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March 31, 2004

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

Enclosed for official filing in Docket No. 040007-EI are an original and ten copies of the following:

1. Prepared direct testimony of J. O. Vick.
2. Prepared direct testimony and exhibit of T. A. Davis.

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Ritenour".

lw

Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER-DATE

04163 APR-1 3

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery)
Clause)
_____)

Docket No. 040007-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 31~~st~~ day of March 2004 by U.S. Mail or hand delivery to the following:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENVIRONMENTAL COST RECOVERY
CLAUSE**

DOCKET NO. 040007-EI

**PREPARED DIRECT TESTIMONY
OF
JAMES O. VICK**

**FINAL TRUE-UP FILING
FOR THE PERIOD**

JANUARY 2003 – DECEMBER 2003

APRIL 1, 2004



DOCUMENT NUMBER-DATE

04163 APR-13

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 James O. Vick
Docket No. 040007-EI
April 1, 2004

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 Director 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 2003, I assumed my present position as Director of
22 Environmental Affairs.

23
24 Q. What are your responsibilities with Gulf Power Company?

25 A. As Director of Environmental Affairs, my primary responsibility is overseeing

1 the activities of the Environmental Affairs section to ensure the Company is,
2 and remains, in compliance with environmental laws and regulations, i.e.,
3 both existing laws and such laws and regulations that may be enacted or
4 amended in the future. In performing this function, I am responsible for
5 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. Mr. Vick, what is the purpose of your testimony?

12 A. The purpose of my testimony is to support Gulf Power Company's true-up for
13 the period from January 1, 2003 through December 31, 2003.

14
15 Q. Mr. Vick, please compare Gulf's recoverable environmental capital costs
16 included in the final true-up calculation for the period January 2003 through
17 December 2003 with the approved estimated true-up amounts.

18 A. As reflected in Ms. Davis' Schedule 6A, the recoverable capital costs
19 included in the estimated true-up total \$8,416,756, as compared to the actual
20 recoverable capital costs of \$8,409,779. This results in a variance of
21 (\$6,977).

22
23 Q. Please explain the capital project variance of (\$6,869) in Continuous
24 Emission Monitoring (Line Item 1.5).

25 A. This deviation resulted from postponing the Plant Crist Units 6&7 Continuous

1 Emission Monitoring (CEM) gas analyzer replacement project until 2004. The
2 project was delayed because the Unit 7 precipitator project construction could
3 have possibly damaged the new equipment. Delaying the installation of the
4 monitors will ensure that they are not damaged by current construction
5 activities.

6
7 Q. Please explain the variance of \$1,439 in the Crist DEP Project (Line Item
8 1.19)

9 A. The Crist DEP project qualified for Allowance for Funds Used During
10 Construction (AFUDC). The initial phase of the project was placed in service
11 ahead of schedule in December of 2003. At that time it was included in the
12 Environmental Cost Recovery Clause (ECRC). The remaining first phase is
13 projected to be placed in service during the first half of 2004. As pieces of
14 this project move into Plant In Service (PIS), they will be included in the
15 ECRC.

16
17 Q. How do the actual O&M expenses for the period January 2003 to December
18 2003 compare to the estimated true-up?

19 A. Mrs. Davis' Schedule 4A reflects that Gulf's recoverable environmental
20 O&M expenses for the current period were \$2,637,219, as compared to the
21 estimated true-up of \$2,900,377. This results in a year-end variance of
22 (\$263,158). I will address eight O&M projects and programs that contribute
23 to this variance.

24
25

1 Q. Please explain the variance of \$4,454 in Sulfur (Line Item 1.1).

2 A. Sulfur injection into the flue gas enhances the collection efficiency of the
3 Crist Unit 7 electrostatic precipitator when burning low sulfur coal. Sulfur use
4 is dependent on the quality and content of the fuel supply at Plant Crist.
5 Plant Crist used the sulfur injection system more than was originally
6 anticipated during 2003.

7
8 Q. Please explain the variance of (\$2,300) in Asbestos Fees (Line Item 1.4).

9 A. Gulf anticipated being required to submit additional asbestos notifications
10 during 2003 as a result of the renovations required for the Plant Crist Unit 7
11 precipitator project. These notifications were not necessary, and resulted in a
12 (\$2,300) deviation.

13
14 Q. Please explain the variance of (\$47,056) in Emission Monitoring (Line
15 Item 1.5).

16 A. Gulf anticipated that two Quality Assurance / Quality Control (QA/QC) tests
17 per unit would be required at Plants Smith and Daniel. Based on good
18 performance, greater than 7.5% relative accuracy, the testing frequency was
19 reduced to one annual test per unit. This reduced testing schedule resulted
20 in a deviation in the Emission Monitoring category.

21
22 Q. What caused the variance of (\$154,117) in the category entitled General
23 Water Quality (Line Item 1.9).

24 A. The Plant Smith State Pollution Discharge Elimination System (SPDES)
25 permit renewal was submitted during 2003. Gulf Power projected additional

1 expenses related to water quality issues prior to the Florida Department of
2 Environmental Protection (FDEP) issuing the permit. However, Gulf Power
3 did not incur any additional water quality expenses associated with the
4 SPDES permit renewal during 2003 resulting in a deviation in the General
5 Water Quality category.

6
7 Q. Please explain the variance of (\$3,920) in the category entitled Lead and
8 Copper Rule (Line Item 1.9).

9 A. This variance is due to chemical usage costs for corrosion control treatment
10 in the potable water system at Plants Crist and Smith being less than the
11 projected expenses.

12
13 Q. Please explain the variance of (\$41,735) in the category entitled General
14 Solid & Hazardous Waste (Line Item 1.11).

15 A. This variance resulted from waste removal and disposal costs at Gulf's
16 generating facilities being less than originally anticipated.

17
18 Q. Please explain the variance of (\$8,955) in the category entitled Above
19 Ground Storage Tanks (Line Item 1.12).

20 A. This deviation primarily resulted from postponing tank inspections from 2003
21 to 2004. The American Petroleum Institute 653 in-service tank inspections
22 required by Chapter 62-761, Florida Administrative Code, were postponed
23 from fourth quarter 2003 to first quarter 2004 due to scheduling conflicts with
24 the contractor. This deviation was offset by the costs required to coat the
25 sulfuric acid tank concrete containment at Plant Smith. These coating costs

1 were not included in the 2003 projection.

2

3 **Q.** Please explain the variance of \$3,153 in Sodium Injection (Line Item 1.16).

4 **A.** The expenses that Gulf incurs for this program are dependent on the
5 available coal supply and the necessity for sodium injection. The necessity for
6 sodium injection based on the current coal supply was more than what was
7 anticipated for the projection period.

8

9 **Q.** Does this conclude your testimony?

10 **A.** Yes.

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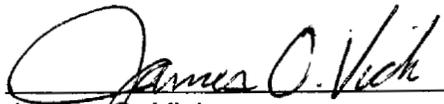
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STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

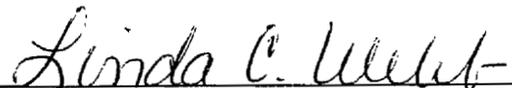
Docket No. 040007-EI

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

Sworn to and subscribed before me this 29th day of March, 2004.



Notary Public, State of Florida at Large

Commission Number: 110088

Commission Expires: May 31, 2006



LINDA C. WEBB
Notary Public-State of FL
Comm. Exp: May 31, 2006
Comm. No: DD 110088