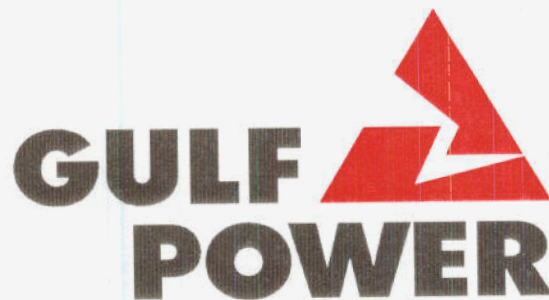


ORIGINAL

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET NO. 010949-EI

**TESTIMONY AND EXHIBIT
OF
F. M. FISHER, JR.**



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

11238 SEP 10 5

FPSC-COMMISSION CLERK



1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony and Exhibit of
4 Francis M. Fisher, Jr.
5 Docket No. 010949-EI
6 In Support of Rate Relief
7 Date of Filing: September 10, 2001

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

9 A. My name is Francis M. Fisher, Jr., and my business address is One
10 Energy Place, Pensacola, Florida 32520. I am Gulf Power Company's
11 Vice President of Power Delivery and Customer Operations.

12 Q. Please summarize your educational and professional background.

13 A. I graduated from Troy State University in 1970 with a Bachelor's degree in
14 Business Administration. I have been employed at Gulf since 1973 and
15 have held various positions including: Manager of Residential Sales,
16 Manager of Power Sales, Director of Marketing and Load Management,
17 General Manager of Central Division, Vice President of Employee and
18 External Relations, and currently serve as Vice President of Power
19 Delivery and Customer Operations.

20 Q. What are your areas of responsibility within Gulf Power?

21 A. I have responsibility for Power Delivery, Customer Services, Customer
22 Operations Support, Corporate Real Estate and Quality, and Corporate
23 Security. These areas include: System Protection, Distribution Planning,
24 Distribution Reliability, Line Equipment Service Center, Project Services,
25 Distribution, Distribution Operations Center, Forestry Services, Meter

DOCUMENT NUMBER-DATE

11238 SEP 10 01

FPSC-COMMISSION CLERK

1 Shop, Customer Service Center, Collections and Support Services,
2 Dispatch Center, Fleet Services, and Field Services. I am also Gulf
3 Power Company's Concerns and Compliance Officer.

4
5 Q. Have you prepared an exhibit that contains information to which you will
6 refer in your testimony?

7 A. Yes. Schedule 1 is an index to the subsequent schedules to which I will
8 refer. Exhibit (FMF-1) was prepared under my supervision and direction.

9 Counsel: We ask that Mr. Fisher's Exhibit (FMF-1) consisting of five
10 schedules, be marked for identification as Exhibit ____.

11
12 Q. Are you the sponsor of certain minimum filing requirements (MFRs)?

13 A. Yes. The MFRs that I am sponsoring, in part or in whole, are listed on
14 Schedule 5 of my exhibit. To the best of my knowledge, the information in
15 these MFRs is true and correct.

16
17 Q. What is the purpose of your testimony in this proceeding?

18 A. The purpose of my testimony is to justify test year Operation &
19 Maintenance (O & M) expenses of \$33.0 million associated with our
20 Distribution functions. In doing so, I will compare Gulf's expenses for the
21 projected test year period of June 2002 through May 2003 with calendar
22 year 2000 expenses as well as the Benchmark. I will then summarize
23 Gulf's need for capital additions of \$95.4 million for Distribution and
24 \$7.7 million for General Plant in my area of responsibility for the period
25 from January 2001 through the end of the test year. I will also provide

1 information regarding specific productivity improvements within my area of
2 responsibility and provide evidence that these initiatives have enabled us
3 to deliver superior service to our customers.
4

5 Q. Mr. Fisher, what are the major causes for increased distribution O & M
6 expenses in the projected test year as it compares to the 2000 expenses?

7 A. Overall the distribution expenses for the test year are approximately
8 \$8.2 million over year 2000 actual expenses as shown on Mr. Saxon's
9 Schedule 3. The major causes for these increased distribution expenses
10 are in the following areas: pole inspections, substation maintenance,
11 distribution tree trim, facility expenses, depreciation study adjustment,
12 underground cable injection, and customer growth and inflation.
13

14 Q. Please explain the increase in pole inspection expenses in the projected
15 test year as it compares to the 2000 expense levels.

16 A. In 1991, Gulf began a ground-line inspection program to inspect and, as
17 necessary, treat, repair or replace the Creosote and Penta treated poles
18 the Company has in service. Gulf's distribution poles are located in the
19 worst of five wood decay zones (zone 5 "Severe") as defined in the
20 American Wood Preservers Association Standard C-4-99. Prior to 1980,
21 Gulf installed Southern Pine Creosote and Penta treated wood poles.
22 Since the early 1980s, Gulf has installed Chromated Copper Arsenate
23 (CCA) treated wood poles with superior decay resistance. To date,
24 approximately 48,000 poles have been inspected. Based on these
25 inspections, it was determined that 82 percent of the poles could be

1 retreated without additional repairs, four percent needed to be reinforced
2 to remain in service, and 14 percent required replacement. Due to the
3 condition of its aging poles, Gulf has determined it is necessary to speed
4 up this program. We will inspect and, as necessary, treat, repair or
5 replace the remaining 60,000 Creosote and Penta poles over the next five
6 years. Proceeding with this program in a planned, organized manner
7 allows repairs to be made without prolonged outages under emergency
8 conditions. This will result in better customer satisfaction and greater
9 safety. The pole inspection program accounts for \$734,000 of the
10 increase in the test year budget for Distribution.

11
12 Q. Please discuss the major reasons for the increase in substation
13 maintenance in the projected test year as it compares to the 2000
14 expense levels.

15 A. At year-end 2000, Gulf had distribution substation equipment plant in
16 service of approximately \$110 million. Based on diagnostic procedures
17 such as Dobel and dielectric testing, an increase in maintenance of
18 \$555,000 annually is required to adhere to Gulf's Substation Maintenance
19 Program and prevent increased failures of this aging substation
20 equipment.

21 During the 2001 to 2003 time period, Gulf will install an additional
22 seven substation transformer banks, 32 breakers, and six capacitor
23 banks. Maintenance associated with this equipment will cost an additional
24 \$200,000 annually. Also, we have experienced insulator arching and
25 outages at one of our distribution substations due to salt

1 contamination. In order to prevent reoccurrence of this, approximately
2 \$60,000 will be expended each year to clean the insulators in this
3 substation. The combination of these three factors accounts for the
4 additional \$815,000 of O & M expense needed each year to properly
5 maintain our substation equipment, reduce failures and maintain reliable
6 service to our customers.

7
8 Q. Please explain the increase in distribution tree trim expenses in the
9 projected test year as it compares to the 2000 expense levels.

