

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

ORIGINAL



August 2, 2007

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

RECEIVED-FPSC
07 AUG -3 AM 9:01
COMMISSION
CLERK

Dear Ms. Cole:

Re: Environmental Cost Recovery Clause Estimated True-Up

Enclosed for official filing in Docket No. 070007-EI are an original and fifteen copies of the following:

1. Prepared direct testimony of J. O. Vick. 06657-07
2. Prepared direct testimony and exhibit of R. J. Martin. 06658-07

Sincerely,

Susan D. Ritenour

CMP _____

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Enclosures

OPC _____

RCA 4

cc w/encl.: Beggs & Lane

SCR _____

Jeffrey A. Stone, Esq.

SGA _____

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SEC _____

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DOCUMENT NUMBER - DATE

06657 AUG-3 5

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: **Environmental Cost**)
Recovery Clause)
_____)

Docket No.: **070007-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing has been furnished this 2ND day of August, 2007, by regular U. S. Mail to the following:

Martha Carter Brown, Esq.
Senior Counsel
FL Public Service Comm.
2540 Shumard Oak Blvd.
Tallahassee FL 32399-0850

John W. McWhirter, Jr., Esq.
McWhirter Reeves & Davidson
400 N Tampa St., Suite 2450
Tampa FL 33602

Paula K. Brown, Administrator
Regulatory Coordination
Tampa Electric Company
P. O. Box 111
Tampa FL 33601

John T. Butler, Esq.
Florida Power & Light Company
700 Universe Boulevard
Juno Beach FL 33408-0420

Lee L. Willis, Esq.
James D. Beasley, Esq.
Ausley & McMullen
P. O. Box 391
Tallahassee FL 32302

Cheryl Martin
Florida Public Utilities Company
P. O. Box 3395
West Palm Beach FL 33402-3395

Patricia Ann Christensen, Esq.
Office of Public Counsel
111 W. Madison St., Room 812
Tallahassee FL 32399-1400

John T. Burnett, Esq.
R. Alexander Glenn, Esq.
Progress Energy Service Co.
P. O. Box 14042
St. Petersburg FL 33733-4042

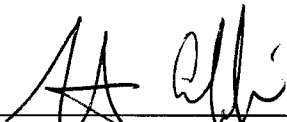
Gary V. Perko, Esq.
Virginia C. Dailey, Esq.
Hopping Green & Sams
P. O. Box 6526
Tallahassee FL 32314

Paul Lewis, Jr.
Progress Energy Florida, Inc.
106 E. College Ave., Ste. 800
Tallahassee FL 32301-7740

William G. Walker, III
Florida Power & Light Co.
215 South Monroe St., Suite 810
Tallahassee FL 32301-1859

Norman H. Horton, Jr., Esq.
Messer, Caparello & Self, P.A.
P. O. Box 15579
Tallahassee FL 32317

R. Wade Litchfield, Esq.
Florida Power & Light Company
700 Universe Boulevard
Juno Beach FL 33408-0420



JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 007455
STEVEN GRIFFIN
Florida Bar No. 0627569
BEGGS & LANE
P. O. Box 12950
Pensacola FL 32591-2950
(850) 432-2451
Attorneys for Gulf Power Company

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENVIRONMENTAL COST RECOVERY
CLAUSE**

DOCKET NO. 070007-EI

PREPARED DIRECT TESTIMONY
OF
JAMES O. VICK

ESTIMATED TRUE-UP FILING
FOR THE PERIOD

JANUARY 2007 – DECEMBER 2007

AUGUST 3, 2007



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

06657 AUG-30

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2
3 Before the Florida Public Service Commission

4 Prepared Direct Testimony of

5 James O. Vick

6 Docket No. 070007-EI

7 August 3, 2007

8

9 Q. Please state your name and business address.

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

12
13 Q. By whom are you employed and in what capacity?

14 A. I am employed by Gulf Power Company as the Director of Environmental
15 Affairs.

16
17 Q. Mr. Vick, will you please describe your education and experience?

