

Gulf Power Company
500 Bayfront Parkway
Post Office Box 1151
Panama City, FL 32520-0781
Telephone 904 444-6231

ORIGINAL
FILE COPY

Susan D. Cranmer
Assistant Secretary and
Assistant Treasurer

the southern electric system

May 17, 1996

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 960007-EI

Enclosed for official filing in the above docket are an original and fifteen (15) copies of the following:

1. Prepared direct testimony and exhibit of S. D. Cranmer.
2. Prepared direct testimony of J. O. Vick.

Sincerely,

ACK _____
AFS _____
APP _____
CAF _____
CML _____ lw
CTR _____ Enclosures
EAG _____
LEG 1 cc: Beggs and Lane
LH 3 Jeffrey A. Stone
CRG _____
RPT _____
SIC 1
WAS RECEIVED & FILED
GTR _____

Susan D. Cranmer

Cranmer

Vick

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"Our business is customer satisfaction"

FPSC-RECORDS/REPORTING

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FLORIDA PUBLIC SERVICE COMMISSION

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery)
Clause)
_____)

Docket No. 960007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 17th day of May 1996 by U.S. Mail or hand delivery to the following:

Vicki D. Johnson, Esquire
Staff Counsel
FL Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0863

Joseph A. McGlothlin, Esquire
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
117 S. Gadsden Street
Tallahassee FL 32301

Matthew M. Childs, Esquire
Steel, Hector & Davis
215 South Monroe, Suite 601
Tallahassee FL 32301-1804

John W. McWhirter, Esquire
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
P. O. Box 3350
Tampa FL 33601-3350

John Roger Howe, Esquire
Office of Public Counsel
c/o The Florida Legislature
111 W. Madison St., Room 812
Tallahassee FL 32399-1400

Suzanne Brownless, Esquire
1311-B Paul Russell Road
Suite 202
Tallahassee FL 32301

Lee L. Willis, Esquire
Macfarlane, Ausley, Ferguson
& McMullen
P. O. Box 391
Tallahassee FL 32302



JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 0007455
Beggs & Lane
P. O. Box 12950
Pensacola FL 32576
904 432-2451
Attorneys for Gulf Power Company

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 960007-EI

PREPARED DIRECT TESTIMONY
OF

J. O. VICK

ENVIRONMENTAL COST RECOVERY CLAUSE

OCTOBER 1995 - MARCH 1996

MAY 20, 1996



DOCUMENT NUMBER-DATE
05577 MAY 20 1996
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. 960007-EI

5 Date of Filing: May 20, 1996

6 Q. Please state your name and business address.

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

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 March 31, 1996. 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 recoverable environmental capital costs included in the true-
18 up calculation for the period October through March 1996 with the approved project
19 amounts.

20 A. As reflected in Ms. Cranmer's Schedule 6A, the recoverable capital costs included in
21 the true-up calculation total \$4,536,342 as compared to the estimated true-up
22 amount of \$4,543,346. This resulted in a variance of (\$7,004). With the exception
23 of Line Item 1.16, SO2 Allowances, the variances in these projects/programs were
24 not significant and do not require further detailed explanation.
25

1 Q. Please explain the variance in SO2 Allowances during the recovery period.

2 A. Gulf did not project gains from the sale of withheld allowances from the EPA auction
3 held in March when preparing the projection filing. In March, Gulf sold vintage 1996
4 withheld allowances in the amount of \$91,239.46. This gain will be amortized over
5 the remaining ten months (\$9,124 per month from March-December) of fiscal 1996
6 which equates to the variance.

7
8 Q. How do Gulf's actual O&M expenses compare to the amounts included in the
9 estimated true-up?

10 A. Ms. Cranmer's Schedule 4A reflects that Gulf incurred a total of \$1,720,285 in
11 recoverable O&M expenses for the period as compared to the amount included in
12 the estimated true-up of \$2,230,178. This results in a variance of (\$509,893). I will
13 address the variances for the O&M projects/programs.

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

16 A. Expenses during the period totaled \$2,927 resulting in a variance of (\$21,073). This
17 variance was due to limited use of sulfur in the flue gas injection system during the
18 period. Crist Unit 7 being offline for a maintenance outage for almost two months of
19 the period contributed to the variance.

20
21 Q. Please explain the variances in the Air Emission Fees category (Line Item 1.2).

