

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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IN RE: Environmental Cost)
Recovery Clause.)
_____)

Docket No. 960007-EI
Filed: January 30, 1996

AMENDED PETITION OF GULF POWER COMPANY FOR APPROVAL OF
FINAL ENVIRONMENTAL COST RECOVERY TRUE-UP AMOUNTS
FOR APRIL 1995 THROUGH SEPTEMBER 1995;
ESTIMATED ENVIRONMENTAL COST RECOVERY TRUE-UP AMOUNTS
FOR OCTOBER 1995 THROUGH MARCH 1996;
PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS
FOR APRIL 1996 THROUGH SEPTEMBER 1996;
AND ENVIRONMENTAL COST RECOVERY FACTORS
TO BE APPLIED BEGINNING WITH THE PERIOD
APRIL 1996 THROUGH SEPTEMBER 1996

GULF POWER COMPANY ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned counsel, hereby petitions this Commission for approval of the Company's final environmental cost recovery true-up amounts for the period April 1995 through September 1995; for approval of its estimated environmental cost recovery true-up amounts for the period October 1995 through March 1996; for approval of its projected environmental cost recovery amounts for the period April 1996 through September 1996; and for approval of environmental cost recovery factors to be applied in customer billings beginning with the period April 1996 through September 1996.

As grounds for the relief requested by this petition, the Company would respectfully show:

FINAL ENVIRONMENTAL COST RECOVERY TRUE-UP

(1) By vote of the Commission following hearings in March 1995, projected environmental cost recovery amounts were approved by the Commission for the period April 1995 through September 1995,

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subject to establishing the final environmental cost recovery true-up amounts. According to the data filed by Gulf for the period ending September 30, 1995, the final environmental cost recovery true-up amount for the period ending September 30, 1995, should be an actual over recovery of \$700,728. This amount is submitted for approval by the Commission to be refunded in the next period. The supporting data has been prepared in accordance with the uniform system of accounts as applicable to the Company's environmental cost recovery and fairly presents the Company's environmental costs to be considered for recovery through the Environmental Cost Recovery Clause("ECRC") for the period. The environmental activities and related expenditures reflected in the true-up amounts shown for the period ending September 30, 1995 are reasonable and necessary to achieve or maintain compliance with environmental requirements applicable to Gulf Power Company and therefore, the amounts identified are prudent expenditures which have been incurred for utility purposes.

ESTIMATED ENVIRONMENTAL COST RECOVERY TRUE-UP

(2) Gulf has calculated its estimated environmental cost recovery true-up amounts for the period October 1995 through March 1996. Based on two months actual and four months projected data, the Company's estimated environmental cost recovery true-up amount for the current period (October 1995 through March 1996) is an under-recovery of \$669,968. The estimated environmental cost recovery true-up for the current period is combined with the net

final environmental cost recovery true-up for the period ending September 30, 1995 to reach the total environmental cost recovery true-up to be addressed in the factors for the next cost recovery period. The proposed environmental cost recovery factors reflect the refund of this total environmental cost recovery true-up amount excluding revenue taxes, \$30,760, during the period of April 1996 through September 1996.

PROJECTED ENVIRONMENTAL COST RECOVERY AMOUNTS

(3) Gulf has calculated its projected environmental cost recovery amounts for the months April 1996 through September 1996 in accordance with the principles and policies for environmental cost recovery found in §366.8255 of the Florida Statutes and Commission Order No. PSC-94-0044-FOF-EI. The proposed factors reflect the recovery of the net environmental cost recoverable amount of \$5,865,823 projected for the period April 1996 through September 1996¹. The computations and supporting data for the Company's environmental cost recovery factors are set forth on Schedules attached as part of the exhibit to the testimony of S. D. Cranmer filed herewith. Additional supporting data for the environmental cost recovery factors is provided in the testimony of J. O. Vick also filed herewith. The methodology used by Gulf in determining the amounts to include in these factors and the