10 A. Based on the analysis of tree growth in Gulf's service territory, the
11 optimum tree trim cycle is three years. Gulf's attempts to control cost in
12 this area resulted in increased dependence upon less efficient spot
13 trimming, which has led to an increase in the minutes of interruption to our
14 customers. This increase in the number of tree related outages on Gulf's
15 distribution system indicated a need to implement a more proactive tree-
16 trimming program. In addition, today's customers require a higher level of
17 reliability with respect to momentary outages due to increased use of
18 computers and electronic appliances and equipment. The distribution tree
19 trim request of \$4,123,000 for the test year and corresponding amounts in
20 the future periods will allow Gulf to transition to a more effective cycle and
21 reduce tree related outages. This request, which is \$2,488,000 above
22 2000 actual expense, will also enable the company to better meet our
23 customers' changing expectations for power quality.

1 Q. Why did your facility expenses increase in Distribution during the test year
2 as it compares to the 2000 expense levels?

3 A. The \$695,000 increase is due to a change in allocation of the
4 maintenance costs related to corporate and district offices. This will result
5 in a more accurate allocation of expenses to the business unit and less
6 cost being charged to Administrative and General (A & G).

7
8 Q. Please explain the increase in the Depreciation Study Adjustment in the
9 projected test year as it compares to the 2000 expense levels.

10 A. This represents the Distribution O & M portion of Adjustment 17 made by
11 Mr. Labrato on his Schedule 8. This adjustment represents the change of
12 \$414,000 in depreciation of transportation equipment, which is charged to
13 a clearing account and then allocated to the appropriate O & M accounts.
14 This is a Net Operating Income (NOI) adjustment which reflects the
15 Company's new proposed depreciation rates and dismantlement accruals,
16 which have been filed in Docket No. 010789-EI with the Commission on
17 May 29, 2001, through the Company's 2001 Depreciation and Dismantling
18 Study.

19
20 Q. Please explain the increase in underground cable injection in the
21 projected test year as it compares to the 2000 expense levels.

22 A. Gulf had over 600 trench miles of underground primary cable installed
23 before 1990. The cable injection process involves injecting underground
24 primary cables with a silicone fluid to remove water and fill voids. This
25 process has proven to retard the deterioration of the cable insulation. The

1 life of a selected group of these aging cables can be greatly extended by
2 this cable injection process. Injecting these cables in a planned manner
3 will reduce the likelihood of outages caused by premature failures and is
4 less expensive than cable replacement, which incurs cost associated with
5 boring under or trenching through established yards and commercial sites.
6 The projected cost of this program is \$166,000.

7
8 Q. Mr. Fisher, other than the programs mentioned above, what accounts for
9 the remaining increase in the test year compared to 2000 expenses?

10 A. The remaining increase is primarily related to the normal increases in
11 programs due to inflation and customer growth.

12
13 Q. How does the test year O & M for Distribution compare to the FPSC
14 Benchmark calculation included in Mr. McMillan's testimony?

15 A. As shown on Mr. McMillan's Schedule 1, the total company O & M
16 expenses are under the Benchmark by \$3.7 million. The O & M expenses
17 related to Distribution are over the Benchmark by \$5.2 million. The major
18 reasons for this variance are: Information Technology (IT) Products &
19 Services; Outdoor Light Maintenance, Street Light Maintenance &
20 Relamping; Pole Line Inspection Program; and the allocation of Facility
21 Expenses.

22
23 Q. Please discuss the major changes that have caused the increase in
24 IT products and services expenses for the Distribution area.

25 A. In 1990, the majority of all IT costs were in the A & G function. These IT

1 costs are now charged directly to the functional area incurring the costs
2 wherever it is feasible to do so. With the evolution of computer
3 technology use within the workforce over the past 10 - 12 years, there has
4 been a decrease in the need for support personnel to handle
5 correspondence, presentations, reports, etc., for other professional job
6 classifications. Computer technology has enabled the general workforce
7 to do more with automated processes, thus increasing total productivity.
8 The combination of products, equipment, and labor reallocated to the
9 Distribution function accounts for the \$1,826,000 increase over the
10 Benchmark.

11
12 Q. Please discuss the major reasons for the increase in street light
13 maintenance, outdoor light maintenance and relamping expenses over the
14 Benchmark levels.

15 A. In 1990, a total of 47,413 high-pressure sodium street and outdoor lights
16 were in service. At the end of 2000, the total had grown to 124,891 lights,
17 which equates to a growth rate of 263%. The actual growth in the number
18 of street and outdoor lights applied to the 1990 allowed expenses equates
19 to \$1,328,000 of the \$1,438,000 request. The remaining \$110,000
20 requested is due to the additional lights that are included in the test year,
21 and to the group street light relamping that is scheduled during the test
22 year. The group relamping program reduces inefficiencies of individually
23 rebulbing street lights as they fail.

1 Q. Please explain the increase in pole inspection expenses over the
2 Benchmark levels.

3 A. The pole inspection program has previously been explained in my
4 testimony. Since this program began in 1991 after the Benchmark was
5 established, the entire \$734,000 is shown as a variance.

6
7 Q. Why did your facility expenses for ground and building maintenance
8 increase in Distribution?

9 A. The Company implemented cost-saving measures to manage facility
10 expenses resulting in the overall corporate and district facility expenses
11 being \$1.0 million under the Benchmark. As part of the effort to keep
12 costs down, the Company centralized the operation and maintenance of
13 the corporate and district facilities and revised the functional accounts
14 being charged to more accurately allocate facility expenses to the
15 business functions. Although total corporate and district facility expenses
16 are below the Benchmark, a change in allocation of these expenses
17 accounts for approximately \$746,000 of the Distribution variance. This
18 offset in A & G expenses is discussed by Mr. McMillan in his testimony.

19
20 Q. Are there any other items that are part of your Distribution Benchmark
21 variance?

22 A. Yes. Justifications for the following items, which are of smaller
23 magnitude, are included in Schedule 4 of my exhibit: Energy
24 Management System (EMS), Southern Electric Geographic Information
25 System (GIS), distribution substation maintenance, depreciation study

1 adjustment, and underground cable injection.

2
3 Q. Is this the appropriate level of O & M expenses to use in setting Gulf's
4 base rates?

5 A. Yes. The \$33.0 million level of O & M for Distribution in the test year is
6 reasonable and necessary. We have made prudent decisions to hold
7 down our costs, and the requested level of expenses is needed for Gulf to
8 continue to provide reliable service to our customers. The test year
9 O & M for Distribution is representative of levels that will continue to be
10 incurred in the future when new rates will be in effect.

11
12 Q. What process is used to determine the need for new distribution capital
13 expenditures?

