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FILE COPY



June 20, 1997

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:

Enclosed for official filing in Docket No. **970007-EI** are an original and ten copies of the following:

1. Petition of Gulf Power Company for Approval of Final Environmental Cost Recovery True-up Amounts for April 1996 through September 1996; Estimated Environmental Cost Recovery True-up Amounts for October 1996 through September 1997; Projected Environmental Cost Recovery Amounts for October 1997 through September 1998, and Environmental Cost Recovery Factors to be applied beginning with the period October 1997 through September 1998. *06261-97*
2. Prepared direct testimony of J. O. Vick. *06262-97*
3. Prepared direct testimony and exhibit of S. D. Cranmer. *06263-97*

Also enclosed is a 3.5 inch double sided, double density diskette containing the Petition in WordPerfect for Windows 6.1 format as prepared on a MS-DOS based computer.

ACK _____
 AFA *Vander* Sincerely,
 AMT _____
 CME _____ *Susan D Cranmer*
 CMO _____ Susan D. Cranmer
 CTR _____ Assistant Secretary and Assistant Treasurer

EA _____ lw
 LE _____
 LF *3 cc's* Enclosures
 OF _____ cc: Beggs and Lane
 RC _____ Jeffrey A. Stone, Esquire
 SE *1* *Petition*
 WAS _____ DOCUMENT NUMBER-DATE
 OTH _____ 06261 JUN 23 5

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery)
Clause)
_____)

Docket No. 970007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 20th day of June 1997 by U S. Mail or hand delivery to the following

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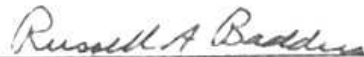
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 970007-EI

PREPARED DIRECT TESTIMONY
OF

J. O. VICK

ENVIRONMENTAL COST RECOVERY CLAUSE

OCTOBER 1997 - SEPTEMBER 1998

JUNE 23, 1997



DOCUMENT # 97-0007-EI-001

06262 JUN 23 97

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EPSC REG. NO. 1000000000000000

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 James O. Vick
Docket No. 970007-EI
June 23, 1997

5 Q. Please state your name and business address.

6 A. My name is James O. Vick and my business address is 500 Bayfront
7 Parkway, 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 period October 1, 1997 through
15 September 30, 1998. I will discuss the amounts included in the projection
16 period for those compliance activities previously approved by the
17 Commission.

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

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

1 who has compiled the schedules and calculated the associated revenue
2 requirements for our requested recovery. All the listed projects are
3 associated with environmental compliance activities which have been
4 previously approved for recovery through the ECRC by this Commission in
5 Docket No. 930613-EI and past proceedings in this ongoing recovery docket
6

7 Q. Please compare the Environmental Operation and Maintenance (O&M)
8 activities listed on Schedule 42-2P of Exhibit SDC-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. These O&M activities are
12 all on-going compliance activities and are grouped into four major categories-
13 Air Quality, Water Quality, Environmental Programs Administration, and Solid
14 and Hazardous Waste. I will discuss each O&M activity within each of these
15 major categories and the projected expenses later in my testimony.
16

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

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

20 The first, Sulfur (Line Item 1.1), reflects operational expenses
21 associated with the burning of low sulfur coal. This item refers to the flue gas
22 sulfur injection system needed to improve the collection efficiency of the Crist
23 Unit 7 electrostatic precipitator and is required due to the burning of low sulfur
24 coal at this unit pursuant to the sulfur dioxide requirements of the Clean Air
25

1 Act Amendments (CAAA). Due to the quality of the coal supply for Plant
2 Crist, there are no expenses projected to be incurred.

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 \$209,500

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 the recovery period is \$58,005.

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 \$4,128.

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 new
20 Continuous Emission Monitoring equipment (CEM) as required by the CAAA.
21 These expenses are incurred in response to the federal Environmental
22 Protection 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 projected to
25 occur during the recovery period for these activities total \$312,063

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 projected to occur during the recovery period for these activities
7 total \$582,539.

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 \$1,305,801 during the
13 recovery period.

14
15 Line Item 1.8, State NPDES Administration, was previously approved for
16 recovery in the ECRC and reflects expenses associated with annual fees for
17 Gulf's three generating facilities. These expenses are expected to be
18 \$34,500 during the recovery period.

19
20 Finally, Line Item 1.9, Lead and Copper Rule, was also previously approved
21 for ECRC recovery and reflects sampling, analytical and chemical costs
22 related to lead and copper in drinking water. These expenses are expected
23 to total \$8,000 during the recovery period.

24
25

1 Q. What activities are included in the Environmental Affairs Administration
2 Category?

3 A. Only one O&M activity is included in this category on Schedule 42-2P (Line
4 Item 1.10) of my exhibit. This Line Item refers to the Company's
5 Environmental Audit/Assessment function. This program is an on-going
6 compliance activity previously approved and is projected to incur expenses
7 totaling \$2,106 during the recovery period.

