

Susan D. Ritenour
Secretary and Treasurer
and Regulatory Manager

One Energy Place
Pensacola, Florida 32520-0781

Tel 850.444.6231
Fax 850.444.6026
SDRITENO@southernco.com

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COMMISSION
CLERK



July 29, 2011

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

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Dear Ms. Cole:

Enclosed for official filing in Docket No. 110007-EI are an original and fifteen copies of the following:

- 1. Prepared direct testimony of James O. Vick. 05365-11
- 2. Prepared direct testimony and exhibit of Richard W. Dodd. 05366-11

Sincerely,

Susan Ritenour (LWD)

nm

COM 5 Enclosures
 APA 1
 ECR 6 cc w/encl.: Gunter, Yoakley & Stewart, P.A.
 GCL 1 Charles A. Guyton, Esq.
 RAD 1 Beggs & Lane
 SSC _____ Jeffrey A. Stone, Esq.
 ADM _____
 OPC _____
 CLK CF.RAR

DOCUMENT NUMBER-DATE

05365 AUG-1 =

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ENVIRONMENTAL COST RECOVERY CLAUSE

DOCKET NO. 110007-EI

PREPARED DIRECT TESTIMONY
AND EXHIBIT OF
JAMES O. VICK

ESTIMATED ACTUAL TRUE-UP FILING
FOR THE PERIOD

JANUARY 2011 - DECEMBER 2011

August 1, 2011



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

05365 AUG-1 =

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY
2 Before the Florida Public Service Commission
3 Prepared Direct Testimony
4 James O. Vick
5 Docket No. 110007-EI
6 August 1, 2011

7 Q. Please state your name and business address.

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

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

11 A. I am employed by Gulf Power Company as the Director of Environmental
12 Affairs.

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 from
18 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.

24
25
DOCUMENT NUMBER-DATE

05365 AUG-1 =

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) estimated true-up for the
16 period January through December 2011. This true-up is based on six months
17 of actual data and six months of estimated data.

18

19 Q. Mr. Vick, please compare Gulf's recoverable environmental capital costs
20 included in the estimated true-up calculation for the period January 2011
21 through December 2011 with the approved projected amounts.

22 A. As reflected in Mr. Dodd's Schedule 6E, the recoverable capital costs
23 approved in the original projection total \$126,991,669 as compared to the
24 estimated true-up amount of \$127,285,793. This resulted in a variance of
25 \$294,124 or 0.2%. There are eight capital projects and programs that

1 contributed to the majority of this variance: The Crist 5,6 & 7 Precipitator
2 Projects, Continuous Monitoring System(CEMS), Smith Water Conservation,
3 Crist FDEP Agreement for Ozone Attainment, Crist Water Conservation,
4 CAIR/CAMR/CAVR Compliance, Annual Nox Allowance and SO2
5 Allowances.

6
7 Q. Please explain the capital variance of \$117,210 or 5.8% in the Crist 5, 6, & 7
8 Precipitator Projects (Line Item 1.2).

9 A. This variance is due to higher carrying cost than originally projected on the
10 Crist Unit 6 Precipitator project. Some of the construction was moved up to
11 coincide with the Crist Unit 6 Selective Catalytic Reduction (SCR) project
12 schedule.

13
14 Q. Please explain the capital variance of \$71,608 or 5.3% in the Continuous
15 Emissions Monitoring System (CEMS) Program (Line Item 1.5).

16 A. This variance is due to higher carrying cost than originally projected because
17 the cost of the Crist CEMS by-pass project was greater than anticipated. The
18 original project estimate was based on similar work at other plants.

19
20 Q. Please explain the capital variance of (\$456,695) or (83.3%) in the Smith
21 Water Conservation Program (Line Item 1.17).

22 A. As stated in the 2011 Projection filing, Gulf will determine whether the
23 existing site properties make it feasible for injection of used reclaimed water
24 in 2011. Gulf will also make decisions on the completion of additional
25 injection wells and the associated monitoring wells that would be required by

1 the Florida Department of Environmental Protection (FDEP) Underground
2 Injection Control Group. Gulf is currently in the drilling and testing phase of
3 the test well for the Smith Water Conservation and consumptive use
4 efficiency program project. As a result of the testing and evaluation process
5 not being complete, the decision to move forward with the project has not yet
6 been made; therefore, this resulted in lower carrying costs for this project than
7 projected.

