

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

 In the Matter of : DOCKET NO. 960007-EI
 Environmental Cost :
 Recovery Clause. :

PROCEEDINGS: HEARING

BEFORE: COMMISSIONER J. TERRY DEASON
 COMMISSIONER JULIA L. JOHNSON
 COMMISSIONER DIANE K. KIESLING

DATE: Wednesday, February 21, 1996

TIME: Commenced at 9:30 a.m.
 Concluded at 9:46 a.m.

PLACE: Betty Easley Conference Center
 Room 148
 4075 Esplanade Way
 Tallahassee, Florida

REPORTED BY: ROWENA NASH HACKNEY
 Official Commission Reporter



1 **APPEARANCES:**

2 **JEFFREY A. STONE**, Beggs & Lane, P. O. Box
3 12950, Pensacola, Florida 32576-2950, Telephone No.
4 (904) 432-2451, appearing on behalf of **Gulf Power**
5 **Company.**

6 **VICKI GORDON KAUFMAN**, McWhirter, Reeves,
7 McGlothlin, Davidson and Bakas, 315 South Calhoun
8 Street, Suite 716, Tallahassee, Florida 32301,
9 Telephone No. (904) 222-2525, appearing on behalf of
10 **Florida Industrial Power Users Group.**

11 **JOHN ROGER HOWE**, Deputy Public Counsel,
12 Office of Public Counsel, 111 West Madison Street,
13 Room 812, Tallahassee, Florida 32399-1400, Telephone
14 No. (904) 488-9330, appearing on behalf of the
15 **Citizens of the State of Florida.**

16 **VICKI D. JOHNSON**, Florida Public Service
17 Commission, Division of Legal Services, 2540 Shumard
18 Oak Boulevard, Tallahassee, Florida 32399-0870,
19 Telephone No. (904) 413-6199, appearing on behalf of
20 **the Commission Staff.**

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I N D E X

MISCELLANEOUS

3	WITNESS	PAGE NO.
4	B. T. BIRKETT	7
5	Prefiled direct testimony inserted into the record by stipulation	
6	W. M. REICHEL	20
7	Prefiled direct testimony inserted into the record by stipulation	
8	J. O. VICK	24
9	Prefiled direct testimony inserted into the record by stipulation	
10	S. D. CRANMER	40
11	Prefiled direct testimony inserted into the record by stipulation	
12	CERTIFICATE OF REPORTER	67
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EXHIBITS

17	NUMBER	ID.	ADMTD.
18	1 (BTB-1)	6	6
19	2 (BTB-2)	6	6
20	3 (BTB-3)	6	6
21	4 (SDC-1)	6	6
22	5 (SDC-2)	6	6
23			
24			
25			

1 P R O C E E D I N G S

2 (Hearing convened at 10:43.m.)

3 COMMISSIONER DEASON: We'll go ahead and
4 call the hearing to order. We'll begin with having
5 the notice read, please.6 MS. ERSTLING: This time and place was
7 noticed for a hearing in Dockets 960001-EI, Fuel and
8 Purchased Power Cost Recovery Clause and Generating
9 Performance Incentive Factor. Docket No. 960002-EG,
10 Conservation Cost Recovery Clause, Docket
11 No. 960003-GU, Purchased Gas Adjustment, and Docket
12 No. 960007-EI, Environmental Cost Recovery Clause on
13 January 18, 1996.14 COMMISSIONER DEASON: Thank you. We'll take
15 appearances.16 MR. STONE: Commissioners, I'm Jeffrey A.
17 Stone, of the law firm Beggs & Lane, P.O. Box 12950,
18 Pensacola, Florida 32576, representing Gulf Power
19 Company in Docket No. 960001, 960002, and 960007.20 MR. HOWE: Commissioners, I'm Roger Howe
21 with the Office of Public Counsel, appearing on behalf
22 of the Citizens of the State of Florida in the 01, 02,
23 03, and 07 dockets.24 MS. KAUFMAN: Vicki Gordon Kaufman of the
25 law firm McWhirter, Reeves, McGlothlin, Davidson, Rief

1 and Bakas, 117 South Gadsen Street, Tallahassee 32301.
2 I am appearing on behalf of the Florida Industrial
3 Power Users Group in the 01, 02, and 07 dockets.

4 MS. ERSTLING: Sheila Erstling appearing for
5 Staff in 960002 docket, and Sheila L. Erstling and
6 Beth Culpepper appearing for Staff in 960003 docket.

7 MS. JOHNSON: Vicki Johnson appearing for
8 Staff in Dockets 01 and 07. Lorna Wagner is also
9 making an appearance in Docket 01.

10 COMMISSIONER DEASON: Okay, thank you.
11 Ms. Erstling, I understand that we have two dockets
12 that have been completely stipulated. Is that
13 correct?

14 MS. ERSTLING: That's correct, Dockets
15 960003 and 0007 have been fully stipulated.

16 * * * * *

17 COMMISSIONER DEASON: We will now proceed
18 into the 07 docket. Likewise in the 07 docket, all
19 issues have been stipulated and consistent with the
20 stipulation and the discussion at the prehearing
21 conference. The prefiled direct testimony of all
22 witnesses as shown on Page 4 of that order will be
23 inserted in the record as though read, correct?

24 MS. JOHNSON: That's correct. Staff so
25 moves that testimony and those exhibits.

1 COMMISSIONER DEASON: And Staff moves the
2 testimony of those witnesses. Show that that
3 testimony will be inserted into the record as though
4 read. And we need to identify the prefiled exhibits
5 attached to that testimony. And those exhibits shown
6 on Pages 11 and 12 of the Prehearing Order. That
7 would be Exhibit 1 through 5; is that correct?

8 MS. JOHNSON: That is correct.

9 COMMISSIONER DEASON: Show that those
10 exhibits will be identified as Exhibits 1 through 5
11 and consistent with the stipulation. Those exhibits
12 will be admitted into the record without objection.
13 Into and the issues are numbered 1 through 11C.

14 (Exhibit Nos. 1 through 11C marked for
15 identification and received in evidence.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**FLORIDA POWER & LIGHT COMPANY****TESTIMONY OF BARRY T. BIRKETT****DOCKET NO. 950007-EI****November 17, 1995**

1 **Q. Please state your name and address.**

2 A. My name is Barry T. Birkett and my business address is 9250 West Flagler
3 Street, Miami, Florida, 33714.

4

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

6 A. I am employed by Florida Power & Light Company (FPL) as the Manager
7 of Rates and Tariff Administration.

8

9 **Q. Have you previously testified in this docket?**

10 A. Yes, I have.

11

12 **Q. What is the purpose of your testimony?**

13 A. The purpose of my testimony is to present for Commission review and
14 approval the Environmental Compliance Costs associated with our Envi-
15 ronmental Compliance activities for the period April 1995 through Septem-

1 ber 1995.

2

3 **Q. Have you prepared or caused to be prepared under your direction,**
4 **supervision or control an exhibit in this proceeding?**

5 A. Yes, I have. It consists of eight forms. Form 42-1A reflects the final true-
6 up to be carried forward to the April 1996 - September 1996 period, Form
7 42-2A consists of the final true-up calculation for the period, Form 42-3A
8 consists of the calculation of the interest Provision for the period, Form 42-
9 4A reflects the calculation of variances between actual and projected costs
10 for O & M Activities, Form 42-5A presents a summary of actual monthly
11 costs for the period for O & M Activities, Form 42-6A reflects the calcula-
12 tion of variances between actual and projected costs for Capital Invest-
13 ment Projects, Form 42-7A presents a summary of actual monthly costs
14 for the period for Capital Investment Projects and Form 42-8A consists of
15 the calculation of depreciation expense and return on capital investment.