18 A. I graduated from Florida State University, Tallahassee, Florida, in 1975 with a
19 Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's
20 Degree in Civil Engineering from the University of South Florida in Tampa,
21 Florida. In addition, I have a Masters of Science Degree in Management
22 from Troy State University, Pensacola, Florida. I joined Gulf Power Company
23 in August 1978 as an Associate Engineer. I have since held various
24 engineering positions with increasing responsibilities such as Air Quality
25 Engineer and Senior Environmental Licensing Engineer. In 2003, I assumed

1 my present position as Director of Environmental Affairs.

2
3 Q. What are your responsibilities with Gulf Power Company?

4 A. As Director of Environmental Affairs, my primary responsibility is
5 overseeing the activities of the Environmental Affairs section to ensure the
6 Company is, and remains, in compliance with environmental laws and
7 regulations, i.e., both existing laws and such laws and regulations that may
8 be enacted or amended in the future. In performing this function, I am
9 responsible for numerous environmental activities.

10
11 Q. Are you the same James O. Vick who has previously testified before this
12 Commission on various environmental matters?

13 A. Yes.

14
15 Q. Mr. Vick, what is the purpose of your testimony?

16 A. The purpose of my testimony is to support Gulf Power Company's estimated
17 true-up for the period from January 1, 2007 through December 31, 2007.
18 This true-up is based on six months of actual data and six months of
19 estimated data.

20
21 Q. Mr. Vick, please compare Gulf's recoverable environmental capital costs
22 included in the estimated true-up calculation for the period January 1, 2007
23 through December 31, 2007 with approved projected amounts.

24 A. As reflected in Ms. Martin's Schedule 6E, the recoverable capital
25 costs approved in the original projection total \$36,627,609, as compared

1 to the estimated true-up amount of \$33,857,505. This results in a projected
2 variance of (\$2,770,104). There are eight capital projects and programs that
3 contributed to the majority of this variance: Crist 5, 6, & 7 Precipitator
4 Projects; Smith Stormwater Collection System; Crist FDEP Agreement for
5 Ozone Attainment; Crist Stormwater Collection System; Plant Groundwater
6 Investigation; Crist Condenser Tubes; CAIR/CAMR/CAVR Compliance
7 Program, and finally, SO₂ allowances. The variances for these projects are
8 discussed below.

9
10 Q. Please explain the capital project variance of (\$105,629) in Crist 5, 6 & 7
11 Precipitator Projects (Line Item 1.2).

12 A. The Crist Precipitator Projects, Line Item 1.2, deviation resulted from a
13 decrease in the dismantlement accrual and depreciation rate for Plant Crist.
14 Gulf's revised depreciation rates and dismantlement accruals were approved
15 in FPSC Order No. PSC-07-0012-PAA-EI issued January 2, 2007, in Docket
16 No. 050381-EI. The implementation date of the new depreciation rates and
17 dismantlement accruals was January 1, 2007. The 2007 projection filing was
18 based on depreciation rates approved in FPSC Order No. PSC-06-0348-
19 PAA-EI that became effective on January 1, 2006.

20
21 Q. Please explain the variance of (\$36,760) in the capital category entitled Smith
22 Stormwater Collection System (Line Item 1.14).

23 A. The variance in Line Item 1.14, Smith Stormwater Collection System, is
24 primarily due to a decrease in the depreciation rate for Plant Smith. Gulf's
25 amended depreciation rates were approved in FPSC Order No. PSC-07-

1 0012-PAA-EI issued January 2, 2007, in Docket No. 050381-EI. The
2 implementation date of the new depreciation rates was January 1, 2007. The
3 2007 projection filing was based on depreciation rates approved in FPSC
4 Order No. PSC-06-0348-PAA-EI that became effective on January 1, 2006.

5
6 Q. Please explain the variance of (\$913,605) in the capital category entitled Crist
7 FDEP Agreement for Ozone Attainment (Line Item 1.19).