8
9 Q. Please explain the capital variance of (\$80,757) or (0.5%) in the Crist FDEP
10 Agreement for Ozone Attainment Program (Line Item 1.19).

11 A. This variance is primarily attributed to a retirement of the Plant Crist Unit 7
12 SCR catalyst that was not included in the 2011 projections. This retirement
13 resulted in a lower than estimated depreciation expense.

14
15 Q. Please explain the capital variance of \$156,605 or 6.0% in the Crist Water
16 Conservation Program (Line Item 1.24).

17 A. This variance is primarily due to expenditures related to the ECUA reclaimed
18 water project. In order to remain in compliance with the Plant Crist NPDES
19 permit, piping changes were required to re-route spent reclaimed water back
20 to the plant for re-use.

21
22 Q. Please explain the capital variance of \$342,322 or 0.4% in the
23 CAIR/CAMR/CAVR Compliance Program (Line Item 1.26).

24 A. This variance is primarily due to portions of the Crist Unit 6 SCR project being
25 placed in-service during 2011, instead of in 2012. When work first began on

1 the Crist Unit 6 SCR, it was anticipated that all items would be placed in
2 service at the completion of the Unit 6 SCR project in 2012. However, during
3 2011, three station service transformers which are needed to power the
4 induced draft fans and a large section of ductwork required for the Unit 6 SCR
5 were placed in service. Also contributing to the variance are the property
6 taxes on the Plant Daniel low NOx burners and a new backup raw water
7 pump that was installed for the Plant Crist scrubber make-up water system.
8 These items were not included in the 2011 Projection filing.

9
10 Q. Please explain the capital variance of \$54,604 or 20.2% in Annual NOx
11 Allowances (Line Item 1.29).

12 A. This variance is due to a higher allowance inventory balance at the beginning
13 of the year than was originally projected. This results in higher carrying costs
14 than were originally projected.

15
16 Q. Please explain the capital variance of \$65,739 or 7.5% in SO2 Allowances
17 (Line Item 1.31).

18 A. This variance is due to a higher allowance inventory balance at the beginning
19 of the year than was originally projected. This results in higher carrying costs
20 than were projected.

21
22 Q. How do the estimated/actual 2011 O&M expenses compare to the original
23 2011 projections?

24 A. Mr. Dodd's Schedule 4E reflects that Gulf's recoverable environmental O&M
25 expenses for the current period are now estimated at \$25,391,528 as

1 compared to \$35,412,914. This results in an estimated year-end variance of
2 (\$10,021,386) or (28.3%). I will address eight O&M projects and programs
3 that contribute to this variance: General Water Quality, General Solid &
4 Hazardous Waste, Sodium Injection, FDEP NOx Reduction Agreement,
5 CAIR/CAMR/CAVR Compliance, Crist Water Conservation programs,
6 Seasonal NOx and SO2 Allowances.
7

8 Q. Please explain the O&M variance of \$160,328 or 31.1% in (Line Item 1.6)
9 General Water Quality Program.

10 A. The General Water Quality variance is primarily due to expenses associated
11 with the Plant Crist dechlorination system and the Plant Crist impoundment
12 integrity inspections. Both activities were undertaken pursuant to the recently
13 renewed Plant Crist National Pollutant Discharge Elimination System
14 (NPDES) permit. The Plant Crist NPDES permit includes limitations and
15 monitoring requirements for Free Available Oxidants when an oxidant such as
16 chlorine is used in the industrial wastewater system. During 2011 Plant Crist
17 incurred unexpected maintenance expenses associated with the sodium bi-
18 sulfite injection system that is used to dechlorinate once through cooling
19 water discharged from the plant.

20 In addition, the Plant Crist NPDES permit renewal issued during January of
21 2011 requires that a qualified person with knowledge and training in
22 impoundment integrity inspect all ash impoundments at Plant Crist annually.
23 This covers the required inspections and any follow up actions that may be
24 identified.
25

1 Q. Please explain the O&M variance of \$351,233 or 84.4% in (Line item 1.11)
2 General Solid and Hazardous Waste Program.