16

17 **Q. What is the source of the data which you will present by way of**
18 **testimony or exhibits in this proceeding?**

19 A. Unless otherwise indicated, the actual data is taken from the books and
20 records of FPL. The books and records are kept in the regular course of
21 our business in accordance with generally accepted accounting principles
22 and practices, and provisions of the Uniform System of Accounts as
23 prescribed by this Commission.

1 **Q. What is the actual true-up amount which FPL is requesting for the**
2 **April 1995 through September 1995 period?**

3 A. FPL has calculated and is requesting approval of an overrecovery of
4 \$316,672 as the actual true-up amount for the period.

5

6 **Q. What is the adjusted net true-up amount which FPL is requesting for**
7 **the April 1995 through September 1995 period which is to be carried**
8 **over and refunded in the April 1996 through September 1996 period?**

9 A. FPL has calculated and is requesting approval of an overrecovery of
10 \$583,626 as the adjusted net true-up amount for the period. The adjusted
11 net true-up of an overrecovery of \$583,626 is the difference between the
12 actual true-up of an overrecovery of \$316,672 and the estimated/actual
13 true-up of an underrecovery of \$266,954 approved by the Commission at
14 the August 1995 hearing. This is shown on Form 42-1A.

15

16 **Q. Is this true-up calculation consistent with the true-up methodology**
17 **used for the other cost recovery clauses?**

18 A. Yes, it is. The calculation of the true-up amount follows the procedures
19 established by this Commission as set forth on Commission Schedule A-2
20 "Calculation of True-Up and Interest Provisions" for the Fuel Cost Recov-
21 ery Clause.

22

23 **Q. Are all costs listed in Forms 42-4A through 42-7A attributable to**

1 Environmental Compliance projects approved by the Commission?

2 A. Yes they are.

3

4

5 Q. How did actual expenditures for April 1995 through September 1995
6 compare with FPL's project projections as presented in previous
7 testimony and exhibits?

8

9 A. Overall, costs were \$485,748 lower than projected. The largest variances
10 were associated with the following projects:

11

12 1. CONTINUOUS EMISSION MONITORING SYSTEMS - O & M
13 Project expenditures were \$86,236 less than projected. This
14 variance was due primarily to slower than anticipated purchases of
15 gases and spare parts.

16

17 2. CLEAN CLOSURE EQUIVALENCY DEMONSTRATION (CCED) -
18 O&M
19 Project expenditures were \$69,015 less than projected. This
20 variance is due to delays in the schedule caused by resource
21 constraints and additional time required for resolution of technical
22 issues being negotiated with the EPA. In August 1995, all new
23 CCED activities were suspended pending a final decision from the

1 FDEP in response to FPL's request for RCRA status change.
2 Work continued only on those activities which were near comple-
3 tion, such as report preparation.

4

5 3. MAINTENANCE OF STATIONARY ABOVE GROUND FUEL
6 STORAGE TANKS - O & M

7 Project expenditures were \$112,650 less than projected. The
8 variance was due to changes in the timing of the work undertaken.

9

10 4. MAINTENANCE OF STATIONARY ABOVE GROUND FUEL
11 STORAGE TANKS - SPILL ABATEMENT

12 Project expenditures were \$41,996. The scope of the program
13 under the Environmental Cost Recovery Clause for maintenance
14 of stationary above ground fuel storage tank was amended in the
15 last filing to the Public Service Commission to include the clean up
16 of fuel oil discharges, therefore a projection was not available
17 during the last projection filing.

18

19 5. LOW LEVEL WASTE ACCESS FEES

20 Project expenditures were \$230,314 less than projected. This is
21 due to the continued progress made by FPL in reducing the volume
22 of low level waste shipped and the reversal of the first and second
23 quarter of 1995 accruals for Low Level Waste Regional Access
24 Fees.

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6. RCRA CORRECTIVE ACTION - O & M

Project expenditures were \$82,844 less than projected. This variance was due to a reduction in work scope at the Putnam site (ie., less contaminated soil removal required than originally estimated).

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF BARRY T. BIRKETT

DOCKET NO. 950007-EI

JANUARY 22, 1996

1 Q. Please state your name and address.

2 A. My name is Barry T. Birkett and my business address is 9250 West Flagler
3 Street, Miami, Florida, 33714.

4

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

6 A. I am employed by Florida Power & Light Company (FPL) as the Manager
7 of Rates and Tariff Administration.

8

9 Q. Have you previously testified in this docket?

10 A. Yes, I have.

11

12 Q. What is the purpose of your testimony in this proceeding?

13 A. The purpose of my testimony is to present for Commission review and
14 approval proposed Environmental Cost Recovery Clause (ECRC) factors
15 for the April 1996 through September 1996 billing period, including the costs

1 to be recovered through the clause. In addition, I am presenting the estimat-
2 ed/actual costs for the October 1995 through March 1996 period together
3 with an explanation of significant project variances.

4
5 **Q. Is this filing by FPL in compliance with Order No. PSC-93-1580-FOF-EI,**
6 **issued in Docket No. 930661-EI?**

7 A. Yes, it is. The costs being submitted for recovery for the projected period
8 are consistent with that order. The costs reflected in the true-up amount
9 are those approved for recovery by the Commission in Order No. PSC-95-
10 1051-FOF-EI dated August 24, 1995.

11
12 **Q. Have you prepared or caused to be prepared under your direction,**
13 **supervision or control an exhibit in this proceeding?**

14 A. Yes, I have. It consists of fifteen forms. Form 42-1P summarizes the costs
15 being presented for recovery at this time, Form 42-2P reflects the total
16 jurisdictional recoverable costs for O&M activities, Form 42-3P reflects the
17 total jurisdictional recoverable costs for capital investment projects, Form
18 42-4P consists of the calculation of depreciation expense and return on
19 capital investment, Form 42-5P gives the description and progress of
20 environmental compliance activities and projects to be recovered through
21 the clause for the projected period, Form 42-6P reflects the calculation of
22 the energy and demand allocation percentages by rate class and 42-7P
23 reflects the calculation of the ECRC factors. In addition, Forms 42-1E

1 Q. Are all costs listed in Forms 42-1P through 42-7P attributable to
2 Environmental Compliance projects previously approved by the
3 Commission?

4 A. Yes they are, with the exception of the St. Lucie Plant Sea Turtle Barrier
5 Capital project reflected on Form 42-3P, line 1-16. This new project is dis-
6 cussed in the testimony of William M. Reichel.

7
8 Q. Please describe Form 42-6P.

9 A. Form 42-6P calculates the allocation factors for demand and energy at
10 generation. The demand allocation factors are calculated by determining
11 the percentage each rate class contributes to the monthly system peaks.
12 The energy allocators are calculated by determining the percentage each
13 rate contributes to total kWh sales, as adjusted for losses, for each rate
14 class.

15
16 Q. Please describe Form 42-7P.

17 A. Form 42-7P presents the calculation of the proposed ECRC factors by rate
18 class.

19
20 Q. How do the estimated/actual project expenditures for October 1995
21 through March 1996 period compare with the original projection?

22 A. Form 42-4E shows that total O&M activities were \$2,107,797 greater than
23 projected and Form 42-6E shows that total capital investment projects were

1 \$106,727 greater than projected. The largest variances were associated
2 with the following projects:

3

4 **1. Air Operating Permit Fees - O&M**

5 Project expenditures are estimated to be \$109,780 lower than originally
6 projected. This variance is a result of higher usage than projected of FPL's
7 combined cycle plants burning natural gas, which results in lower SO2
8 emissions and consequently lower air operating permit fees.