14 A. Expenditures for items such as meters, transformers, and line extensions
15 to cover customer growth are based on customer forecasts as well as an
16 allocation to serve existing customers' increasing demands. In addition,
17 area load studies are conducted periodically by the Distribution Planning
18 Department. The frequency of these studies is based on the measured
19 load growth and planned load additions. Based on the results of these
20 load studies, specific plant expenditures are budgeted and reviewed by
21 management. Mr. Saxon has a more extensive discussion of the
22 Company's overall capital budgeting process in his prefiled testimony.

- 1 Q. Please give a summary of your distribution capital expenditures from
2 January 2001 through May 2002.
- 3 A Gulf will spend approximately \$57.1 million for new distribution facilities
4 during this 17 month period. These distribution expenditures are
5 necessary to serve new customers, meet additional load growth from
6 existing customers, and replace deteriorating facilities. The funds will be
7 used to purchase and install poles, wire, cable, transformers, capacitors
8 and other distribution equipment and materials. Expenditures during this
9 time period are consistent with the year 2000 actual capital expenditures
10 of \$35.6 million when considering the 17 month period includes two major
11 construction periods. These are the major construction periods necessary
12 to meet peak summer load conditions.
13
- 14 Q. Please give a summary of your distribution capital expenditures during the
15 June 2002 through May 2003 test year.
- 16 A. Gulf will spend approximately \$38.3 million during this time period. This
17 compares favorably with the \$35.6 million of actual expenditures for
18 calendar year 2000 when inflation and customer growth are considered. It
19 is necessary to fund these capital additions to serve new customers and
20 meet the needs of our existing customers.
21
- 22 Q. Please give a summary of the general plant expenditures for your area of
23 responsibility from January 2001 through May 2002.
- 24 A. Gulf will spend approximately \$3.3 million during this 17 month period for
25 general plant in my area of responsibility. The majority of these

1 expenditures are to provide for improvements to buildings and land as
2 well as the purchase of automotive equipment including mechanized line
3 and service trucks. Expenditures during this period are below the
4 \$3.7 million of actual expenditures for calendar year 2000.

5
6 Q. Please summarize the general plant expenditures for your area of
7 responsibility during the June 2002 through May 2003 test year.

8 A. Gulf will spend approximately \$4.4 million during this period of time.
9 Replacement of mechanized line and service trucks that are approaching
10 the end of their service life accounts for the increase of approximately
11 \$1.0 million over the previous 17 month period. This \$4.4 million is
12 reasonable and necessary when the new rates are in effect.

13
14 Q. Mr. Fisher, would you briefly describe Gulf Power's commitment to
15 providing superior service to customers?

16 A. One of our primary corporate goals is to be an industry leader in service
17 and customer satisfaction. We have undertaken a number of initiatives to
18 ensure that we understand and are responsive to our customer's needs
19 and expectations. These initiatives focus on improvements to the
20 processes that touch our customers. For example, Gulf adopted
21 customer service standards to ensure consistent, reliable, high quality
22 customer service across Northwest Florida. These standards apply to
23 areas involving direct contact with customers on a routine basis.

24 With our continued focus on customer satisfaction and customer
25 loyalty as our top priority, we have reduced customer complaints and

1 avoided FPSC rules infractions. In the past three years, Gulf has had
2 zero infractions and the complaint activity, as reflected in the FPSC
3 Consumer Activity Report, has remained at very low levels as well. In
4 addition, Gulf has consistently achieved superior results in independent
5 customer surveys gauging customer value and satisfaction in our industry.
6 These superior results include the number one composite ranking among
7 major utilities just last year as reflected in survey results shown on
8 Schedule 2 of my exhibit.

9
10 Q. In what manner do you measure the effectiveness of providing superior
11 value to customers?

12 A. We rely on two annual surveys conducted by independent market
13 research firms. In the "Customer Value Survey," Gulf's performance is
14 compared against the performance of peer utilities that are considered to
15 be industry leaders. We ranked among the very best in the industry for
16 residential, general business, and large business customers as shown in
17 Schedule 3 of my exhibit. Gulf takes great pride in being ranked as an
18 industry leader for delivering value to our customers as reflected in
19 Schedule 2 of my exhibit.

20 With the information provided by these surveys, we are also able to
21 review different areas of our business for process improvements as
22 identified by our customers. This is another example of Gulf's
23 commitment to provide our customer superior value.

24 The second survey, "The Public Confidence Survey," measures
25 customers' opinions on various facets of our business. Gulf's customers

1 recently gave the Company its highest satisfaction ratings in more than
2 five years. Eighty-five percent of our customers surveyed in May and
3 June 2001 had an overall positive opinion of Gulf. Gulf uses the survey
4 information to gauge public perceptions and to help the Company know
5 where to put more emphasis. Customer service is important to us, and
6 we appreciate the high marks from our customers.

7
8 Q. What programs have been instituted in your area of responsibility in
9 recent years that seek to improve productivity and customer satisfaction?

10 A. Some of the major programs implemented to improve productivity and
11 customer satisfaction are: Trouble Call Management System (TCMS),
12 Automated Resource Management (ARMS), and the Customer Service
13 System (CSS).

14
15 Q. Please describe TCMS and its efficiencies.

16 A. In 1998, Gulf transitioned from using Distribution Trouble Reporting
17 (DTR), which was a reporting application only, to TCMS, which is a
18 distribution management system. TCMS is designed to aid Distribution
19 Operations Center (DOC) personnel in the analysis of distribution system
20 outages by predicting the device that operated to isolate the trouble based
21 on customer calls. TCMS also provides an extensive event history for
22 customer interruptions, operational actions, and crew actions.

23 Major benefits of TCMS realized thus far are: increased
24 productivity of Distribution Coordinators through decreased trouble
25 analysis time; decreased time to initiate crew dispatch; and better

1 communications with the customer. The results have been improved
2 customer satisfaction and increased productivity of field personnel.

3 Since TCMS went into service in 1998, data relative to customer
4 interruptions has been accumulated. This data includes system and
5 customer information related to trouble events and is automatically stored
6 in a relational database when a Distribution Coordinator completes a
7 trouble event.

8 Analysis of the data through both tabular and graphical means has
9 resulted in the ability to address recurring trouble on a continuous basis.
10 Reports from the trouble event data are generated as often as needed
11 and are accessible via the corporate Intranet.

12 According to our customers, Gulf's performance in response to
13 trouble events is among the best in the industry. In the residential
14 segment of the customer value surveys referenced earlier, Gulf ranks
15 second in handling emergencies and third in responding quickly to
16 problems. In the general business segment, Gulf ranks third in restoring
17 service quickly after an outage.

18
19 Q. Please describe ARMS and its efficiencies.

20 A. During the last quarter of 1999, Gulf began full-scale implementation of an
21 automated dispatch system for its field service personnel. ARMS was
22 implemented after a two-year pilot in the Pensacola District at Gulf and
23 the Birmingham District of Alabama Power.