8 A. The variance in the FDEP Agreement line item is primarily due to the
9 decrease in the dismantlement accrual and depreciation rate for Plant Crist.
10 The Crist Unit 6 SCR catalyst retirement was also greater than originally
11 anticipated. Gulf projected that a half layer of catalyst would need to be
12 retired; however, a complete layer was replaced.

13
14 Q. Please explain the \$34,393 variance in Crist Stormwater Collection System
15 (Line Item 1.20).

16 A. Construction of the Crist Switchyard Stormwater project was delayed during
17 2006 due to additional design modifications that were needed to connect the
18 new stormwater sump to the existing piping system. The sump discharge
19 structure and bottom were lowered to accommodate the existing underground
20 stormwater piping. These design modifications increased the total project
21 cost, resulting in a higher beginning of period investment balance than
22 originally anticipated. The delays also resulted in expenditures carrying over
23 into 2007 that were not projected.

1 Q. Please explain the (\$24,082) variance in the Plant Groundwater Investigation
2 (Line Item 1.23).

3 A. The Line Item 1.23 variance resulted from postponing the Plant Scholz
4 Groundwater Investigation project and canceling the Plant Crist project. The
5 Plant Scholz project has been delayed until Gulf receives Florida Department
6 of Environmental Protection's formal response to the Plant Scholz
7 groundwater study. The Plant Crist project has been removed from the 2007
8 projection because Gulf has been released from any remedial action at this
9 site.

10
11 Q. Please explain the (\$290,590) variance in Crist Condenser Tubes (Line Item
12 1.25).

13 A. The variance in Line Item 1.25, Crist Condenser Tubes, is primarily due to a
14 lower beginning of period investment balance than originally projected. The
15 2006 expenditures were less than Gulf projected in the 2006 Estimated True-
16 Up filing because charges for additional repair work required in conjunction
17 with the condenser tube installation were lower than expected. In addition,
18 Plant Crist's revised depreciation rate approved in FPSC Order No. PSC-07-
19 0012-PAA-EI issued January 2, 2007 was lower than the rate included in the
20 2007 projection filing.

21
22 Q. Please explain the (\$1,265,943) variance in the CAIR/CAMR/CAVR
23 Compliance Program (Line Item 1.26).

24 A. The variance in the CAIR/CAMR/CAVR Compliance Program is primarily due
25 to the cost of the Unit 7 cooling tower relocation being less than originally

1 anticipated, the Crist 7 cooling tower being included in the Environmental
2 Cost Recovery Clause beginning in June 2007 rather than in May 2007 as
3 originally projected, and delays in the Plant Smith Selective Non-Catalytic
4 Reduction (SNCR) projects. The Crist Unit 7 Cooling Tower expenditures
5 were approximately 11% less than Gulf's initial cost projection because the
6 successful bid to furnish and erect the tower was less than expected. The
7 original budgetary estimate was based on the cost of similar cooling tower
8 installations. Engineering and design for the Plant Smith SNCRs will begin
9 during 2007, although Gulf will not begin receiving materials during 2007 as
10 originally planned. The actual cost to relocate sections of existing
11 transmission lines was also less than originally projected. The 2007 budget
12 for the transmission line relocations was based on a conservative estimate
13 provided prior to completing the project design.

14
15 Q. Please explain the (\$140,871) variance in SO₂ Allowances in Line Item 1.28.

16 A. The average net working capital balance for the SO₂ Allowances project was
17 lower than anticipated, resulting in a lower return on working capital, because
18 more allowances were surrendered due to burning a higher sulfur coal.

19
20 Q. How do the estimated/actual O&M expenses compare to the original
21 projection?