9

10 **2. Continuous Emission Monitoring Systems - O & M**

11 Project expenditures are estimated to be \$158,421 greater than previously
12 projected. This variance is due to additional software requirements that
13 were not originally anticipated.

14

15 **3. Clean Closure Equivalency Demonstration (CCED) - O&M**

16 Project expenditures are estimated to be \$95,875 lower than previously
17 projected. This variance is due to termination of the requirement. Work has
18 continued only on those activities which were near completion, such as
19 report/petition preparation for the St. Lucie Plant CCED and the reports on
20 the third and fourth quarter groundwater sampling activities at the Cape
21 Canaveral and Port Everglades Plants.

22

23 **4. Maintenance of Stationary Above Ground Fuel Storage Tanks -**

1 scheduled.

2

3 **8. Continuous Emission Monitoring System (CEMS) - Capital**
4 Depreciation and Return are estimated to be \$82,495 greater than
5 previously projected. This variance is due to late vendor activities and
6 invoicing delays which resulted in more AFUDC (Allowance for Funds Used
7 During Construction) expenditures than originally projected.

8

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

10 **A.** Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**FLORIDA POWER & LIGHT COMPANY****TESTIMONY OF W. M. REICHEL****DOCKET NO. 950007-EI****JANUARY 22, 1996**

1 Q. Please state your name.

2 A. My name is William M. Reichel and my business address is 700 Universe
3 Boulevard, Juno Beach, Florida 33408.

4

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

6 A. I am employed by Florida Power & Light Company (FPL) as the Manager of
7 Operations Services in the Power Generation Business Unit.

8

9 Q. Have you previously testified in this docket?

10 A. Yes, I have.

11

12 Q. What is the purpose of your testimony?

13 A. The purpose of my testimony is to submit for Commission review and approval a
14 description of one new environmental compliance activity, the St. Lucie Plant Turtle
15 Net. In addition, I am providing a project description, progress status and

1 projected expenditures for each environmental compliance activity.

2
3 **Q. Please generally describe the scope of this compliance activity.**

4 **A.** FPL will be required to install a new 5-inch mesh barrier net in the intake canal of
5 the St. Lucie power plant. This new net will supplement the existing 8-inch mesh
6 barrier net in the intake canal. The purpose of these nets is to capture sea turtles
7 that may become entrained in the ocean intake water for the cooling of the plant
8 to ensure that they are not drawn into the plant's cooling system and where they
9 could be killed or injured.

10
11 **Q. Can you describe the law or regulation requiring this net?**

12 **A.** Sea turtles have been designated as "endangered or threatened species" pursuant
13 to the federal Endangered Species Act. Section 7 of the Endangered Species Act
14 requires federal agencies to consult with either the Department of the Interior or
15 the Department of Commerce to ensure that their activities are not likely to
16 jeopardize the continued existence of any endangered or threatened species.

17
18 Over the history of the operation of FPL's St. Lucie nuclear power plant,
19 endangered or threatened sea turtles have been entrained in the ocean intake
20 water and confined by an 8-inch mesh net erected in the intake canal. This
21 confinement ensures that they are not drawn into the plant's intake wells where
22 they may be injured or killed. In this confined area, the turtles are captured,
23 tagged and then returned to the ocean. (The existing net was installed several
24 years prior to establishment of the Environmental Cost Recovery Clause.) Prior

1 to 1991, the number of such captures was approximately 150 sea turtles per year.
2 Since that time the number has increased significantly to approximately 600-800
3 turtles per year. Prompted by concern over the effects of continued plant
4 operation on this large number of endangered species, and pursuant to the
5 requirements of Section 7 of the Endangered Species Act, the Nuclear Regulatory
6 Commission, as the permit-issuing federal agency overseeing operation of the
7 plant, requested a consultation from the National Marine Fisheries Service (NMFS)
8 of the Department of Commerce. The NMFS has recommended that a new 5-inch
9 mesh barrier net be erected and maintained on a periodic basis, in addition to the
10 existing 8-inch mesh barrier net. The smaller mesh size of the new net will allow
11 the capture of most of the smaller-sized turtles that might pass through the existing
12 8-inch mesh net. The new net would be installed in front of the existing net to
13 reduce the area of the canal where capture operations are performed. This should
14 increase the efficiency of that work and decrease the amount of time turtles will be
15 in the canal. The existing net will primarily be a back-up for the new net in the
16 event the new net needs to be lowered due to incoming debris that may clog it.

17
18 This recommendation will be reflected as a new condition in either the Nuclear
19 Regulatory Commission's operating license for the plant or the Florida Department
20 of Environmental Protection's sea turtle handling permit.

21
22 **Q. What are the projected expenditures associated with this compliance activity?**

23 **A.** Although there will be a requirement to inspect the new net on a quarterly basis,
24 along with the existing net, and to clean and undertake repair or replacement as

1 necessary to ensure its integrity, these O&M expenditures are not expected to be
2 incrementally significant beyond the current O&M costs for the existing net.
3 Capital expenditures are estimated to total approximately \$600,000, including
4 direct charges and overheads. The project was placed "in-service" on December
5 28, 1995.

6
7 **Q. Are you sponsoring any exhibits?**

8 **A.** Yes, I am cosponsoring Appendix I which provides detailed information concerning
9 all the projects.

10
11 **Q. Does this conclude your testimony?**

12 **A.** Yes, it does.

GULF POWER COMPANY

24

Before the Florida Public Service Commission
Prepared Direct Testimony of
James O. Vick
Docket No. 950007-EI
Date of Filing: November 17, 1995

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5 Q. Please state your name and business address.

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

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 September 30, 1995. 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 environmental capital recoverable costs included in the true-
18 up calculation for the period April through September 1995 with the approved
19 project amounts.

20 A. As reflected in Ms. Cranmer's Schedule 6A, the recoverable capital costs included
21 in the true-up calculation total \$4,486,396, as compared to the estimated true-up
22 amount of \$4,518,671. This resulted in a variance of (\$32,275). The variances in
23 these projects/programs were not significant and do not require further detailed
24 explanation.
25

- 1 Q. How do Gulf's actual O&M expenses compare to the amounts included in the
2 estimated true-up?
- 3 A. Ms. Cranmer's Schedule 4A reflects that Gulf incurred a total of \$979,244 in
4 recoverable O&M expenses for the period as compared to the amount included in
5 the estimated true-up of \$1,495,644. This results in a variance of (\$516,400). I will
6 address the variances for eight O&M projects/programs.
7
- 8 Q. Please explain the variance in the Sulfur category (Line Item 1).
- 9 A. Expenses during the period totaled \$8,578 resulting in a variance of (\$15,422). This
10 variance was due to limited use of sulfur in the flue gas injection system during the
11 period.
12
- 13 Q. Please explain the variances in the General Air Quality and Emission Monitoring
14 categories (Line Items 2 and 3).
- 15
- 16 A. Two issues contributed to the majority of the variance in the General Air Quality
17 program. First, the projected amounts for the air emission fees at Plant Daniel were
18 based on anticipated revisions to the air emission fee structure by the State of
19 Mississippi. These revisions did not occur resulting in a reduction in the projected
20 fee amount by approximately \$53,989. Second, a delay in the State of Florida
21 obtaining Environmental Protection Agency approval of the Title V Air Permitting
22 Program in conjunction with continued changes in State implementation processes
23 associated with Title V resulted in a majority of the projected costs not being
24 incurred as anticipated. The variance of (\$14,781) in the Emission Monitoring

1 category is due to fewer Relative Accuracy Test Audits (RATA) being performed
2 during the recovery period.