24 ARMS consists of three major components: dispatcher
25 workstations, a digital wireless communications network, and field

1 computers. These components provide the dispatcher with the tools to
2 manage and electronically dispatch orders to field personnel. Orders are
3 dispatched to field personnel based on their ability to perform the work,
4 the equipment required to do the work, the proximity to the work, the
5 current workload, and our customer commitment date. The dispatcher
6 knows the current status of field personnel and orders and is able to
7 balance the work, ensure that our customer commitments are met, and
8 adjust to changes requested by customers while the order is in the field,
9 all in real time. Through the use of ARMS, we have improved field
10 productivity, streamlined the management and tracking of field orders, and
11 enhanced communication of information on the status of customer
12 requests.

13 Again, the customer value surveys reflect that Gulf is among the
14 best in the industry in responding to customer requests. We rank third
15 among residential customers and sixth among general business
16 customers in satisfaction with the way service requests are handled.

17
18 Q. How has the implementation of CSS enhanced customer service?

19 A. CSS was implemented at Gulf in October 1997. This initiative was a very
20 significant undertaking. Our goal was to fundamentally improve the way
21 we do business in order to better meet the needs and expectations of our
22 customers. We worked hard to learn from the experience of other utilities
23 that had recently upgraded their customer information systems. We took
24 many proactive steps to ensure effective and efficient implementation of
25 CSS.

1 Gulf viewed implementation of CSS as an opportunity to review
2 and improve our business processes within customer service, marketing,
3 power delivery, and customer accounting. Prior to CSS implementation,
4 many of our business processes were designed to accommodate the
5 limitations of our old customer accounting system. Changes in the
6 business had necessitated extensive modifications to the customer
7 accounting system, which was over 25 years old and increasingly difficult
8 and costly to modify. It was important that a new customer information
9 system be developed to better serve our customers.

10 In addition to the difficulty, risks, and high costs associated with
11 routine changes to the old customer accounting system, a number of
12 significant and even more costly changes would have been required in the
13 existing system if CSS had not been implemented. Interfaces to newly
14 developed distribution systems such as mapping systems, TCMS, and
15 ARMS would have required substantial development costs. The old
16 system would have required significant programming changes in order to
17 correctly process dates at the turn of the century, routinely referred to as
18 the "Y2K Problem." This was an opportune time to make the conversion.
19 Implementing the CSS eliminated the risk of continuing to rely on such an
20 outdated platform for our customer service and billing activities.

21
22 Q. What other efficiencies result from the implementation of CSS?

23 A. With the implementation of CSS, Gulf now has all necessary information
24 about customers located within one database. CSS includes extensive
25 information about each customer, each location or premise where service

1 is provided, and each account. Many of the enhancements included in
2 CSS were for the purpose of increasing flexibility of the billing process.
3 Our ability to implement changes to electric rates has been significantly
4 improved. CSS puts in place a foundation that allows us to be more
5 responsive to our customers and meet future business needs. The
6 technical architecture of CSS has allowed us to easily extend the reach of
7 our customer contacts to the Internet. Much of the same information used
8 by our customer service representatives can now also be accessed
9 directly by our customers. CSS meets the needs of a growing population
10 of customers who prefer to transact business electronically via the Web,
11 doing business in a way that is not restricted to company business hours
12 or locations.

13
14 Q. Are there other benefits from CSS?

15 A. Yes. We have recently completed the interface of ARMS with CSS.
16 When a customer's request is completed in the field, the customer's
17 account in our billing system is automatically updated to reflect the
18 changes made by the field personnel. This paperless transaction has
19 ensured that our customer service representatives in our Customer
20 Service Center (CSC) have real-time information on the status of orders
21 and has dramatically reduced the number of customer requests that must
22 be manually completed by a clerical employee in the office.

23 Just as our business continues to change, so will the need to
24 change and enhance CSS. Our intent was not only to implement a new
25 system that met our current needs but to also position us for the future.

1 We have achieved successful implementation and are now focused on
2 using the system to its fullest potential.

3 As in other areas, our performance regarding the handling of
4 service requests and billing processes is strong. Gulf was ranked number
5 one by residential customers and seventh by general business customers
6 on handling customer service requests right the first time. We rank fourth
7 in the residential segment and third in the general business segment on
8 overall satisfaction with the billing statement and payment process.

9
10 Q. Are there any other major economies and efficiencies of a general nature
11 that have affected your area of responsibility?

12 A. Yes. Gulf has centralized the Dispatch Center and the CSC in an effort to
13 streamline these business processes and improve customer service.

14
15 Q. How has Gulf's centralization of the Dispatch Center improved service to
16 customers?

17 A. Gulf centralized its Dispatch Center operations from eight separate
18 locations into one to improve customer service by offering expanded
19 dispatch hours, establishing one point of contact and improving the ability
20 to move crews across our service territory to get the work done efficiently.

21 This centralized operation offers the advantage of having one entity
22 with oversight for all field order work, providing the ability to balance the
23 workload, establish priorities, and ensure that the appropriate resources
24 are available. Centralized dispatch is the one point of contact for order
25 information required by customers and company personnel. This entity is

1 responsible for follow-up with the customer and appropriate company
2 personnel when events prevent successful completion of a customer
3 request. This ensures corrective action can be taken as quickly as
4 possible.

5 To further emphasize our commitment to customer satisfaction,
6 goals were established for meeting customer appointments and
7 completing lighting and service orders as scheduled. The goal for being
8 on time to appointments with our customers is 95 percent. As of July
9 2001, Gulf has exceeded this goal and is currently making more than
10 99 percent of its appointments on time. Our goal for completing lighting
11 and service orders within their committed service dates is 95 percent. As
12 of July 2001, we are at 97 percent for service orders and at 94 percent for
13 lighting orders.

14
15 Q. Has Gulf's centralization of the CSC improved service to customers?

16 A. Yes. Gulf centralized its customer service calls from three locations to
17 one CSC in 1994. The call volume, along with our initiatives on cost
18 reduction, posed a challenge to our commitment for customer care as an
19 exceptional service provider.

20 To address this challenge, Gulf reevaluated the call handling
21 process. It was clear that the existing Automated Call Distributor (ACD),
22 which was nearly 10 years old, would not allow us to keep pace with call
23 volume. Replacement of this technology in conjunction with the
24 centralization of the call handling process was a solution to provide better
25 customer service and increased operational efficiencies.

1 Benefits of this strategic direction include: expanded customer
2 service coverage to 24 hours a day, seven days a week; improved call
3 handling; reduced customer wait time; and fewer abandoned calls. In
4 addition, the centralized CSC improves consistency, simplifies our
5 business processes and provides one point of contact for our customers.
6 Technology provides for setting call priorities; routing more difficult calls to
7 more experienced agents; and automating call handling. Using the
8 system helps to control personnel costs and provides the benefit of
9 networking possibilities with sister companies.