22 A. Air Emission Fees were projected at \$350,700 for the period as compared to actual
23 expenses of \$161,650 which resulted in a variance of (\$189,050). In February
24 1995, Gulf instituted an SO2 substitution plan which changed the status of Crist
25 Units 4 and 5 and Scholz Units 1 and 2 to Phase I substitution units. All of Gulf

1 Power's electric generating units except Crist Units 6 and 7 were initially designated
2 as Phase II units under the Clean Air Act Amendments of 1990. Air emission fees
3 were required by the State for all Phase II units. In early 1996 the Florida
4 Department of Environmental Protection (FDEP) agreed that substitution units were
5 not subject to air emission fees. The only units for which 1995 air emission fees
6 were due were for Crist Units 1-3 and Smith Units 1 and 2. The fees were paid in
7 February 1996 in the amount of \$161,500. The variance was a result of not having
8 to pay fees for the units that were redesignated at substitution units.
9

10 Q. Please explain the (\$26,687) variance in the Title V category (Line Item 1.3).

11 A. The Title V permitting is on-going. Expenses incurred during the period for the
12 permitting process were less than anticipated due to delays in the Title V program
13 implementation by FDEP.
14

15 Q. Please explain the (\$2,294) variance in the Asbestos Fees category (Line Item 1.4).

16 A. The projected amount included Asbestos Fee Notifications which were expected to
17 be incurred during the scheduled Crist Unit 7 outage. Less Asbestos Containing
18 Materials (ACM) were encountered during Crist Unit 7 outage than was anticipated
19 which resulted in the variance.
20

21 Q. Please explain the (\$29,472) variance in the Emission Monitoring category (Line
22 Item 1.5).

23 A. The projected amount included expenses for Relative Accuracy Test Audits
24 (RATA's), FPSC approved program. The projections were calculated using previous
25 year expense information which included several scheduled and unscheduled

1 additional tests. The required frequency for these Continuous Emission Monitoring
2 RATA tests is six months, or one year, depending upon the quality of the results of
3 the RATA. There are also requirements to perform "emergency" maintenance
4 activities. RATA quality results have been exceptional and qualify Gulf for testing on
5 an annual basis. This resulted in fewer RATA's being required during the period.
6 There were no incidences during the period which resulted in an emergency RATA.
7 The fewer RATA's during the period resulted in a decrease in expenses.

8
9 Q. Please explain the variance of (\$179,074) in the General Water Quality category
10 (Line Item 1.6).

11 A. Three projects within this category contributed to this variance. First, the
12 Groundwater Monitoring Plan for Plant Smith has not yet been approved by the
13 FDEP. This accounts for delays in projected expenses. Secondly, the Plant Smith
14 Soil Contamination Study is on-going, but expenses were less than anticipated
15 during the period. Lastly, the Surface Water Studies which are currently being
16 conducted at Plants Crist, Smith and Scholz are behind schedule. Activities and
17 expenses for each of these projects are expected to increase in the near future, and
18 expenses will level over time.

19
20 Q. Please explain the (47,015) variance in the Groundwater Monitoring Investigation
21 category (Line Item 1.7).

22 A. The FDEP has delayed approval of project activities in this category which
23 subsequently has delayed projected expenditures. Upon FDEP approval, these
24 activities and related expenses will commence.

25

1 Q. Please explain the variance of (19,404) in the Lead and Copper category (Line Item
2 1.9)

3 A. Delays in implementation of the Lead and Copper program at Plant Smith resulted
4 in expenses being less than projected. Implementation of the program is underway
5 at Plant Smith, and these expenses should be incurred in the future.
6

7 Q. Please explain the (\$2,564) variance in the Environmental Auditing/Assessment
8 Program (Line Item 1.10).

9 A. There was minimal activity in this program during the recovery period. Gulf
10 anticipates environmental assessment activities to increase later in the year.
11

12 Q. Please explain the \$6,740 variance in the General Solid and Hazardous Waste
13 category (Line Item 1.11)

14 A. This program historically encounters fluctuations in approved program activities
15 which are directly related to the quantities of solid and hazardous waste generated
16 through Gulf's operations which require proper disposal within regulatory guidelines.
17 During this recovery period, those quantities of waste requiring disposal exceeded
18 our projection.
19

20 Q. Does this conclude your testimony?

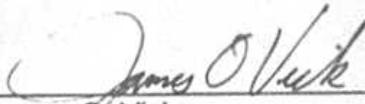
21 A. Yes.
22
23
24
25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

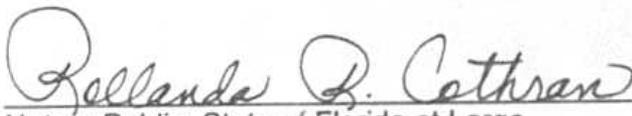
Docket No. 960007-EI

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
Supervisor of Environmental Affairs

Sworn to and subscribed before me this 17th day of May 1996.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