3 Q. Please explain the variance of (\$177,809) in the General Water Quality (Line Item 4)
4 category.

5 A. This project encountered delays in the required Florida Department of
6 Environmental Protection (FDEP) approval process. The issues with FDEP have
7 since been resolved, and the project is now underway.

8
9 Q. Please explain the (\$152,292) variance in the Groundwater Monitoring Investigation
10 (Line Item 5).

11 A. Lengthy negotiations with FDEP have delayed certain remediation activities
12 associated with the project, resulting in the variance. These negotiations are on-
13 going, and a resolution is pending.

14
15 Q. Please explain the variance of (\$7,834) in the NPDES Administration program (Line
16 Item 6).

17 A. Delays in implementing the delegated federal NPDES program resulted in the State
18 of Florida having to pro-rate the NPDES Administration program fees. The
19 projected amounts were based on an estimate of annual program fees.

20
21 Q. Please explain the (\$58,793) variance in the Auditing/Assessment Program (Line
22 Item 7).

23 A. There were fewer audits/assessments performed during this period than originally
24 anticipated.

25

1 Q. Please explain the variance of \$10,534 in the General Solid and Hazardous Waste
2 Program.

3 A. The quantities of materials requiring disposal were greater than anticipated.
4

5 Q. Does this conclude your testimony?

6 A. Yes.
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1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Prepared Direct Testimony of

4 James O. Vick

5 Docket No. 950007-EI

6 Date of Filing: November 17, 1995

7 Q. Please state your name and business address.

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

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

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

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 Q. What are your responsibilities with Gulf Power Company?

22 A. As Supervisor of Environmental Affairs, my primary responsibility is overseeing the
23 activities of the Environmental Affairs section to ensure the Company is, and
24 remains in, compliance with environmental laws and regulations, i.e., both existing
25

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

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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 September 30, 1995. 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 environmental capital recoverable costs included in the true-
18 up calculation for the period April through September 1995 with the approved
19 project amounts.

20 A. As reflected in Ms. Cranmer's Schedule 6A, the recoverable capital costs included
21 in the true-up calculation total \$4,486,396, as compared to the estimated true-up
22 amount of \$4,518,671. This resulted in a variance of (\$32,275). The variances in
23 these projects/programs were not significant and do not require further detailed
24 explanation.
25

- 1 Q. How do Gulf's actual O&M expenses compare to the amounts included in the
2 estimated true-up?
- 3 A. Ms. Cranmer's Schedule 4A reflects that Gulf incurred a total of \$979,244 in
4 recoverable O&M expenses for the period as compared to the amount included in
5 the estimated true-up of \$1,495,644. This results in a variance of (\$516,400). I will
6 address the variances for eight O&M projects/programs.
7
- 8 Q. Please explain the variance in the Sulfur category (Line Item 1).
- 9 A. Expenses during the period totaled \$8,578 resulting in a variance of (\$15,422). This
10 variance was due to limited use of sulfur in the flue gas injection system during the
11 period.
12
- 13 Q. Please explain the variances in the General Air Quality and Emission Monitoring
14 categories (Line Items 2 and 3).
- 15 A. The Title V permitting process previously approved by this Commission has required
16 less resources than initially expected. This resulted in a variance of (\$99,912)
17 during the period. The variance of (\$14,781) in the Emission Monitoring category is
18 due to fewer Relative Accuracy Test Audits (RATA) being performed during the
19 recovery period.
20
- 21 Q. Please explain the variance of (\$177,809) in the General Water Quality (Line Item 4)
22 category.
- 23 A. This project encountered delays in the required Florida Department of
24 Environmental Protection (FDEP) approval process. The issues with FDEP have
25 since been resolved, and the project is now underway.

1 Q. Please explain the (\$152,292) variance in the Groundwater Monitoring Investigation
2 (Line Item 5).

3 A. Lengthy negotiations with FDEP have delayed certain remediation activities
4 associated with the project, resulting in the variance. These negotiations are on-
5 going, and a resolution is pending.

6

7 Q. Please explain the variance of (\$7,834) in the NPDES Administration program (Line
8 Item 6).

9 A. Delays in implementing the delegated federal NPDES program resulted in the State
10 of Florida having to pro-rate the NPDES Administration program fees. The
11 projected amounts were based on an estimate of annual program fees.

12

13 Q. Please explain the (\$58,793) variance in the Auditing/Assessment Program (Line
14 Item 7).

15 A. There were fewer audits/assessments performed during this period than originally
16 anticipated.

17

18 Q. Please explain the variance of \$10,534 in the General Solid and Hazardous Waste
19 Program.

20 A. The quantities of materials requiring disposal were greater than anticipated.

21

22 Q. Does this conclude your testimony?

23 A. Yes.

24

25

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 James O. Vick
Docket No. 960007-EI
Date of Filing January 22, 1996

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, 32501-0328.

8

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
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 1990, I assumed my present position as Supervisor of
22 Environmental Affairs.

23

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

25 A. As Supervisor 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
14 Environmental Cost Recovery Clause (ECRC) for the period April 1996
15 through September 1996. I will discuss the amounts included in the
16 projection 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 and clearings currently projected for each of these projects.
25 These amounts were provided to Ms. Cranmer, who has compiled the

1 schedules and calculated the associated revenue requirements for our
2 requested recovery. All the listed projects are associated with environmental
3 compliance activities which have been previously approved for recovery
4 through the ECRC by this Commission in Docket No. 930613-EI and past
5 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
14 Solid and Hazardous Waste. I will discuss each O&M activity within each of
15 these 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 The first, Sulfur (Line Item 1.1), reflects an ongoing operational
20 expense associated with the burning of low sulfur coal. This item refers to
21 the flue gas sulfur injection system needed to improve the collection
22 efficiency of the Crist Unit 7 electrostatic precipitator and is required due to
23 the burning of low sulfur coal at this unit pursuant to the sulfur dioxide
24 requirements of the Clean Air Act Amendments (CAAA). The expenses
25 projected for the recovery period total \$11,496.

1 The second activity listed on Schedule 42-2P, Air Emission Fees (Line
2 Item 1.2), represents the expenses projected for the annual fees required by
3 the CAAA. The expenses projected for the recovery period total \$154,000.

4 The third activity listed on Schedule 42-2P, Title V Permits (Line Item
5 1.3), represents projected expenses associated with the preparation of Title V
6 permit applications and the subsequent implementation of the Title V permits.
7 The total estimated expense for the Title V Program during the recovery
8 period is \$49,548.

9 The fourth activity listed on Schedule 42-2P, Asbestos Fees (Line Item
10 1.4), is required to be paid to the Florida Department of Environmental
11 Protection (FDEP) for the purpose of funding the State's asbestos removal
12 program. The expenses projected for the recovery period total \$2,496.

13 The fifth activity listed on Schedule 42-2P, Emission Monitoring (Line
14 Item 1.5), reflects an ongoing O&M expense associated with the new
15 Continuous Emission Monitoring equipment (CEM) as required by the CAAA.
16 These expenses are incurred in response to the federal Environmental
17 Protection Agency's (EPA) requirements that the Company perform Quality
18 Assurance/Quality Control (QA/QC) testing for the CEMs, including Relative
19 Accuracy Test Audits (RATA) and Linearity Tests. The expenses projected
20 to occur during the recovery period for these activities total \$151,602.