10 The performance of our employees in the CSC is largely
11 responsible for our industry leader rankings in the customer value
12 surveys, because this is where the vast majority of our contacts with
13 customers take place. Gulf ranks first in the residential segment and
14 second in the general business segment on overall satisfaction with the
15 knowledge and skills of our employees. We ranked second in both the
16 residential and general business categories for ease in doing business
17 and received a number one ranking on treating our customers with
18 respect. In addition, since the centralization of the CSC, we have
19 consistently achieved our service level goal, which is at least 80 percent of
20 all calls answered within 30 seconds or less. Gulf has also maintained an
21 abandoned call rate of less than 3 percent.

22
23 Q. Have any new major training initiatives been instituted in your area of
24 responsibility in recent years?

25 A. Yes. In 1998, earned progression programs were established for the

1 classification of Apprentice, Line Technician and Service Technician
2 personnel in Gulf's Power Delivery Department. We have also
3 established comprehensive training programs for Field Service
4 Representatives and Customer Service Representatives who have day-to-
5 day contact with our customers. We educate our employees on the
6 specific skills, tools, and values needed to understand and exceed
7 customer expectations.

8
9 Q. Please describe the earned progression training program.

10 A. In earned progression, the knowledge and skills necessary to successfully
11 complete each job task for each job classification are defined. Employees
12 are trained in the classroom, in a simulated training facility, through self-
13 study, and on the job. On the job training is a structured program
14 conducted under the guidance of a technically qualified person. At
15 prescribed intervals for each classification, the employee must
16 successfully complete written and demonstrated skill assessments on
17 these job tasks in order to progress. Earned progression has proven to
18 be so successful in developing job competency that it has been expanded
19 to cover substation electricians.

20 The major benefit of earned progression programs is that it
21 provides a thoroughly planned approach to training that is specific to the
22 knowledge and skills required of each job classification. This training
23 provides consistent work methods across the Company and improves
24 adherence to construction and safety standards. Earned progression also
25 provides the incentive to learn by allowing employees that demonstrate

1 mastery of job knowledge and skills to be promoted once minimum time
2 requirements to gain experience have been met.

3
4 Q. How has Gulf worked to improve productivity and efficiency in Distribution
5 related construction and maintenance activities?

6 A. In 1991, a task force was put together to analyze how to improve the
7 productivity and effectiveness of line and service crews. The goal was to
8 evaluate all factors that influence productivity for line and service crews in
9 order to cost effectively achieve construction and maintenance goals that
10 meet customer satisfaction expectations.

11 The task force recommendations included: two-man line crew
12 standardization, utilization of one-man line crews for routine maintenance,
13 one-man service crew standardization, improved job planning and
14 scheduling, and better equipment selection such as the use of material
15 handling trucks and one-man crew service trucks.

16 In 1993, Gulf began transitioning from three-man line crews to two-
17 man line crews and from two-man service crews to one-man service
18 crews throughout the company. Through the use of two-man line crews
19 and one-man service crews, we have improved field productivity and
20 shifted personnel to reduce the need for overhead line construction
21 contractors. This allowed us to meet or exceed customer commitments,
22 and also keep costs at a reasonable level.

23 In order to utilize the one and two-man crew concept, improved
24 equipment and communication devices were required. The radio repeater
25 concept served as the communication device until the installation of the

1 new 800 megahertz radio system. Based on specifications that best met
2 the work requirements for line and service crews, decisions were made to
3 provide line crews with 55 foot material handling trucks and service crews
4 with trucks equipped with 38 foot squirt booms and torsion bar
5 suspension. The material handling trucks are equipped with a winch and
6 jib combination, which allows a two-man crew to do work that otherwise
7 would require additional personnel on the job site. The torsion bar
8 suspension on the service trucks eliminates the use of outriggers and
9 reduces the time associated with setting up the truck at the job site. The
10 service trucks include remote engine start up and emergency lowering of
11 the boom if the system fails. The safety and security of all employees
12 assigned to perform line and service activities continues to be a top
13 priority at Gulf Power.

14
15 Q. Please describe the 800 megahertz radio system.

16 A. Gulf's new radio system was added in 1995, allowing multiple call groups
17 and improving the ability to communicate during high traffic times. This
18 radio system has proven to be critical in storm situations allowing the
19 Company to form individual communication teams, which can talk to each
20 other without interfering with other workers in an effort to speed up the
21 restoration process. These handheld units improve communications
22 between work crews, the DOC and support personnel. Improved
23 communications associated with the use of these radios is also one of the
24 reasons that electric service to Gulf's customers is restored so quickly
25 after hurricanes and other emergencies.

1 Q. What other efficiency changes have been implemented in the line service
2 area?

3 A. After a successful pilot program in 1993, the Company implemented a
4 company-wide distribution line work planning and scheduling system.
5 This included a planner/scheduler concept, which was implemented.
6 Through improved scheduling of construction projects, we have increased
7 customer satisfaction, reduced unnecessary travel and non-productive
8 time for crews, and increased overall efficiencies in the engineering
9 design and support process.

10

11 Q. Please summarize your testimony.

12 A. The adjusted requested level of \$33,048,000 in distribution expenses and
13 the \$42,663,000 in capital expenditures for my area of responsibility in the
14 test year are reasonable, prudent, and are necessary for Gulf to continue
15 to provide superior customer service and high reliability to our customers.
16 These levels of O & M expenses and capital expenditures are
17 representative of future levels required in the period the new rates will be
18 in effect. Gulf's customer service standards and applications ensure
19 consistent, reliable, high quality customer service across Northwest
20 Florida. One of our primary business goals is to be an industry leader in
21 customer service and customer satisfaction. Over the past few years, we
22 have added new technologies and changed our work methods to keep up
23 with the growth in our service territory and the changing expectations of
24 our customers. We take great pride in being ranked at the very top of our
25 industry in delivering value to our customers. Our business results and

1 commitment to continued improvement demonstrate our past, present,
2 and future commitment to providing electric service of superior value.

3

4 Q. Mr. Fisher does this conclude your testimony?

5 A. Yes.

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

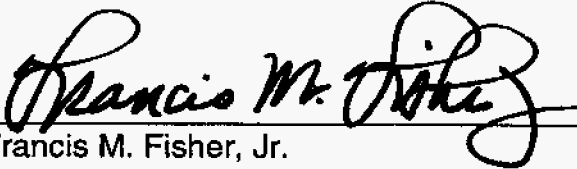
25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 010949-EI

Before the undersigned authority, personally appeared Francis M. Fisher, Jr., who being first duly sworn, deposes, and says that he is the Power Delivery and Customer Operations Vice President of Gulf Power Company, a Maine corporation, and that the foregoing is true and correct to the best of his knowledge, information, and belief.



