 environmental cost recovery in Docket No. 930613-EI. This activity is
12 projected to incur incremental expenses totaling \$1,445,670.

13
14 Line Item 1.8, State NPDES Administration, was previously approved for
15 recovery in the ECRC and reflects expenses associated with annual fees for
16 Gulf's three generating facilities in Florida. These expenses are expected to
17 be \$42,000 during the projected recovery period.

18
19 Finally, Line Item 1.9, Lead and Copper Rule, was also previously approved
20 for ECRC recovery and reflects sampling, analytical and chemical costs
21 related to lead and copper in drinking water. These expenses are expected
22 to total \$6,000 during 2000.

23
24 Q. What activities are included in the Environmental Affairs Administration
25 Category?

1 A. Only one O&M activity is included in this category on Schedule 42-2P (Line
2 Item 1.10) of Ms. Ritenour's exhibit. This Line Item refers to the Company's
3 Environmental Audit/Assessment function. This program is an on-going
4 compliance activity previously approved and is projected to incur expenses
5 totaling \$23,000 during the recovery period.

6

7 Q. What O&M activities are included in the Solid and Hazardous Waste
8 category?

9 A. Only one program, General Solid and Hazardous Waste (Line Item 1.11) is
10 included in the Solid and Hazardous Waste category on Schedule 42-2P.
11 This activity involves the proper identification, handling, storage,
12 transportation and disposal of solid and hazardous wastes as required by
13 federal and state regulations. This program is an on-going compliance
14 activity previously approved and is projected to incur incremental expenses
15 totaling \$68,442.

16

17 Q. In addition to the four major O & M categories listed above, are there any
18 other O & M activities which have been approved for recovery?

19 A. Yes. There are five other O & M categories which have been approved in
20 past proceedings. They are Above Ground Storage Tanks, Low NOx, Ash
21 Pond Diversion Curtains, Mercury Emissions and Sodium Injection System.

22

23 Q. What O & M activities are included in the Above Ground Storage Tanks?
24 Only one program, Above Ground Storage Tanks (Line Item 1.12), is included
25 in this category. This project involves the upgrading of above ground

1 petroleum tank storage systems to comply with existing state regulations.
2 This program was completed in 1999 and is not expected to incur any
3 expenses during 2000.

4
5 Q. Please identify the activities included in the Low NOx (Line Item 1.13)
6 category.

7 A. This project refers to the purchase and installation costs of Low NOx burner
8 tips at Plant Crist and Plant Smith to comply with Phase II requirements of the
9 CAAA. There are no expected expenses during the projection period.

10
11 Q. What O & M activity is included in the Ash Pond Diversion Curtains (Line Item
12 1.14) category.

13 A. This project, previously approved by the Commission, refers to the installation
14 of flow diversion curtains in the Plant Crist ash pond to effectively increase
15 water retention time in the ash pond, thereby allowing for the
16 sedimentation/precipitation treatment process to be more effective in reducing
17 levels of suspended particulates from the outfall at the Plant Crist ash pond.
18 The project will be completed in 1999; therefore, there are no expected
19 expenses during 2000.

20
21 Q. Please identify the activity included in the Mercury Emissions (Line Item 1.15)
22 category.

23 A. This program, approved by the Commission for recovery in Docket
24 No. 981973-EI, pertains to requirements for Gulf to periodically analyze coal
25 shipments for mercury and chlorine content. There are no expected

1 expenses during the recovery period. The EPA only mandated that
2 shipments of coal would be analyzed for mercury and chlorine during 1999.
3 No further notices of continued sampling requirements of coal shipments
4 beyond 1999 have been issued by EPA. It is unknown at this time whether
5 EPA will require further sampling during 2000.

6
7 Q. What activity is included in the Sodium Injection (Line Item 1.16) category?

8 A. The sodium injection system, which was recently approved in Docket Number
9 No. 990667-EI for inclusion in the ECRC, involves sodium injection to the
10 coal supply at Plant Smith to enhance precipitator efficiencies when burning
11 low sulfur coal. Projected expenses for the purchase of raw sodium are
12 expected to be \$100,000 in 2000.

13
14 Q. Are there any project or program expenses resulting from either new or more
15 stringent environmental regulations which may significantly increase O&M
16 costs for the recovery period January 2000 through December 2000?