¹This amount, \$5,865,823, is before taking into account the total environmental cost recovery true-up identified in paragraph 2 above. Consequently, the figure after taking into account the total true-up including revenue taxes is \$5,928,949.

allocation to rate classes is in accordance with the requirements of the Commission as set forth in Commission Order No. PSC-94-0044-FOF-EI. The amounts included in the factors for this projection period are based on reasonable projections of the costs for environmental compliance activities that are expected to be incurred during the period April 1996 through September 1996. The proposed factors and supporting data have been prepared in accordance with the uniform system of accounts and fairly present the Company's best estimate of environmental compliance costs for the projected period. The activities described in the testimony of Mr. Vick are reasonable and necessary to achieve or maintain compliance with environmental requirements applicable to Gulf Power Company and the projected costs resulting from the described compliance activities are also reasonable and necessary. Therefore, the costs identified are prudent expenditures which have been or will be incurred for utility purposes and for which the Company should be allowed to recover the associated revenue requirements.

ENVIRONMENTAL COST RECOVERY FACTORS

(4) The proposed environmental cost recovery factors by rate class herein requested, including true-up, are:

RATE CLASS*	ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH
RS, RST	0.136
GS, GST	0.135
GSD, GSDT, SBS	0.120
LP, LPT, SBS	0.111
PX, PXT, SBS	0.101
OSI, OSII	0.074
OSIII	0.109
OSIV	0.074

*The recovery factor applicable to customers taking service under Rate Schedule SBS is determined as follows: customers with a Contract Demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; customers with a Contract Demand in the range of 500 to 7,499 KW will use the recovery factor applicable to Rate Schedule LP; and customers with a Contract Demand over 7,499 KW will use the recovery factor applicable to Rate Schedule PX.

WHEREFORE, Gulf Power Company respectfully requests the Commission to approve the final environmental cost recovery true-up amounts for the period April 1995 through September 1995; the estimated environmental cost recovery true-up amounts for the period October 1995 through March 1996; the projected environmental cost recovery amounts for the period April 1996 through September 1996; and the environmental cost recovery factors to be applied in customer billings beginning with the period April 1996 through September 1996.

Respectfully submitted the 29th day of January, 1996.



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 960007-EI **ORIGINAL
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PREPARED DIRECT TESTIMONY
OF

J. O. VICK

ENVIRONMENTAL COST RECOVERY CLAUSE

APRIL 1996 - SEPTEMBER 1996

JANUARY 22, 1996



DOCUMENT NUMBER-DRE

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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. 950007-EI

Date of Filing: November 17, 1995

5 Q. Please state your name and business address.

6 A. My name is James O. Vick and my business address is 500 Bayfront Parkway,
7 Pensacola, Florida, 32501-0328.

8
9 Q. By whom are you employed and in what capacity?

10 A. I am employed by Gulf Power Company as the Supervisor of Environmental Affairs.

11
12 Q. Mr. Vick, will you please describe your education and experience?

13 A. I graduated from Florida State University, Tallahassee, Florida in 1975 with a
14 Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's Degree in
15 Civil Engineering from the University of South Florida in Tampa, Florida. In addition,
16 I have a Masters of Science Degree in Management from Troy State University,
17 Pensacola, Florida. I joined Gulf Power Company in August 1978 as an Associate
18 Engineer. I have since held various engineering positions such as Air Quality
19 Engineer and Senior Environmental Licensing Engineer. In 1989, I assumed my
20 present position as Supervisor of Environmental Affairs.

21
22 Q. What are your responsibilities with Gulf Power Company?

23 A. As Supervisor of Environmental Affairs, my primary responsibility is overseeing the
24 activities of the Environmental Affairs section to ensure the Company is, and
25 remains in, compliance with environmental laws and regulations, i.e., both existing

1 laws and such laws and regulations that may be enacted or amended in the future.
2 In performing this function, I have the responsibility for numerous environmental
3 programs and projects.

4
5 Q. Are you the same James O. Vick who has previously testified before this
6 Commission on various environmental matters?

7 A. Yes.

8
9 Q. What is the purpose of your testimony in this proceeding?