Francis M. Fisher, Jr.
Power Delivery and Customer Operations
Vice President

Sworn to and subscribed before me by Francis M. Fisher, Jr. who is personally known to me this 7th day of September, 2001.



Notary Public, State of Florida at Large

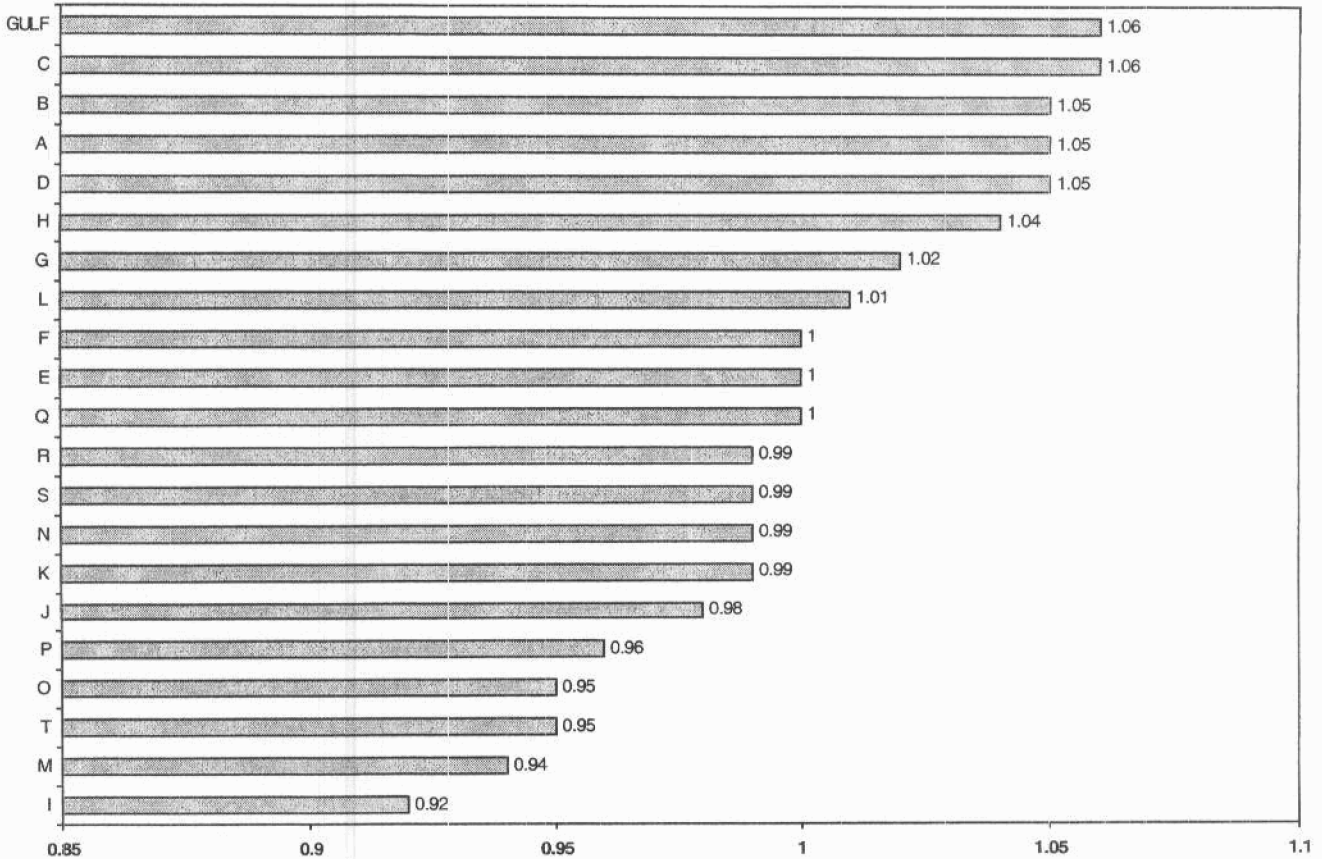


Jackie L. Whipple
My Commission D0041508
Expires August 23, 2006

Florida Public Service Commission
Docket No. 010949-EI
GULF POWER COMPANY
Witness: F. M. Fisher, Jr.
Exhibit No. ____ (FMF-1)
Schedule 1
Page 1 of 1

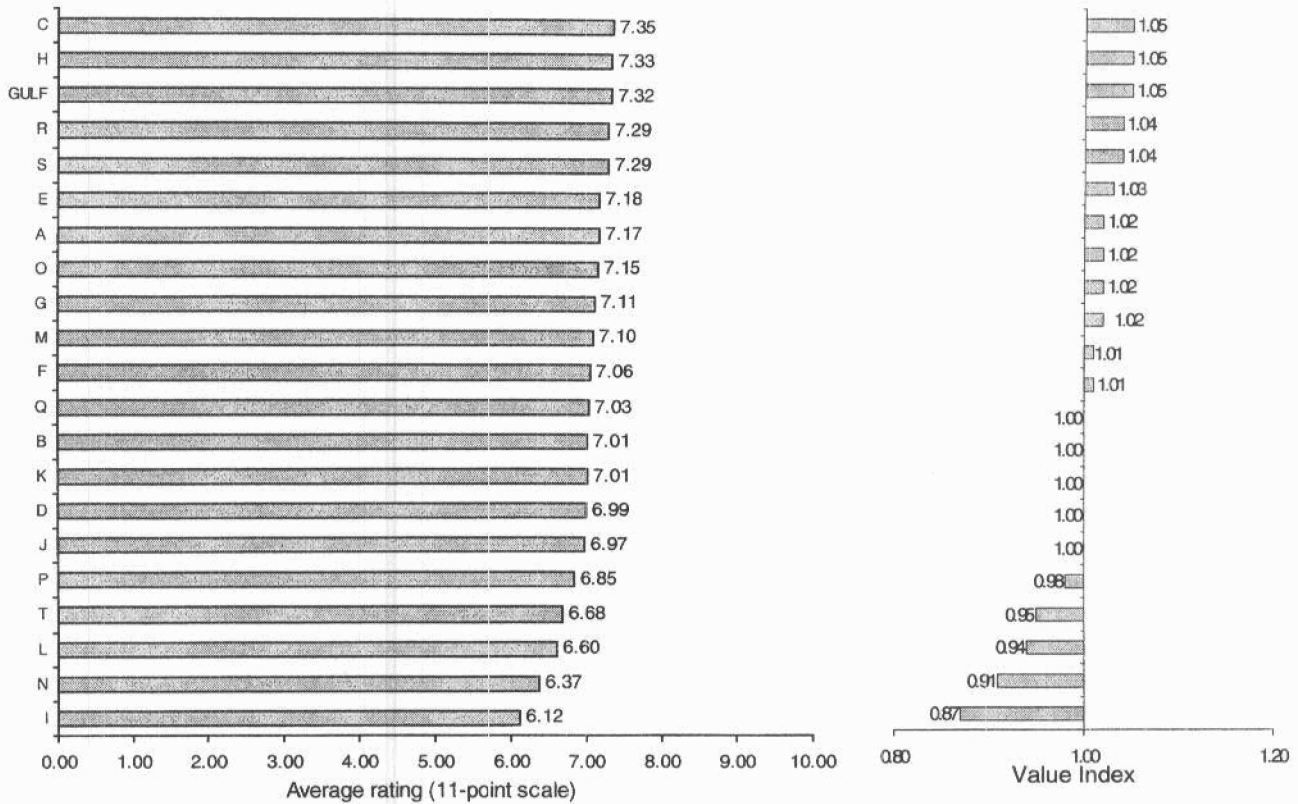
<u>Index</u>	<u>Schedule Number</u>
Index to Schedules	1
Customer Value Survey – All Customer Classes	2
Customer Value Survey – Residential Customers, General Business Customers, Large Business Customers	3
O & M Benchmark Variance	4
Responsibility for Minimum Filing Requirements	5