21
22 Q. What O&M activities are included in Water Quality?

23 A. General Water Quality (Line Item 1.6), identified in Schedule 42-2P, includes
24 Soil Contamination Studies, Dechlorination, Groundwater Monitoring Plan
25 Revisions, Surface Water Studies, and Daniel Groundwater Monitoring. All

37

1 the programs included in Line Item 1.6, General Water Quality, have been
2 approved in past proceedings. The expenses projected to occur during the
3 recovery period for these activities total \$408,246.

4 The second activity listed in the Water Quality Category, Groundwater
5 Contamination Investigation (Line Item 1.7), was previously approved for
6 environmental cost recovery in Docket No. 930613-EI. This activity is
7 projected to incur incremental expenses totaling \$639,191 during the
8 recovery period.

9 Line Item 1.8, State NPDES Administration, was previously approved
10 for recovery in the ECRC and reflects expenses associated with the filing of
11 two permit applications. These expenses are expected to incur \$15,000
12 during the recovery period.

13 Finally, Line Item 1.9, Lead and Copper Rule, was also previously
14 approved for ECRC recovery and reflects sampling and analytical costs for
15 lead and copper in drinking water. These expenses are expected to total
16 \$15,888 during the recovery period.

17
18 Q. What activities are included in the Environmental Affairs Administration
19 Category?

20 A. Only one O&M activity is included in this category on Schedule 42-2P (Line
21 Item 1.10) of my exhibit. This Line Item refers to the Company's
22 Environmental Audit/Assessment function. This program is an on-going
23 compliance activity previously approved and is projected to incur expenses
24 totaling \$846 during the recovery period.

25

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

3 A. Only one program, General Solid and Hazardous Waste (Line Item 1.11), is
4 included in the Solid and Hazardous Waste category on Schedule 42-2P.
5 This activity involves the proper identification, handling, storage,
6 transportation and disposal of solid and hazardous wastes as required by
7 Federal and State regulations. This program is an on-going compliance
8 activity previously approved and is projected to incur incremental expenses
9 totaling \$88,062 during the recovery period.

10

11 Q. How did you derive the O&M expenses the Company identified in
12 Ms. Cranmer's exhibits for consideration in the Environmental Cost Recovery
13 Clause?

14 A. We have based this information on projected 1996 environmental expenses
15 for the time frame of April 1996 through September 1996. O&M expenses
16 resulting from environmental compliance activities projected to occur from
17 April 1, 1996, through the end of the recovery period on September 30, 1996,
18 are listed on Schedule 42-2P. This information was provided to Ms. Cranmer
19 for her to include in the calculation of the total revenue requirements.

20

21 Q. For the period October 1995 through March 1996, are there significant
22 variances in expenditures, and if so, please explain these variances.

23 A. Yes. One category, General Water Quality, has an estimated budget
24 variance for the covered period of \$665,392. As discussed in my previous
25 testimony filed November 17, 1995, delays in project approval by the FDEP

1 resulted in project delays and consequently an under estimate in the April
2 1995 through September 1995 recovery period. The FDEP approved the
3 Smith Soil Contamination Remedial Action Plan (EWO 4377) in August 1995
4 and the project was accelerated during the last quarter of 1995. This
5 resulted in the variance in the General Water Quality category. All other
6 activities are still estimated to fall within the previously approved projections.

7

8 Q. Does this conclude your testimony?

9 A. Yes.

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1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Direct Testimony of
4 Susan D. Cranmer
5 Docket No. 950007-EI
6 Date of Filing: November 17, 1995

7 Q. Please state your name, business address and
8 occupation.

9 A. My name is Susan Cranmer. My business address is 500
10 Bayfront Parkway, Pensacola, Florida 32501. I hold
11 the position of Supervisor of Rate Services for Gulf
12 Power Company.

13 Q. Please briefly describe your educational background
14 and business experience.

15 A. I graduated from Wake Forest University in
16 Winston-Salem, North Carolina in 1981 with a Bachelor
17 of Science Degree in Business and from the University
18 of West Florida in 1982 with a Bachelor of Arts Degree
19 in Accounting. I am also a Certified Public
20 Accountant licensed in the State of Florida. I joined
21 Gulf Power Company in 1983 as a Financial Analyst. I
22 have held various positions with Gulf including
23 Computer Modeling Analyst and Senior Financial
24 Analyst. In 1991, I assumed the position of
25

1 Supervisor of Rate Services and presently serve in
2 that capacity.

3 My responsibilities include supervision of tariff
4 administration, cost of service, calculation of cost
5 recovery factors, and the regulatory filing function
6 of the Rates and Regulatory Matters Department.

7

8 Q. Have you prepared an exhibit that contains information
9 to which you will refer in your testimony?

10 A. Yes, I have.

11 Counsel: We ask that Ms. Cranmer's Exhibit
12 consisting of eight schedules be marked as
13 Exhibit No. 4 (SDC-1).

14

15 Q. Are you familiar with the Environmental Cost Recovery
16 (ECR) True-up Calculation for the period of April 1995
17 through September 1995 set forth in your exhibit?

18 A. Yes. These documents were prepared under my
19 supervision.

20

21 Q. Have you verified that to the best of your knowledge
22 and belief that the information contained in these
23 documents is correct?

24 A. Yes, I have.

1 Q. What is the amount to be refunded or collected in the
2 recovery period beginning October 1995?

3 A. An amount to be refunded of \$700,728 was calculated as
4 shown on Schedule 1A of my exhibit.
5

6 Q. How was this amount calculated?

7 A. The \$700,728 was calculated by taking the difference
8 in the estimated April 1995 through September 1995
9 over-recovery of \$522,197 as approved in Order No.
10 PSC-95-1051-FOF-EI, dated August 24, 1995 and the
11 actual over-recovery of \$1,222,925, which is the sum
12 of lines 5, 6, and 10 on Schedule 2A.
13

14 Q. Please describe Schedules 2A and 3A of your exhibit.

15 A. Schedule 2A shows the calculation of the actual over-
16 recovery of environmental costs for the period April
17 1995 through September 1995. Schedule 3A of my
18 exhibit is the calculation of the interest provision
19 on the over-recovery. This is the same method of
20 calculating interest that is used in the Fuel Cost
21 Recovery (FCR) and Purchased Power Capacity Cost
22 (PPCC) Recovery clauses.
23
24

1 Q. Please describe Schedules 4A and 5A of your exhibit.

2 A. Schedule 4A compares the actual O & M expenses for the
3 period with the O & M expenses included in the
4 estimated true-up filed June 16, 1995. Schedule 5A
5 shows the monthly O & M expenses by activity, along
6 with the calculation of jurisdictional O & M expenses.
7 Mr. Vick describes the main reasons for the variances
8 in O & M expenses in his true-up testimony.

9

10 Q. Please describe Schedules 6A and 7A of your exhibit.

11 A. Schedule 6A compares the actual carrying costs related
12 to investment with the amount included in the
13 estimated true-up filed June 16, 1995. The
14 recoverable costs include the return on investment,
15 depreciation expense, dismantlement accrual, property
16 tax, and cost of emission allowances associated with
17 each environmental capital project for the period
18 April 1995 through September 1995. Schedule 7A
19 provides the monthly carrying costs associated with
20 each project, along with the calculation of the
21 jurisdictional carrying costs. In his testimony,
22 Mr. Vick describes the reasons for the major variances
23 in recoverable costs related to environmental
24 investment, if any.