10 A. The purpose of my testimony is to support Gulf Power Company's true-up period
11 ending September 30, 1995. In her testimony and schedules, Ms. Cranmer has
12 identified the carrying costs (including depreciation expense and dismantlement
13 costs) associated with environmental investment and the O&M expenses included in
14 the true-up period. I will discuss the primary reasons for variances between the
15 projected and actual costs.

16
17 Q. Please compare Gulf's environmental capital recoverable costs included in the true-
18 up calculation for the period April through September 1995 with the approved
19 project amounts.

20 A. As reflected in Ms. Cranmer's Schedule 6A, the recoverable capital costs included
21 in the true-up calculation total \$4,486,396, as compared to the estimated true-up
22 amount of \$4,518,671. This resulted in a variance of (\$32,275). The variances in
23 these projects/programs were not significant and do not require further detailed
24 explanation.

25

1 Q. How do Gulf's actual O&M expenses compare to the amounts included in the
2 estimated true-up?

3 A. Ms. Cranmer's Schedule 4A reflects that Gulf incurred a total of \$979,244 in
4 recoverable O&M expenses for the period as compared to the amount included in
5 the estimated true-up of \$1,495,644. This results in a variance of (\$516,400). I will
6 address the variances for eight O&M projects/programs.

7
8 Q. Please explain the variance in the Sulfur category (Line Item 1).

9 A. Expenses during the period totaled \$8,578 resulting in a variance of (\$15,422). This
10 variance was due to limited use of sulfur in the flue gas injection system during the
11 period.

12
13 Q. Please explain the variances in the General Air Quality and Emission Monitoring
14 categories (Line Items 2 and 3).

15 A. Two issues contributed to the majority of the variance in the General Air Quality
16 program. First, the projected amounts for the air emission fees at Plant Daniel were
17 based on anticipated revisions to the air emission fee structure by the State of
18 Mississippi. These revisions did not occur resulting in a reduction in the projected
19 fee amount by approximately \$53,989. Second, a delay in the State of Florida
20 obtaining Environmental Protection Agency approval of the Title V Air Permitting
21 Program in conjunction with continued changes in State implementation processes
22 associated with Title V resulted in a majority of the projected costs not being
23 incurred as anticipated. The variance of (\$14,781) in the Emission Monitoring
24

1 category is due to fewer Relative Accuracy Test Audits (RATA) being performed
2 during the recovery period.

3 Q. Please explain the variance of (\$177,809) in the General Water Quality (Line Item 4)
4 category.

5 A. This project encountered delays in the required Florida Department of
6 Environmental Protection (FDEP) approval process. The issues with FDEP have
7 since been resolved, and the project is now underway.

8
9 Q. Please explain the (\$152,292) variance in the Groundwater Monitoring Investigation
10 (Line Item 5).

11 A. Lengthy negotiations with FDEP have delayed certain remediation activities
12 associated with the project, resulting in the variance. These negotiations are on-
13 going, and a resolution is pending.

14
15 Q. Please explain the variance of (\$7,834) in the NPDES Administration program (Line
16 Item 6).

17 A. Delays in implementing the delegated federal NPDES program resulted in the State
18 of Florida having to pro-rate the NPDES Administration program fees. The
19 projected amounts were based on an estimate of annual program fees.

20
21 Q. Please explain the (\$58,793) variance in the Auditing/Assessment Program (Line
22 Item 7).

23 A. There were fewer audits/assessments performed during this period than originally
24 anticipated.

25

1 Q. Please explain the variance of \$10,534 in the General Solid and Hazardous Waste
2 Program.

3 A. The quantities of materials requiring disposal were greater than anticipated.
4

5 Q. Does this conclude your testimony?

6 A. Yes.
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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 950007-EI

Before me the undersigned authority, personally appeared James O. Vick, who being first duly sworn, deposes, and says that he is the Supervisor 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
James O. Vick
Supervisor of Environmental Affairs

Sworn to and subscribed before me this 15th day of November 1995.

Rollanda R. Cothran
Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