3 A. This variance is primarily due to the Plant Smith solid and hazardous waste
4 expenses being greater than originally projected. As discussed in the 2010
5 Final True-up, Plant Smith began excavating petroleum impacted soils that
6 were discovered around an abandoned fuel line. The excavation at Plant
7 Smith was completed in February 2011. During July 2011, the Site
8 Assessment Report for this excavation was submitted to the FDEP. After
9 reviewing the Site Assessment Report, the FDEP will determine if further
10 work is required at this site.

11
12 Q. Please explain the O&M variance of (\$162,636) or (71.0%) in (Line item 1.16)
13 Sodium Injection program.

14 A. The expenses that Gulf incurs for this program are dependent on the
15 characteristics of the coal supply which determines the necessity for sodium
16 injection. The 2011 projected need for sodium injection is less than originally
17 budgeted because the type of coal being supplied does not require as much
18 sodium as anticipated.

19
20 Q. Please explain the O&M variance of (\$1,080,570) or (35.8%) in (Line Item
21 1.19) FDEP NOx Reduction Agreement.

22 A. The FDEP NOx Reduction Agreement includes the cost of anhydrous
23 ammonia, urea, air monitoring, and general operation and maintenance
24 expenses related to the activities undertaken in connection with the Plant
25 Crist FDEP Agreement related to Ozone Attainment. This program variance

1 is a result of using less ammonia and urea than originally projected because
2 Plant Crist has been burning less coal than projected.

3

4 Q. Please explain the O&M variance (\$8,593,848) or (38.3%) in the
5 CAIR/CAMR/CAVR Compliance Program, (Line Item 1.20).

6 A. The CAIR/CAMR/CAVR Compliance Program currently includes O&M
7 expenses associated with the Crist Units 4 through 7 scrubber, the Smith
8 Units 1 and 2 SNCRs, and the Scholz mercury monitoring project. More
9 specifically, this line item includes the cost of urea, limestone, and general
10 operation and maintenance activities included in Gulf's CAIR/CAMR/CAVR
11 Compliance Program. The line item variance is primarily due to Gulf
12 projecting to purchase less limestone in 2011 than originally expected
13 primarily due to lower than projected coal burn.

14

15 Q. Please explain the O&M variance of \$144,944 or 100% in the Crist Water
16 Conservation Program (Line Item 1.22).

17 A. The Crist Water Conservation line item includes general O&M expenses
18 associated with the new Plant Crist reclaimed water system, such as valve
19 and pump replacements. Gulf Power entered into an agreement with the
20 Emerald Coast Utilities Authority (ECUA) to utilize reclaimed water from
21 ECUA's wastewater treatment plant to reduce the demand for groundwater
22 and surface water withdrawals. Gulf began receiving reclaimed water from
23 ECUA in November of 2010. As stated in the 2011 Projection filing, expenses
24 had yet to be determined and would be addressed in the 2011 Estimated
25 True-up. Therefore, based on Gulf's experience operating this system,

1 Plant Crist is now projecting \$144,944 for operation and maintenance of the
2 new system.

3

4 Q. Please explain the O&M variance of (\$104,162) or (86.8%) in Seasonal
5 Allowances (Line Item 1.25).

6 A. This variance is due to the current projected cost of allowances to be
7 surrendered being significantly less than the cost originally projected.

8

9 Q. Please explain the O&M variance of (\$695,141) or (35.9%) in SO2
10 Allowances (Line Item 1.26).

11 A. This variance is the result of Gulf surrendering fewer SO2 allowances than
12 projected due to a lower than originally projected burn. Gulf's generation mix
13 is more heavily weighted to natural gas- fired generation than projected due
14 to its current lower economic dispatch cost. Natural gas fired generation also
15 has significantly lower SO2 emission rates than coal- fired generation.

16

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

18 A. Yes.

19

20

21

22

23

24

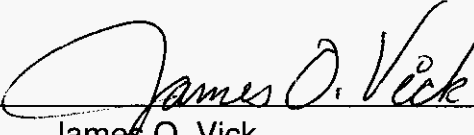
25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 110007-EI

BEFORE me, the undersigned authority, personally appeared James O. Vick, who being first duly sworn, deposes and says that he is the Environmental Affairs Director for Gulf Power Company, a Florida corporation, 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
Environmental Affairs Director

Sworn to and subscribed before me this 27th day of July, 2011.



Notary Public, State of Florida at Large

(SEAL)