1 Q. Please describe Schedule 8A of your exhibit.

2 A. Schedule 8A provides the monthly calculation of the
3 recoverable costs associated with each capital
4 project. As I stated earlier, these costs include
5 return on investment, depreciation expense,
6 dismantlement accrual, property tax, and the cost of
7 emission allowances. Pages 1 through 15 of
8 Schedule 8A show the investment and associated costs
9 related to capital projects, while page 16 shows the
10 investment and costs related to emission allowances.

11

12 Q. Ms. Cranmer, does this conclude your testimony?

13 A. Yes, it does.

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1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Direct Testimony of
4 Susan D. Cranmer
5 Docket No. 960007-EI
6 Date of Filing: January 22, 1996

7 Q. Please state your name, business address and
8 occupation.

9 A. My name is Susan Cranmer. My business address is 500
10 Bayfront Parkway, Pensacola, Florida 32501. I hold
11 the position of Supervisor of Rate Services for Gulf
12 Power Company.

13 Q. Please briefly describe your educational background
14 and business experience.

15 A. I graduated from Wake Forest University in
16 Winston-Salem, North Carolina in 1981 with a Bachelor
17 of Science Degree in Business and from the University
18 of West Florida in 1982 with a Bachelor of Arts Degree
19 in Accounting. I am also a Certified Public
20 Accountant licensed in the State of Florida. I joined
21 Gulf Power Company in 1983 as a Financial Analyst. I
22 have held various positions with Gulf including
23 Computer Modeling Analyst and Senior Financial
24 Analyst. In 1991, I assumed the position of
25 Supervisor of Rate Services and presently serve in

1 that capacity.

2 My responsibilities include supervision of tariff
3 administration, cost of service, calculation of cost
4 recovery factors, and the regulatory filing function
5 of the Rates and Regulatory Matters Department.
6

7 Q. Have you previously filed testimony before this
8 Commission in connection with Gulf's Environmental
9 Cost Recovery Clause (ECRC)?

10 A. Yes, I have.
11

12 Q. What is the purpose of your testimony?

13 A. The purpose of my testimony is to present both the
14 calculation of the revenue requirements and the
15 development of the environmental cost recovery factors
16 for the period April 1996 through September 1996.
17

18 Q. Have you prepared an exhibit that contains information
19 to which you will refer in your testimony?

20 A. Yes, I have. My exhibit consists of 15 schedules,
21 each of which were prepared under my direction,
22 supervision, or review.

23 Counsel: We ask that Ms. Cranmer's Exhibit consisting
24 of 15 schedules be marked as Exhibit
25 No. 5 (SDC-2).

1 Q. What environmental costs is Gulf requesting for
2 recovery through the Environmental Cost Recovery
3 Clause?

4 A. As discussed in the testimony of J. O. Vick, Gulf is
5 requesting recovery for certain environmental
6 compliance operating expenses and capital costs that
7 are consistent with both the decision of the
8 Commission in Docket No. 930613-EI and with past
9 proceedings in this ongoing recovery docket. The
10 costs we have identified for recovery through the ECRC
11 are not currently being recovered through base rates
12 or any other recovery mechanism.

13

14 Q. What has Gulf calculated as the total true-up to be
15 applied in the period April 1996 through September
16 1996?

17 A. The total true-up for this period is a decrease of
18 \$30,760. This includes a final true-up over-recovery
19 of \$700,728 for the period April 1995 through
20 September 1995 as shown on line 3 of Schedule 42-1P.
21 It also includes an estimated under-recovery of
22 \$669,968 for the period October 1995 through March
23 1996, as shown on line 2 of Schedule 42-1P. The
24 detailed calculations supporting the estimated true-up
25 are contained in Schedules 42-1E through 42-8E.

1 Q. How was the amount of O & M expenses to be recovered
2 through the ECRC calculated?

3 A. Mr. Vick has provided me with projected recoverable
4 O & M expenses for April 1996 through September 1996.
5 Schedule 42-2P of my exhibit shows the calculation of
6 the recoverable O & M expenses broken down between the
7 demand-related and energy-related expenses. Also,
8 Schedule 42-2P provides the appropriate jurisdictional
9 factors and amounts related to these expenses. All
10 O & M expenses associated with compliance with the
11 Clean Air Act Amendments of 1990 were considered to be
12 energy-related, consistent with Commission Order No.
13 PSC-94-0044-FOF-EI. The remaining expenses were
14 broken down between demand and energy consistent with
15 Gulf's last approved cost-of-service methodology in
16 Docket No. 891345-EI.

17
18 Q. Please describe Schedules 42-3P and 42-4P of your
19 exhibit.

20 A. Schedule 42-3P summarizes the monthly recoverable
21 revenue requirements associated with each capital
22 investment. Schedule 42-4P shows the detailed
23 calculation of the revenue requirements associated
24 with each investment. These schedules also include
25 the calculation of the jurisdictional amount of

1 recoverable revenue requirements. Mr. Vick has
2 provided me with the expenditures and clearings
3 related to each capital project and Mr. Gilchrist has
4 provided me with the monthly costs of emission
5 allowances. From that information, I calculated
6 plant-in-service and Construction Work In Progress-Non
7 Interest Bearing (CWIP-NIB). Depreciation and
8 dismantlement expense and the associated accumulated
9 depreciation balances were calculated based on Gulf's
10 latest approved depreciation rates and dismantlement
11 accruals. The capital projects identified for
12 recovery through the ECRC are those environmental
13 projects which are not included in the approved
14 projected 1990 test year on which present base rates
15 were set.

16
17 Q. How was the amount of Property Taxes to be recovered
18 through the ECRC derived?

19 A. Property taxes were calculated by applying the
20 applicable tax rate to taxable investment. In
21 Florida, pollution control facilities are taxed based
22 only on their salvage value. For the recoverable
23 environmental investment located in Florida, the
24 amount of property taxes is estimated to be \$0. In
25 Mississippi, there is no such reduction in property

1 taxes for pollution control facilities. Therefore,
2 property taxes related to recoverable environmental
3 investment at Plant Daniel are calculated by applying
4 the applicable millage rate to the assessed value of
5 the property.

6

7 Q. What capital structure and return on equity were used
8 to develop the rate of return used to calculate the
9 revenue requirements?

10 A. The rate of return used is based on Gulf's capital
11 structure as approved in Gulf's last rate case, Docket
12 No. 891345-EI, Order No. 23573, dated October 3, 1990.
13 This rate of return incorporates a return on equity of
14 12.0% as approved by Commission Order No. PSC-93-0771-
15 FOF-EI, dated May 20, 1993. The use of this rate of
16 return for the calculation of revenue requirements for
17 the ECRC was approved by the Commission in Order No.
18 PSC-94-0044-FOF-EI dated January 12, 1994 in Docket
19 No. 930613-EI.

20

21 Q. How was the breakdown between demand-related and
22 energy-related investment costs determined?

23 A. The investment-related costs associated with
24 compliance with the Clean Air Act Amendments of 1990
25 (CAAA) were considered to be energy-related, consis-

1 tent with Commission Order No. PSC-94-0044-FOF-EI,
2 dated January 12, 1994 in Docket No. 930613-EI. The
3 remaining investment-related costs of environmental
4 compliance not associated with the CAAA were allocated
5 12/13th based on demand and 1/13th based on energy,
6 consistent with Gulf's last cost-of-service study.
7 The calculation of this breakdown is shown on
8 Schedule 42-4P and summarized on Schedule 42-3P.

9
10 Q. What is the total amount of projected recoverable
11 costs related to the period April 1996 through
12 September 1996?