22 A. Ms. Martin's Schedule 4E reflects that Gulf's recoverable environmental O&M
23 expenses for the current period are now estimated to be \$17,849,512 as
24 compared to the original projection of \$13,246,963. This will result in a year-
25 end variance of \$4,602,549. There are six O&M projects and programs that

1 contributed to the majority of this variance that I will discuss: Emission
2 Monitoring; General Water Quality; General Solid and Hazardous Waste;
3 Sodium Injection; FDEP NOx Reduction Agreement; and SO₂ Allowances.
4

5 Q. Please explain the (\$99,692) variance in Emission Monitoring (Line Item 1.5).

6 A. The emission monitoring maintenance and relative accuracy test audit
7 (RATA) expenses were less than originally projected. Fewer RATA tests
8 were required than originally expected. In addition, the 2006 maintenance
9 contract was extended for one year at the current rate which reduced the
10 2007 maintenance expenses from the original projection that had assumed
11 an increase in the rate.
12

13 Q. Please explain the variance of (\$141,066) in the category entitled General
14 Water Quality (Line Item 1.6).

15 A. The General Water Quality variance primarily resulted from delaying portions
16 of the Cooling Water Intake Program and reducing the Surface Water
17 Sampling Program O&M expenses. The scope of Gulf's 2007 Cooling Water
18 Intake Program biological sampling and data collection plan was reduced
19 after EPA's March 2007 announcement that the rule it adopted pursuant to
20 Section 316(b) of the Clean Water Act should be considered suspended.
21 Gulf's expenses associated with the surface water sampling studies were
22 also lower than originally projected because Gulf was able to conduct a larger
23 portion of these studies in-house than was expected at the time our
24 projection was prepared.
25

1 Q. Please explain the variance of \$67,505 in General Solid and Hazardous
2 Waste (Line Item 1.11).

3 A. This variance resulted from waste removal and disposal costs for Plant Crist
4 and Plant Smith being more than originally anticipated. Both plants
5 conducted source removal and assessment activities during the January to
6 June 2007 period in response to releases from registered aboveground
7 storage tanks. The amount of solid and hazardous waste generated varies
8 from one period to the next.

9
10 Q. Please explain the variance of (\$63,469) in Sodium Injection (Line Item 1.16).

11 A. The expenses that Gulf incurs for this program are dependent on the
12 available coal supply and the necessity for sodium injection. The need for
13 sodium injection was less than what was anticipated for Plants Crist and
14 Smith during the January through June 2007 period because the coal supply
15 had a higher sodium content than originally projected.

16
17 Q. Please explain the variance of (\$100,267) in Line Item 1.19, FDEP NOx
18 Reduction Agreement.

19 A. The FDEP NOx Reduction Agreement (Line Item 1.19) includes the cost of
20 anhydrous ammonia, urea, air monitoring, and general operation and
21 maintenance expenses related to the activities undertaken in connection with
22 the Plant Crist FDEP Agreement for Ozone Attainment. The variance in this
23 line item is primarily due to anticipated reductions in the amount of chemical
24 usage as a result of the units being out of service during the Fall 2007
25 maintenance outages.

1 Q. Please explain the \$4,914,009 variance in SO₂ allowances in Line Item 1.20.

2 A. The January through June 2007 SO₂ Allowance variance resulted from
3 burning higher sulfur coal. Less low sulfur coal was purchased than originally
4 anticipated and, therefore, more allowances were surrendered in the period
5 than had been projected. Gulf expects to continue burning a higher sulfur
6 coal, causing more allowances to be utilized than originally projected for the
7 remainder of 2007.

8

9 Q. Does this conclude your testimony?

10 A. Yes.

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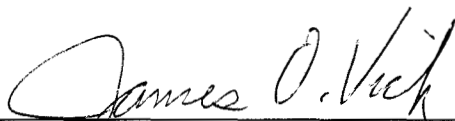
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STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

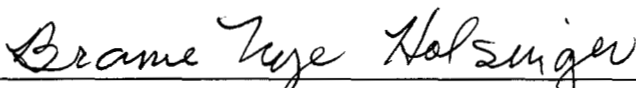
Docket No. 070007-EI

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 Florida 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 2nd day of August, 2007.



Notary Public, State of Florida at Large

Commission Number: DD 401210

Commission Expires: April 10, 2009