17 A. Yes, one new project under the General Air Quality category will be affected
18 by the anticipated implementation of a more stringent environmental
19 regulation. Specifically, Title I of the Clean Air Act Amendments (CAAA) of
20 1990 specifies ambient air quality standards. Escambia and Santa Rosa
21 counties are identified as potential ozone non-attainment areas to the new
22 eight-hour ambient air ozone standards adopted by the U.S. Environmental
23 Protection Agency (USEPA) in 1997. Gulf Power is a participant in the Gulf
24 Coast Ozone Study (GCOS, Line Item 1.17) which is a joint modeling
25 analysis between Gulf Power and the State of Florida to provide an improved

1 basis for assessment of eight-hour ozone air quality for Northwest Florida.
2 The project will model past episodes of high ozone levels in Northwest
3 Florida. The model will then be used in developing potential control
4 strategies for both stationary and mobile sources to provide a comprehensive
5 evaluation of the area as required under Title I of the Clean Air Act. This will
6 support FDEP's State Implementation Plan (SIP) revisions, which are
7 required by July 2003. This evaluation is considered pre-engineering work
8 necessary to evaluate the most viable, low cost emission control technologies
9 available that may be required to meet the new eight-hour ambient air ozone
10 standard. Expenses for this project, beginning in January 2000, are
11 anticipated to be \$253,000 for the year.

12
13 Q. Mr. Vick, have you reviewed the variances in recoverable costs for the
14 estimated true-up period, January – December 1999?

15
16 A. Yes. I have reviewed schedules 42-4E and 42-6E included in Ms. Ritenour's
17 exhibit to her testimony.

18
19 Q. Are there any expected variances in recoverable costs for 1999 related to
20 capital investment projects?

21 A. Yes. As shown on Schedule 42-6E, five projects reveal variances that are
22 explained in more detail as follows:

23 First, Substation Contamination Mobile Groundwater Treatment
24 System (Line Item 1.6), has a variance of \$351. A small unexpected property
25 addition occurred in November 1998.

1 Second, CEMS, Line Item 1.5, and Daniel Ash Management Project,
2 Line Item 1.15, have variances of \$546 and \$12,673 respectively. Both are
3 the result of an increase in Mississippi property taxes. Property tax rates
4 fluctuate annually, resulting in changes to projected costs from year to year.

5 Next, Smith Sodium Injection System, Line Item 1.12, reflects a
6 variance of \$2,571. This variance is the result of the project not being
7 included in the original projection. This project has been recently approved
8 for recovery by the Commission in Docket No. 990667-EI.

9 Lastly, SO₂ Allowances, Line Item 1.17, reflects a (\$299,951) variance
10 as a result of the proceeds from the EPA auction in the spring. Due to the
11 volatility of the SO₂ allowance market, proceeds from the auction cannot be
12 predicted and are therefore not included in the projection filings.

13
14 **Q.** For the period January 1999 through December 1999, do you anticipate
15 significant variances in O&M expenses and if so, please explain these
16 variances.

17 **A.** With the exception of three categories on Ms. Riteneour's schedule 42-4E,
18 General Water Quality (Line Item 1.6), Groundwater Contamination
19 Investigation (Line Item 1.7) and Environmental Auditing and Assessment
20 (Line Item 1.10), all other categories have significant estimated variances.
21 Each project is discussed in more detail as follows:

22
23 Sulfur, (Line Item 1.1) has a projected variance of \$16,067. This variance is
24 the result of an increase in quantities of sulfur used due to the quality of the
25 coal supply and annual service maintenance of the sodium injection system.

1 Air Emission Fees, (Line Item 1.2), has a projected variance of
2 (\$7,254). Expected annual air emissions fees in the State of Florida are
3 established at a \$25 cost per ton of emissions, estimated based upon the
4 preceding year's emissions. The 1999 emission fees are for actual emissions
5 during 1998 which were projected based on 1997 emissions data. Emissions
6 during 1998 were less than those projected during 1997 and consequently
7 resulted in the variance in 1999 emission fees.

