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September 14, 2009

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

Dear Ms. Cole:

RE: Docket No. 090000

Enclosed are Gulf Power Company's comments to Commission Staff's confidential draft report dated August 21, 2009 regarding Gulf's Quality Assurance Process for Distribution Construction.

Also enclosed are an original and seven copies of Gulf Power Company's Request for Confidential Classification pertaining to certain information contained in Staff's draft report concerning its Review of Gulf's Quality Assurance Process for Distribution Construction.

Based on conversations with Audit Staff it is Gulf's understanding that the following documents will be returned to the Company and maintained in accordance with Gulf's retention schedule:

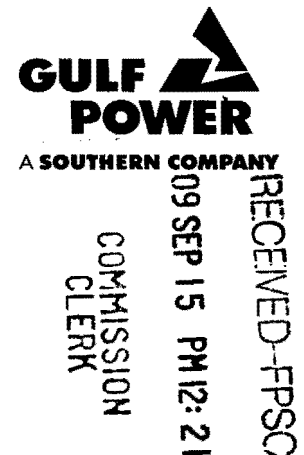
- CD 1 – Submitted with Gulf's responses to DR-1 dated February 23, 2009
- CD 2 – Submitted with Gulf's responses to Supplemental Request for DR-1 dated March 26, 2009
- Attachment 2.5 consisting of 119 pages
- Attachment 2.8 consisting of 12 pages
- Attachment 2.12 consisting of 30 pages
- Question 1 of Supplemental DR-2
- Attachment Sup. 2.4d consisting of 8 pages

Sincerely,

*Susan D. Ritenour (lwr)*

Enclosures

Cc: Beggs & Lane  
Jeffrey A. Stone



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## *Gulf Power Company Comments*

### **General:**

Gulf relies upon results from its DSO Audit Process, variances discovered by FPSC inspectors and feedback from accident and claims investigations to determine if any systematic safety issues exist within its distribution system. As noted in section 2.4 of this report, only one percent of the inspection points reviewed by FPSC safety inspectors in the review period revealed a variance. A pass rate of 99% is a respectable measure that Gulf believes demonstrates its QA processes are operating properly.

Gulf does not agree with audit staff's assertion that all NESC violations have the potential of exposing the public to hazardous conditions. However, Gulf management is currently refining its DSO Audit Process to address issues raised by audit staff in this report.

### **Gulf Contractor Oversight:**

Gulf agrees with audit staff's recommendation of improving the retention of documents associated with its field review results. As noted in this report, Gulf has since implemented a revised procedure with details of how Contract Services employees shall retain field review documentation. Specifically, performance evaluations and supporting field observation notes shall be retained for a period of not less than three years. Contract Services management is responsible for ensuring compliance with the revised procedure including accurate completion of performance evaluation summaries. The revised procedure was formally implemented by Contract Services employees on August 5<sup>th</sup>, 2009.

Gulf believes its current contractor review processes effectively monitor the construction activities performed by contract crews. The construction coordinators (CSCCs) monitor contract crew performance in real-time and address identified construction issues on-site. The low number of contractors on Gulf's distribution system, the scope of projects completed by contractors, and Gulf's presence at the job sites do not justify the cost that would be incurred to allocate the resources necessary to develop and maintain a contractor performance evaluation database. The updated retention schedule will make three years of evaluations and supporting documentation available for inspection.

Gulf believes the enhancements made to the former procedure address the audit staff's concerns regarding both the retention and accurate completion of performance evaluation summaries and field observation forms.

### **Gulf Personnel Oversight:**

Gulf believes the use of independent personnel with the appropriate technical expertise for real-time monitoring and documenting of distribution construction projects would not be a cost effective solution. Gulf recognizes the value of independence in any audit process and has structured its process to maximize the level of independent review while maintaining an acceptable level of efficiency. Gulf's personnel are highly trained employees capable of

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ensuring all construction projects are completed in accordance with NESC codes and Gulf's design and construction specifications.

Gulf believes oversight of this process by a department outside of District Operations removes any potential for a conflict of interest to exist while utilizing employees possessing the technical abilities and institutional knowledge to appropriately inspect the work orders. The five year risk assessment conducted by AEGIS in conjunction with this Commission's safety reviews provides an adequate level of independent review from external parties.

While Gulf appreciates the references to Standard 100.01 and GAO Government Accounting Standard 3.50, fully cited in footnotes 5 and 8 respectively, it does not believe the practice of inspecting electrical distribution construction for quality control constitutes an internal audit nor does it believe electric utilities are governmental agencies subject to such standard. Further, Gulf's use of the DSO Process Audit utilizes an independent department (internal to Gulf, but external to District Operations) to oversee, review and inspect work orders identified in the statistical sample of work orders across Gulf's service area.

#### **DSO Process Audit:**

Gulf agrees improving the existing process to include implementation of capturing the date of correction and follow-up inspection would prove beneficial in demonstrating discovered deficiencies were corrected and followed-up on in a timely manner. Gulf management is currently refining its process to include language that will require any NESC violations or safety issues to be corrected, reviewed by a follow-up inspection and appropriately documented.

Gulf does not derive significant benefit in ranking the severity of deficiencies since all deficiencies are addressed. Creating a multi-level ranking hierarchy will unnecessarily complicate an otherwise simple concept that Gulf believes is effective. Gulf concedes that separating NESC violations or safety deficiencies and non-NESC deficiencies is a good concept and agrees to implement language in its process that requires Gulf to document the dates in which NESC/Safety deficiencies are corrected and reviewed by a follow-up inspection. Gulf will correct non-NESC violations as it currently does but does not propose to document the actions taken with respect to the non-NESC deficiencies.