13 A. The total projected jurisdictional recoverable costs
14 for the period April 1996 through September 1996 are
15 \$5,865,823 as shown on line 1c of Schedule 42-1P.
16 This includes costs related to O & M activities of
17 \$1,481,786 and costs related to capital projects of
18 \$4,384,037 as shown on lines 1a and 1b of Schedule
19 42-1P.

20
21 Q. What is the total recoverable revenue requirement and
22 how was it allocated to each rate class?

23 A. The total recoverable revenue requirement including
24 revenue taxes is \$5,928,949 as shown on line 5 of
25 Schedule 42-1P. This includes the recoverable costs

1 related to the projection period and the total true-up
2 cost to be refunded. Schedule 42-1P also summarizes
3 the energy and demand components of the requested
4 revenue requirement. I allocated these amounts to
5 rate class using the appropriate energy and
6 demand allocators as shown on Schedule 42-6P and
7 42-7P.

8

9 Q. How were the allocation factors calculated for use in
10 the Environmental Cost Recovery Clause?

11 A. The demand allocation factors used in the
12 Environmental Cost Recovery Clause were calculated
13 using the 1993 load data filed with the Commission in
14 accordance with FPSC Rule 25-6.0437. The energy
15 allocation factors were calculated based on projected
16 KWH sales for the period April 1996 through September
17 1996 adjusted for losses. The calculation of the
18 allocation factors is shown in columns 1 through 9 on
19 Schedule 42-6P.

20

21 Q. How were these factors applied to allocate the
22 requested recovery amount properly to the rate
23 classes?

24 A. As I described earlier in my testimony, Schedule 42-1P
25 summarizes the energy and demand portions of the total

1 requested revenue requirement. The energy-related
2 recoverable revenue requirement of \$3,475,296 for the
3 period April 1996 through September 1996 was allocated
4 using the energy allocator, as shown in column 3 on
5 Schedule 42-7P. The demand-related recoverable
6 revenue requirement of \$2,453,653 for the period April
7 1996 through September 1996 was allocated using the
8 demand allocator, as shown in column 4 on Schedule 42-
9 7P. The energy-related and demand-related recoverable
10 revenue requirements are added together to derive the
11 total amount assigned to each rate class, as shown in
12 column 5.

13

14 Q. What is the monthly amount related to environmental
15 costs recovered through this factor that will be
16 included on a residential customer's bill for 1,000
17 kwh?

18 A. The environmental costs recovered through the clause
19 from the residential customer who uses 1,000 kwh will
20 be \$1.36 monthly for the period April 1996 through
21 September 1996.

22

23 Q. When does Gulf propose to collect these new
24 environmental cost recovery charges?

25

1 A. These factors will apply to April 1996 through
2 September 1996 billings beginning with Cycle 1 meter
3 readings scheduled on March 29, 1996 and ending with
4 meter readings scheduled on September 26, 1996.

5

6 Q. Ms. Cranmer, does this conclude your testimony?

7 A. Yes, it does.

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1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Direct Testimony of
4 Susan D. Cranmer
5 Docket No. 960007-EI
6 Date of Filing: January 22, 1996

7 Q. Please state your name, business address and
8 occupation.

9 A. My name is Susan Cranmer. My business address is 500
10 Bayfront Parkway, Pensacola, Florida 32501. I hold
11 the position of Supervisor of Rate Services for Gulf
12 Power Company.

13 Q. Please briefly describe your educational background
14 and business experience.

15 A. I graduated from Wake Forest University in
16 Winston-Salem, North Carolina in 1981 with a Bachelor
17 of Science Degree in Business and from the University
18 of West Florida in 1982 with a Bachelor of Arts Degree
19 in Accounting. I am also a Certified Public
20 Accountant licensed in the State of Florida. I joined
21 Gulf Power Company in 1983 as a Financial Analyst. I
22 have held various positions with Gulf including
23 Computer Modeling Analyst and Senior Financial
24 Analyst. In 1991, I assumed the position of
25 Supervisor of Rate Services and presently serve in

1 that capacity.

2 My responsibilities include supervision of tariff
3 administration, cost of service, calculation of cost
4 recovery factors, and the regulatory filing function
5 of the Rates and Regulatory Matters Department.
6

7 Q. Have you previously filed testimony before this
8 Commission in connection with Gulf's Environmental
9 Cost Recovery Clause (ECRC)?

10 A. Yes, I have.
11

12 Q. What is the purpose of your testimony?

13 A. The purpose of my testimony is to present both the
14 calculation of the revenue requirements and the
15 development of the environmental cost recovery factors
16 for the period April 1996 through September 1996.
17

18 Q. Have you prepared an exhibit that contains information
19 to which you will refer in your testimony?

20 A. Yes, I have. My exhibit consists of 15 schedules,
21 each of which were prepared under my direction,
22 supervision, or review.

23 Counsel: We ask that Ms. Cranmer's Exhibit consisting
24 of 15 schedules be marked as Exhibit
25 No. 5 (SDC-2).

1 Q. What environmental costs is Gulf requesting for
2 recovery through the Environmental Cost Recovery
3 Clause?

4 A. As discussed in the testimony of J. O. Vick, Gulf is
5 requesting recovery for certain environmental
6 compliance operating expenses and capital costs that
7 are consistent with both the decision of the
8 Commission in Docket No. 930613-EI and with past
9 proceedings in this ongoing recovery docket. The
10 costs we have identified for recovery through the ECRC
11 are not currently being recovered through base rates
12 or any other recovery mechanism.

13

14 Q. What has Gulf calculated as the total true-up to be
15 applied in the period April 1996 through September
16 1996?

17 A. The total true-up for this period is a decrease of
18 \$30,760. This includes a final true-up over-recovery
19 of \$700,728 for the period April 1995 through
20 September 1995 as shown on line 3 of Schedule 42-1P.
21 It also includes an estimated under-recovery of
22 \$669,968 for the period October 1995 through March
23 1996, as shown on line 2 of Schedule 42-1P. The
24 detailed calculations supporting the estimated true-up
25 are contained in Schedules 42-1E through 42-8E.

1 Q. How was the amount of O & M expenses to be recovered
2 through the ECRC calculated?

3 A. Mr. Vick has provided me with projected recoverable
4 O & M expenses for April 1996 through September 1996.
5 Schedule 42-2P of my exhibit shows the calculation of
6 the recoverable O & M expenses broken down between the
7 demand-related and energy-related expenses. Also,
8 Schedule 42-2P provides the appropriate jurisdictional
9 factors and amounts related to these expenses. All
10 O & M expenses associated with compliance with the
11 Clean Air Act Amendments of 1990 were considered to be
12 energy-related, consistent with Commission Order No.
13 PSC-94-0044-FOF-EI. The remaining expenses were
14 broken down between demand and energy consistent with
15 Gulf's last approved cost-of-service methodology in
16 Docket No. 891345-EI.

17

18 Q. Please describe Schedules 42-3P and 42-4P of your
19 exhibit.

20 A. Schedule 42-3P summarizes the monthly recoverable
21 revenue requirements associated with each capital
22 investment. Schedule 42-4P shows the detailed
23 calculation of the revenue requirements associated
24 with each investment. These schedules also include
25 the calculation of the jurisdictional amount of

1 recoverable revenue requirements. Mr. Vick has
2 provided me with the expenditures and clearings
3 related to each capital project and Mr. Gilchrist has
4 provided me with the monthly costs of emission
5 allowances. From that information, I calculated
6 plant-in-service and Construction Work In Progress-Non
7 Interest Bearing (CWIP-NIB). Depreciation and
8 dismantlement expense and the associated accumulated
9 depreciation balances were calculated based on Gulf's
10 latest approved depreciation rates and dismantlement
11 accruals. The capital projects identified for
12 recovery through the ECRC are those environmental
13 projects which are not included in the approved
14 projected 1990 test year on which present base rates
15 were set.