8
9 Title V, (Line Item 1.3) has a projected variance of \$49,038. Title V permits
10 have yet to be issued for Plants Crist, Scholz or Smith. The variance is the
11 result of unresolved issues raised by the FDEP during the final permitting
12 process for Plant Crist and the draft permitting process for Plants Scholz and
13 Smith. The issues include a complete re-modeling for ambient air
14 compliance at Plants Scholz and Smith. The re-modeling efforts will require
15 Plants Scholz and Smith to post no trespassing signs, construct restrictive
16 fencing to prohibit access to plant properties by the general public and to
17 conduct regular patrols of property boundaries. EPA has also vetoed the
18 state issued Title V permit for Plant Crist until certain outstanding issues can
19 be resolved. Once these issues are resolved, FDEP can then issue a final
20 permit for Plant Crist. All costs associated with the new Title V monitoring
21 provisions and reporting requirements are included in these program
22 expenses.

23
24 Asbestos Fees, (Line Item 1.4) reflects an anticipated variance of (\$4,800).
25 This variance is the result of fewer encounters with Asbestos Containing

1 **Materials (ACM) that require special handling and disposal at plant and**
2 **district facilities.**

3
4 **Emission Monitoring, (Line Item 1.5), has an expected variance of**
5 **(\$212,791). This variance is a result of the inadvertent inclusion of non-**
6 **recoverable emission monitoring expenses in our original projection.**

7
8 **State NPDES Administration, Line Item 1.8, reflects a variance of**
9 **(\$15,000). Gulf had anticipated major permit modifications for the existing**
10 **Plant Scholz and Plant Smith NPDES permits. Major modifications requests**
11 **with FDEP are assessed a \$7,500 modification fee. Both requests were**
12 **deemed minor permit modifications by FDEP and consequently, the projected**
13 **expenses were not incurred.**

14
15 **Lead and Copper (Line Item 1.9), reflects a variance of (\$6,148).**
16 **The variance results from reduced water consumption at our facilities,**
17 **specifically the removal of certain water uses from the potable water supply.**
18 **The reduced potable water consumption resulted in a decrease in costs for**
19 **chemical purchases, creating the variance.**

20
21 **General Solid & Hazardous Waste (Line Item 1.11) has a projected variance**
22 **for 1999 of \$45,194. This variance is primarily due to the implementation of**
23 **the Toxic Release Inventory (TRI) reporting requirement which now includes**
24 **electric utilities. Title III of the Superfund Amendment and Reauthorization**
25 **Act (SARA Title III), finalized by EPA in 1986, required certain industries with**

1 certain Standard Industrial Codes (SIC) to report annually the on-site storage
2 and annual use of specific hazardous chemicals and substances identified by
3 EPA. SARA Title III includes Form R reporting of releases of specific
4 chemicals to air, water or land. Prior to January 1, 1999, electric utilities had
5 been exempt from TRI reporting requirements. EPA revised the SIC to
6 include electric utilities subject to TRI Form R reporting requirements.
7 Consequently, Gulf Power incurred expenses to gather pertinent information
8 on toxic releases from affected facilities and to complete and submit the Form
9 R report to EPA.

10
11 Above Ground Storage Tanks (Line Item 1.12) reflects a \$13,971 expected
12 variance. This is the result of contractor expenses being greater than
13 originally projected.

14
15 Low NOx (Line Item 1.13) has a projected variance of \$31,827. This variance
16 is due to contract labor costs for installation of the burner tips being higher
17 than originally expected.

18
19 Ash Pond Diversion Curtains (Line Item 1.14) has a projected variance of
20 \$5,800. The expenses included in the 1999 projection for diversion curtains
21 were based on the purchase price of curtains installed in 1994. The variance
22 is the result of an increase in the cost of curtains from the 1994 prices.

23
24 Mercury Emissions (Line Item 1.15) reflects a variance of \$14,100. This
25 variance is the result of Commission approval of this new project during the

1 current recovery period. There were no anticipated expenses at the time of
2 the original projection testimony for 1999.

3
4 Sodium Injection (Line Item 1.16) has a \$37,000 variance. Again, this
5 variance is the result of Commission approval of this project during the
6 current recovery period. There were no anticipated expenses initially
7 expected in the original projection for 1999.

8 Mr. Vick, does this conclude your testimony?

9 A. Yes.


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25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 990007-EI

Before me the undersigned authority, personally appeared James O. Vick, who being first duly sworn, deposes, and says that he is the Manager of Environmental Affairs of Gulf Power Company, a Maine 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
Manager of Environmental Affairs

Sworn to and subscribed before me this 30th day of September , 1999.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