8

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

11 A. Only one program, General Solid and Hazardous Waste (Line Item 1.11), is
12 included in the Solid and Hazardous Waste category on Schedule 42-2P.
13 This activity involves the proper identification, handling, storage,
14 transportation and disposal of solid and hazardous wastes as required by
15 Federal and State regulations. This program is an on-going compliance
16 activity previously approved and is projected to incur incremental expenses
17 totaling \$1,034,322 during the recovery period.

18

19 Q. Are there any project or program expenditures resulting from either new or
20 more stringent environmental regulations which may significantly increase
21 O&M costs for the recovery period October 1, 1997 through September 30,
22 1998?

23 A. Yes, one category, General Solid and Hazardous Waste will be affected by
24 the implementation of a more stringent environmental regulation.
25 Specifically, Chapter 62-762 Florida Statutes, requires that existing

1 field-erected above ground storage tank systems for hazardous pollutants,
2 i.e., petroleum fuel products, be inspected for tank integrity and upgraded
3 with secondary containment by January 1, 2000. Each of Gulf's electric
4 generating plants will incur environmental expenses in order to comply with
5 this rule. We anticipate these expenses to be \$680,000 through the recovery
6 period which are included in Line item 1.11.
7

8 Q. How did you derive the O&M expenses the Company identified in
9 Ms. Cranmer's exhibits for consideration in the ECRC?

10 A. We have based this information on projected environmental expenses for the
11 recovery period October 1997 through September 1998, as shown on
12 Schedule 42-2P. This information was provided to Ms. Cranmer for her to
13 include in the calculation of the total revenue requirements.
14

15 Q. For the period October 1996 through September 1997, do you anticipate
16 significant variances in O&M expenses and if so, please explain these
17 variances.

18 A. With the exception of one category on Ms. Cranmer's schedule 42-4E, State
19 NPDES Administration (Line Item 1.8), all other categories have estimated
20 variances. Each category is discussed in more detail as follows:

21
22 Sulfur, (Line Item 1.1) has a projected variance of \$5,000. Service calls to
23 review system performance were responsible for the variance during the
24 period.
25

1 Air Emission Fees, (Line Item 1.2), has a projected variance of
2 (\$52,643). This variance is the result of a reduction of Gulf's proportionate
3 share of Plant Daniel's emission fees.

4
5 The projected (\$48,437) variance in Title V, (Line Item 1.3) is the result of
6 delays in receiving the Title V draft permit from the FDEP. The original
7 projection for October 1996 - September 1997 included expenses related to
8 the review of the draft permit. Gulf has not yet received the draft permit

9
10 Asbestos Fees, (Line Item 1.4) reflect a variance of (\$3,300). This variance
11 is the result of delays in plant projects and outages due to budget constraints
12 Therefore, the anticipated removal of Asbestos Containing Materials (ACM)
13 at the plants has been delayed

14
15 Emission Monitoring, (Line Item 1.5), has an expected variance of (\$33,137)
16 This variance is the result of an expected increase in contractor maintenance
17 for the continuous emission monitoring system (CEMs) during the period
18 which did not occur due to delays in finalizing the contract

19
20 The variance of (\$168,176) for General Water Quality (Line Item 1.6), is the
21 result of timing differences. Expenses for this program are expected to
22 increase later this year.

23
24 Groundwater Contamination Investigation (Line Item 1.7) reflects a variance
25 of \$412,576 for the period. The variance is due to timing, as site assessment

1 activities within this category have not yet begun. These site assessments
2 will commence later in the year.

3
4 Lead and Copper (Line Item 1.9), reflects a variance of (\$984) for the period
5 The variance results from reduced water consumption at our facilities,
6 specifically, the removal of certain water uses from the potable water supply.
7 The reduced potable water consumption resulted in a decrease in chemical
8 purchase costs which resulted in the variance.

9
10 Environmental Auditing and Assessment (Line Item 1.10) has a projected
11 variance of (\$3,940). This variance is the result of Gulf not performing any
12 audits/assessments during the period. These activities are scheduled for
13 later in the year.

14
15 General Solid & Hazardous Waste (Line Item 1.11) has a projected variance
16 of (\$40,054). This is due to fluctuations in the quantities of wastes requiring
17 handling and disposal, which are difficult to project.

18
19 Q. Are there any variances in recoverable costs related to capital investment
20 projects during the period?

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

23
24 Crist 5, 6 & 7 Precipitator Projects (Line Item 1.2) has a projected variance of
25 (\$49,523) for the period. This variance results from a past FPSC audit of

1 ECRC, which revealed that certain costs associated with these projects
2 should not have been capitalized. The agreed upon reduction in the plant-in-
3 service balance resulted in the variance.

4
5 The (\$8,175) variance in CEMS (Line Item 1.5) is the result of delays in the
6 installation of the Crist 6 & 7 flow monitor upgrade.

7
8 SO2 Allowances, (Line Item 1.16) has a projected variance of (\$112,719) due
9 to gains from the sale of withheld allowances from the EPA auction held
10 annually in March. These gains were not included in the projection filings

11
12 Q. Does this conclude your testimony?

13 A. Yes.

14

15

16

17

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25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)


Docket No. 970007-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 20th day of June, 1997.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