Customer Value Survey: All Customer Classes

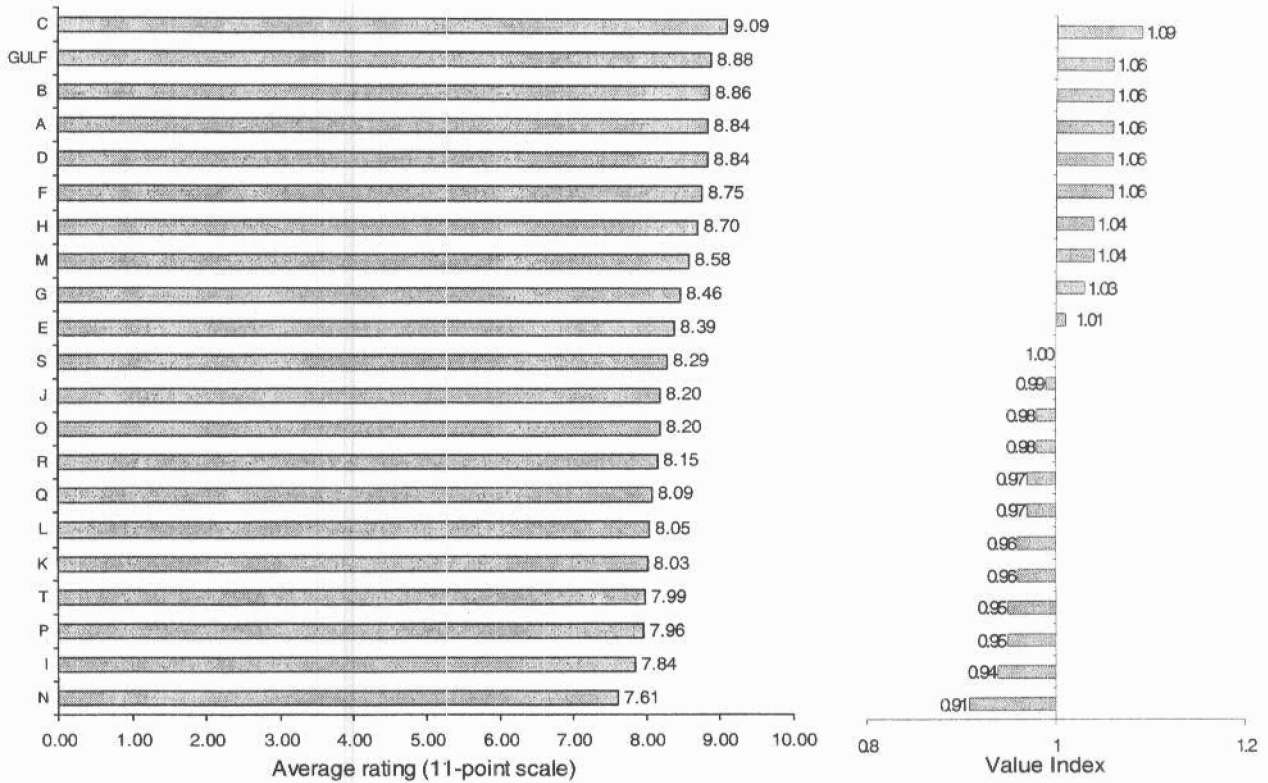


Customer value index

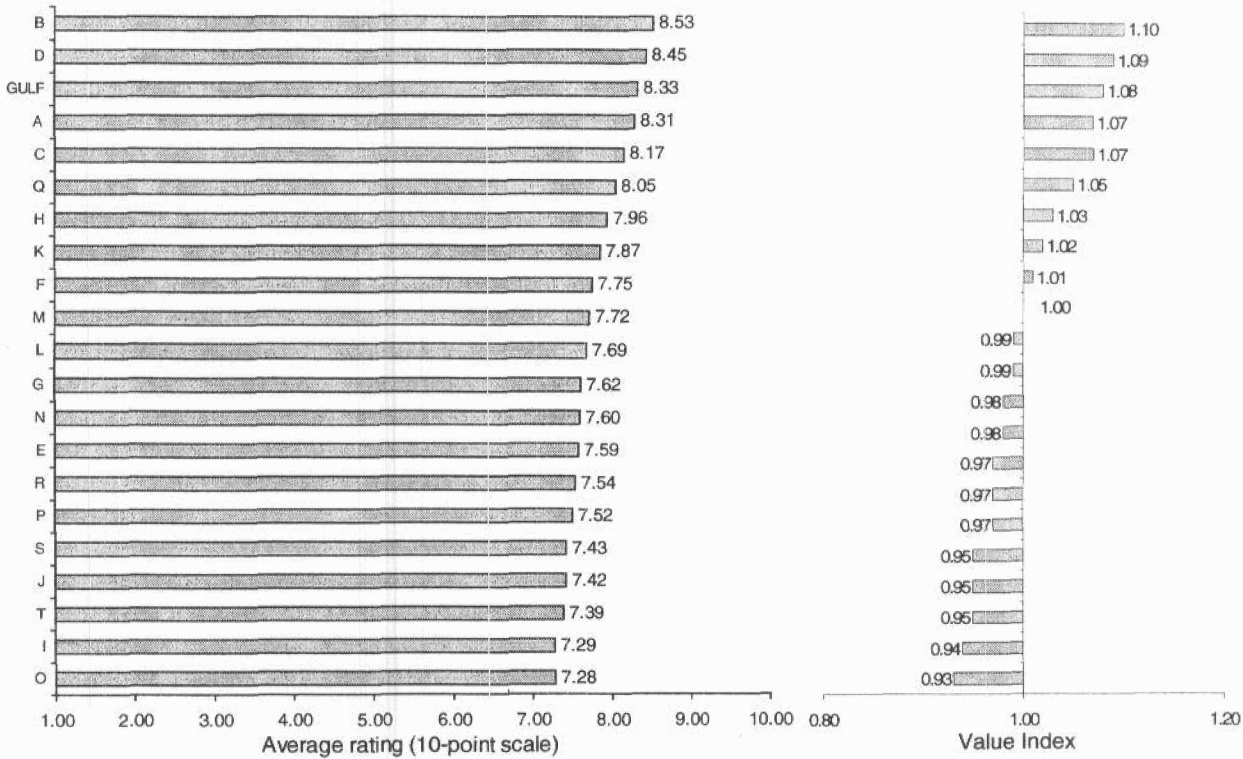
Customer Value Survey: Residential Customers



