

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

PREPARED DIRECT TESTIMONY  
OF

J. O. VICK

OCTOBER 1998 - DECEMBER 1998  
PROJECTION

JUNE 22, 1998



**A SOUTHERN COMPANY**

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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. 980007-EI  
Date of Filing: June 22, 1998

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

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

12 A. The purpose of my testimony is to support Gulf Power Company's projection  
13 of environmental compliance amounts recoverable through the Environmental  
14 Cost Recovery Clause (ECRC) for the transitional period of October through  
15 December 1998. I will also present testimony on the variances identified in  
16 the estimated true-up period from October 1997 through September 1998.  
17

18 Q. Mr. Vick, please identify the capital projects included in Gulf's ECRC  
19 projection.

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

1 revenue requirements for our requested recovery. All of the listed projects  
2 are associated with environmental compliance activities which have been  
3 previously approved for recovery through the ECRC by this Commission in  
4 Docket No. 930613-EI, and past proceedings in this ongoing recovery docket.  
5

6 Q. Please explain Gulf's projected environmental expenses expected to be  
7 incurred during the transitional projection period October-December, 1998.

8 A. Ms. Cranmer's Schedule 42-2P reflects projected Operation and  
9 Maintenance (O&M) expenses for the transitional period. These O&M  
10 activities are all on-going compliance activities and are grouped into five  
11 major categories-Air Quality, Water Quality, Environmental Programs  
12 Administration, General Solid and Hazardous Waste, and Above Ground  
13 Storage Tanks. I will discuss each O&M activity within each of these major  
14 categories and the projected expenses.  
15

16 Q. What O&M activities are included in the Air Quality Category?

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

18 The first, Sulfur (Line Item 1.1) reflects operational expenses  
19 associated with the burning of low sulfur coal. This item refers to the flue gas  
20 sulfur injection system needed to improve the collection efficiency of the Crist  
21 Unit 7 electrostatic precipitator and is required due to the burning of low sulfur  
22 coal at this unit pursuant to the sulfur dioxide requirements of the Clean Air  
23 Act Amendments (CAAA). Projected expenses are \$5,600 for the period.

1           The second activity, Air Emission Fees (Line Item 1.2), represents the  
2 expenses projected for the annual fees required by the CAAA. There are no  
3 fees due during the period.

4           The third activity, Title V Permits (Line Item 1.3), represents projected  
5 expenses associated with the implementation of the Title V permits. The total  
6 estimated expense for the Title V Program during the recovery period is  
7 \$13,335.

8           The fourth activity, Asbestos Fees (Line Item 1.4), is required to be  
9 paid to the Florida Department of Environmental Protection (FDEP) for the  
10 purpose of funding the State's asbestos removal program. The expenses  
11 projected for the recovery period total \$2,400.

12           The fifth activity, Emission Monitoring (Line Item 1.5) reflects an  
13 ongoing O&M expense associated with the new Continuous Emission  
14 Monitoring equipment (CEM) as required by the CAAA. These expenses are  
15 incurred in response to the federal Environmental Protection Agency's (EPA)  
16 requirements that the Company perform Quality Assurance/Quality Control  
17 (QA/QC) testing for the CEMs, including Relative Accuracy Test Audits  
18 (RATA) and Linearity Tests. The expenses projected to occur during the  
19 recovery period for these activities total \$41,100.

20  
21 Q.    What O&M activities are included in Water Quality?

22 A.    General Water Quality (Line Item 1.6), identified in Schedule 42-2P, includes  
23 Soil Contamination Studies, Dechlorination, Groundwater Monitoring Plan  
24 Revisions and Surface Water Studies. All the programs included in Line Item  
25 1.6, General Water Quality, have been approved in past proceedings. The

1 expenses projected to occur during the recovery period for these activities  
2 total \$147,513.

3 The second activity listed in the Water Quality Category, Groundwater  
4 Contamination Investigation (Line Item 1.7) was previously approved for  
5 environmental cost recovery in Docket No. 930613-EI. This activity is  
6 projected to incur incremental expenses totaling \$126,981 during the  
7 recovery period.

8 Line Item 1.8, State NPDES Administration, was previously approved  
9 for recovery in the ECRC and reflects expenses associated with annual fees  
10 for Gulf's three generating facilities. There are no fees due during the  
11 recovery period.

12 Finally, Line Item 1.9, Lead and Copper Rule, was also previously  
13 approved for ECRC recovery and reflects sampling, analytical and chemical  
14 costs related to lead and copper in drinking water. These expenses are  
15 expected to total \$177 during the recovery period.

16  
17 Q. What activities are included in the Environmental Affairs Administration  
18 Category?

19 A. Only one O&M activity is included in this category on Schedule 42-2P (Line  
20 Item 1.10). This Line Item refers to the Company's Environmental  
21 Audit/Assessment function. There are no expenses projected for the  
22 recovery period.

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

1 A. Only one program, General Solid and Hazardous Waste (Line Item 1.11), is  
2 included in the Solid and Hazardous Waste category on Schedule 42-2P.  
3 This activity involves the proper identification, handling, storage,  
4 transportation and disposal of solid and hazardous wastes as required by  
5 Federal and State regulations. This program is an on-going compliance  
6 activity previously approved and is projected to incur incremental expenses  
7 totaling \$36,000 during the recovery period.  
8

9 Q. Please explain projected costs for the Above Ground Storage Tank program  
10 (Line Item 1.12).

11 A. As previously approved by the Commission, this program was developed to  
12 bring existing field-erected above ground storage tank systems for hazardous  
13 pollutants (petroleum fuel products) into compliance in accordance with  
14 provisions in Chapter 62-762, Florida Statutes. This program is expected to  
15 incur expenses of \$705,000 during the projection period.  
16

17 Q. What significant variances do you anticipate related to Gulf's environmental  
18 capital recoverable costs in the estimated true-up for the period October 1997  
19 through September 1998?