- 16
- 17 Q. How was the amount of Property Taxes to be recovered
18 through the ECRC derived?
- 19 A. Property taxes were calculated by applying the
20 applicable tax rate to taxable investment. In
21 Florida, pollution control facilities are taxed based
22 only on their salvage value. For the recoverable
23 environmental investment located in Florida, the
24 amount of property taxes is estimated to be \$0. In
25 Mississippi, there is no such reduction in property

1 taxes for pollution control facilities. Therefore,
2 property taxes related to recoverable environmental
3 investment at Plant Daniel are calculated by applying
4 the applicable millage rate to the assessed value of
5 the property.

6

7 Q. What capital structure and return on equity were used
8 to develop the rate of return used to calculate the
9 revenue requirements?

10 A. The rate of return used is based on Gulf's capital
11 structure as approved in Gulf's last rate case, Docket
12 No. 891345-EI, Order No. 23573, dated October 3, 1990.
13 This rate of return incorporates a return on equity of
14 12.0% as approved by Commission Order No. PSC-93-0771-
15 FOF-EI, dated May 20, 1993. The use of this rate of
16 return for the calculation of revenue requirements for
17 the ECRC was approved by the Commission in Order No.
18 PSC-94-0044-FOF-EI dated January 12, 1994 in Docket
19 No. 930613-EI.

20

21 Q. How was the breakdown between demand-related and
22 energy-related investment costs determined?

23 A. The investment-related costs associated with
24 compliance with the Clean Air Act Amendments of 1990
25 (CAAA) were considered to be energy-related, consis-

1 tent with Commission Order No. PSC-94-0044-FOF-EI,
2 dated January 12, 1994 in Docket No. 930613-EI. The
3 remaining investment-related costs of environmental
4 compliance not associated with the CAAA were allocated
5 12/13th based on demand and 1/13th based on energy,
6 consistent with Gulf's last cost-of-service study.
7 The calculation of this breakdown is shown on
8 Schedule 42-4P and summarized on Schedule 42-3P.

9

10 Q. What is the total amount of projected recoverable
11 costs related to the period April 1996 through
12 September 1996?

13 A. The total projected jurisdictional recoverable costs
14 for the period April 1996 through September 1996 are
15 \$5,920,060 as shown on line 1c of Schedule 42-1P.
16 This includes costs related to O & M activities of
17 \$1,481,786 and costs related to capital projects of
18 \$4,438,274 as shown on lines 1a and 1b of Schedule
19 42-1P.

20

21 Q. What is the total recoverable revenue requirement and
22 how was it allocated to each rate class?

23 A. The total recoverable revenue requirement including
24 revenue taxes is \$5,984,058 as shown on line 5 of
25 Schedule 42-1P. This includes the recoverable costs

1 related to the projection period and the total true-up
2 cost to be refunded. Schedule 42-1P also summarizes
3 the energy and demand components of the requested
4 revenue requirement. I allocated these amounts to
5 rate class using the appropriate energy and
6 demand allocators as shown on Schedule 42-6P and
7 42-7P.

8

9 Q. How were the allocation factors calculated for use in
10 the Environmental Cost Recovery Clause?

11 A. The demand allocation factors used in the
12 Environmental Cost Recovery Clause were calculated
13 using the 1993 load data filed with the Commission in
14 accordance with FPSC Rule 25-6.0437. The energy
15 allocation factors were calculated based on projected
16 KWH sales for the period April 1996 through September
17 1996 adjusted for losses. The calculation of the
18 allocation factors is shown in columns 1 through 9 on
19 Schedule 42-6P.

20

21 Q. How were these factors applied to allocate the
22 requested recovery amount properly to the rate
23 classes?

24 A. As I described earlier in my testimony, Schedule 42-1P
25 summarizes the energy and demand portions of the total

1 requested revenue requirement. The energy-related
2 recoverable revenue requirement of \$3,517,183 for the
3 period April 1996 through September 1996 was allocated
4 using the energy allocator, as shown in column 3 on
5 Schedule 42-7P. The demand-related recoverable
6 revenue requirement of \$2,466,875 for the period April
7 1996 through September 1996 was allocated using the
8 demand allocator, as shown in column 4 on Schedule 42-
9 7P. The energy-related and demand-related recoverable
10 revenue requirements are added together to derive the
11 total amount assigned to each rate class, as shown in
12 column 5.

13

14 Q. What is the monthly amount related to environmental
15 costs recovered through this factor that will be
16 included on a residential customer's bill for 1,000
17 kwh?

18 A. The environmental costs recovered through the clause
19 from the residential customer who uses 1,000 kwh will
20 be \$1.38 monthly for the period April 1996 through
21 September 1996.

22

23 Q. When does Gulf propose to collect these new
24 environmental cost recovery charges?

25

1 A. These factors will apply to April 1996 through
2 September 1996 billings beginning with Cycle 1 meter
3 readings scheduled on March 29, 1996 and ending with
4 meter readings scheduled on September 26, 1996.

5

6 Q. Ms. Cranmer, does this conclude your testimony?

7 A. Yes, it does.

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1 COMMISSIONER DEASON: And we have a number
2 of issues.

3 MS. JOHNSON: The issues are numbered 1
4 through 11C.

5 COMMISSIONER DEASON: Are there any changes
6 to those issues?

7 MS. JOHNSON: No, there are no changes.

8 COMMISSIONER DEASON: Is there any need to
9 discuss those? Does Staff need to point out anything
10 in particular to the Commission?

11 MS. JOHNSON: No. The issues and the
12 amounts are correctly reflected in the Prehearing
13 Order.

14 COMMISSIONER DEASON: And they appear to be
15 rather self-explanatory, I believe.

16 Commissioners, we can discuss them, or we
17 can take them up and move them at this time.

18 COMMISSIONER KIESLING: I think they were
19 quite clear, and I'm willing to move them at this
20 time.

21 COMMISSIONER JOHNSON: Second.

22 COMMISSIONER DEASON: Moved and seconded.

23 All Issues 1 through 11C have been moved and seconded.

24 Show that those stipulated issues and position are
25 accepted unanimously by the Commission. I believe

1 STATE OF FLORIDA)
2 :
3 COUNTY OF LEON)

CERTIFICATE OF REPORTER

3 I, ROWENA NASH HACKNEY, Official Commission
4 Reporter,

5 DO HEREBY CERTIFY that the Prehearing
6 Conference in Docket No. 960007-EI was heard by the
7 Florida Public Service Commission at the time and
8 place herein stated; it is further

9 CERTIFIED that I stenographically reported
10 the said proceedings; that the same has been
11 transcribed under my direct supervision; and that this
12 transcript, consisting of 66 pages, constitutes a true
13 transcription of my notes of said proceedings.

14 DATED this 23rd day of February, 1996.

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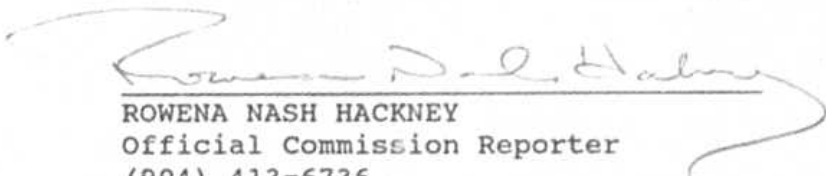
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