20 A. As reflected in Ms. Cranmer's Schedule 42-6E, the recoverable capital costs  
21 included in the estimated true-up calculation total \$8,463,580, as compared  
22 to the original projection of \$8,616,006. This resulted in a variance of  
23 (\$152,426). There are primarily three projects which contributed to this  
24 variance.

1           The first, Low NOx Burners, Crist 6 & 7 (Line Item 1.4) reflects a  
2 variance of (\$41,686). The variance is from a negotiated agreement with a  
3 vendor which resulted in a project credit that occurred in December 1997.

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

11           Finally, SO2 Allowances (Line Item 1.16) reflects a variance of  
12 (\$115,037) and is due to proceeds from the spring allowance auction.  
13

- 14 Q.    What significant variances do you anticipate for Gulf's environmental  
15 Operation and Maintenance (O&M) activities listed on Schedule 42-4E in the  
16 estimated true-up period October 1997 through September 1998.
- 17 A.    The O&M activities listed on Schedule 42-4E have all been approved for cost  
18 recovery in past ECRC dockets. The schedule reflects that Gulf now projects  
19 a total of \$3,405,801 in recoverable O&M expenses for the period October  
20 1997-September 1998, compared to the amount included in the original  
21 projection of \$3,550,964. This resulted in a variance of (\$145,163). I will  
22 address eight O&M projects/programs that attributed to this variance.  
23
- 24 Q.    Please explain the variance in the Sulfur category (Line Item 1.1).



1 A. As discussed in previous testimony, this category reflects operational  
2 expenses associated with the burning of low sulfur coal and refers to the flue  
3 gas conditioning system on Crist Unit 7. The use of sulfur is entirely  
4 dependent upon the quality of a low sulfur coal supply. During the recovery  
5 period, the flue gas conditioning system was activated due to the coal supply  
6 and expenses of \$5,675 were incurred.

7  
8 Q. Please explain the (\$8,701) variance in the Title V program (Line Item 1.3).

9 A. Title V permits remain in draft form as the FDEP has yet to issue the final  
10 permits. Negotiations with the Department are on-going regarding several  
11 conditions in the draft permits. Final permits are expected to be issued by  
12 year end.

13  
14 Q. Please explain the variance of (\$59,157) in the General Water Quality (Line  
15 Item 1.6) category.

16 A. The primary reason for this variance is due to the result of successful  
17 negotiations with FDEP dealing with the renewal of our National Pollution  
18 Discharge Elimination System (NPDES) permit at Plant Smith. Scheduled for  
19 renewal during the projection period, we had originally anticipated major  
20 revisions to be included in the existing Smith groundwater monitoring plan  
21 and had projected expenses for those revisions. However, due to successful  
22 negotiations with FDEP, major revisions and associated expenses with the  
23 groundwater monitoring plans were not required.

24

1 Q. Please explain the \$200,848 variance in the Groundwater Contamination  
2 Investigation (Line Item 1.7).

3 A. During the recovery period, Gulf has excavated contaminated soils at five  
4 substation locations within our service territory. The aerial extent of soil  
5 contamination was larger than expected and associated excavation and soil  
6 disposal costs were higher than we had anticipated.

7

8 Q. Please explain the (\$2,438) variance in the Lead & Copper category (Line  
9 Item 1.9).

10 A. Expenses in this category are for sampling and analysis of drinking water  
11 supplies and for chemical purchases used in maintaining acceptable levels of  
12 lead and copper in drinking water supplies at Plants Crist and Smith.  
13 Variances in this category are directly proportional to chemical inventories  
14 maintained on site at the plants.

15

16 Q. Please explain the (\$101,953) variance in the General Solid and Hazardous  
17 Waste (Line Item 1.11) category.

18 A. Due to fluctuations in quantities of materials which require proper handling  
19 and disposal, expenditures within this category are difficult to project. There  
20 were less materials generated during the period which required handling and  
21 disposal.

22

23 Q. Please explain the (\$705,000) variance in the Above Ground Storage Tanks  
24 category (Line Item 1.12).

1 A. Contractor negotiations are underway and project activities within this  
2 category are scheduled to begin in August, 1998. Consequently, due to the  
3 delays, expenses will be less than originally projected for the October 1997-  
4 September 1998 recovery period.  
5

6 Q. Please explain the \$532,658 variance in the Low NOx category (Line  
7 Item 1.13).

8 A. This project refers to the purchase and installation costs of Low NOx burner  
9 tips on Crist Units 4 & 5 in order to comply with Phase II requirements of the  
10 Clean Air Act Amendments. Expenses for this project were not included in  
11 the original projection testimony. The Commission recently approved  
12 purchase and installation costs associated with the Crist Units 4 & 5 Low NOx  
13 burner tips. The burners and tips for Unit 4 have been installed and are  
14 operational.  
15

16 Q. Does this conclude your testimony?

17 A. Yes.  
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23  
24  
25

AFFIDAVIT

STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA )

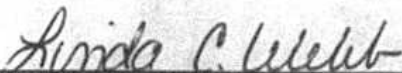
Docket No. 980007-EI

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 18th day of June, 1998.



Notary Public, State of Florida at Large



LINDA C. WEBB  
Notary Public-State of FL  
Comm. Exp: May 31, 2002  
Comm. No: CC 725988