Customer Value Survey: General Business Customers



Customer Value Survey: Large Business Customers



**O & M BENCHMARK VARIANCE BY FUNCTION
DISTRIBUTION ACCOUNTS**

	<u>\$(000)</u>
1990 Allowed	15,196
Test Year Adjusted Benchmark	27,825
Test Year Adjusted Request	33,048
System Benchmark Variance	5,223

<u>Description</u>	<u>1990 Allowed</u>	<u>Test Year Benchmark</u>	<u>Test Year Request</u>	<u>Variance</u>
1. Information Technology (IT) Products & Services	851	1,558	3,384	1,826
2. Automated Resource Management System (ARMS)	0	0	237	237
3. Energy Management System (EMS)	0	0	193	193
4. Southern Electric Geographic (GIS)	0	0	172	172
5. Outdoor Light Maintenance/ Street Light Maintenance & Relamping	505	925	1,438	513
6. Distribution Substation Maintenance	754	1,381	1,647	266
7. Depreciation Study Adjustment	0	0	414	414
8. Facility Expenses	132	242	988	746
9. Underground Cable Injection	0	0	166	166
10. Pole Line Inspection Program	0	0	734	734
				<u>5,267</u>

**O & M BENCHMARK VARIANCE BY FUNCTION
DISTRIBUTION ACCOUNTS**

1. Information Technology Products & Services

	<u>\$(000)</u>
1990 Allowed	851
Test Year Adjusted Benchmark	1,558
Test Year Adjusted Request	3,384
System Benchmark Variance	1,826

Justification

In 1990, the majority of all IT costs were in the Administrative and General (A & G) function. These IT costs are now charged directly to the functional area incurring the costs wherever it is feasible to do so. With the evolution of computer technology use within the workforce over the past 10-12 years, there has been a decrease in the need for support personnel to handle correspondence, presentations, reports, etc., for other professional job classifications. Computer technology has enabled the general workforce to do more with automated processes, thus increasing total productivity.

**O & M BENCHMARK VARIANCE BY FUNCTION
DISTRIBUTION ACCOUNTS**

2. Automated Resource Management System (ARMS)

	<u>\$(000)</u>
1990 Allowed	0
Test Year Adjusted Benchmark	0
Test Year Adjusted Request	237
System Benchmark Variance	237

Justification

ARMS consists of three major components: dispatcher workstations, a digital wireless communications network, and field computers. These components provide the dispatcher with the tools to manage and electronically dispatch orders to field personnel. Orders are dispatched to field personnel based on their ability to perform the work, the equipment required to do the work, the proximity to the work, the current workload, and our customer commitment date. The dispatcher knows the current status of field personnel and orders, and is able to balance the work, ensure that our customer commitments are met and adjust to changes requested by customers while the order is in the field, all in real time. Through the use of ARMS we have improved field productivity, streamlined the management and tracking of field orders, and enhanced communications of information on the status of customer requests.

**O & M BENCHMARK VARIANCE BY FUNCTION
DISTRIBUTION ACCOUNTS**

3. Energy Management System (EMS)

	<u>\$(000)</u>
1990 Allowed	0
Test Year Adjusted Benchmark	0
Test Year Adjusted Request	193
System Benchmark Variance	193

Justification

EMS was installed and placed into service in 1996. This system is a replacement for the previous Power Management System (PMS). This was an old obsolete system which was not able to be expanded and was no longer supported by the vendor. PMS was originally budgeted in FERC 556 (Other Power Production) and not allocated to the Distribution function in 1990.

EMS Continually monitors all of Gulf's transmission and distribution lines, substation equipment and devices, etc., and provides the operator with detailed information on system parameters such as load flows, voltage levels, breaker status, frequency, etc. It also provides the operator the capability to operate system devices such as power circuit breakers, line switches, capacitor banks, etc. It collects and stores operating data and events and provides essential tools to assist the operator in evaluating the efficiency, safety, and security of Gulf's electric system.

**O & M BENCHMARK VARIANCE BY FUNCTION
DISTRIBUTION ACCOUNTS**

4. Southern Electric Geographic Information System (GIS)

	<u>\$(000)</u>
1990 Allowed	0
Test Year Adjusted Benchmark	0
Test Year Adjusted Request	172
System Benchmark Variance	172

Justification

GIS replaces Gulf Power's existing DOS-Based mapping system which is outdated, uses inefficient technology and is no longer supported by its vendor. A more flexible mapping system is needed to provide more efficient support to Distribution Operation Center Operators for the Trouble Call Management System (TCMS) and faster information to the field for storm restoration. The new mapping system works with Environmental Systems Research Institute's ArcMap utilizing an Oracle database which is compatible with TCMS, Customer Service System (CSS), and other applications allowing more efficient operations and reduces interface cost.

**O & M BENCHMARK VARIANCE BY FUNCTION
DISTRIBUTION ACCOUNTS**

Outdoor Light Maintenance/Street Light Maintenance & Relamping

	<u>\$(000)</u>
1990 Allowed	505
Test Year Adjusted Benchmark	925
Test Year Adjusted Request	1,438
System Benchmark Variance	513

Justification

In 1990, a total of 47,413 high-pressure sodium street and outdoor lights were in service. At the end of 2000, this total has grown to 124,891 lights which equates to a growth rate of 263%. The actual growth in the number of street and outdoor lights applied to the 1990 allowed expenses equates to \$1,328,000 of the \$1,438,000 request. The remaining \$110,000 requested is due to the additional lights that are included in the test year, and to the group street light relamping that is scheduled during the test year. The group relamping program reduces inefficiencies of individually rebulbing streetlights as they fail.

**O & M BENCHMARK VARIANCE BY FUNCTION
DISTRIBUTION ACCOUNTS**

6. Distribution Substation Maintenance

	<u>\$(000)</u>
1990 Allowed	754
Test Year Adjusted Benchmark	1,381
Test Year Adjusted Request	1,647
System Benchmark Variance	266

Justification

At year-end 2000, Gulf had distribution substation equipment plant in service of approximately \$110 million. Based on diagnostic procedures such as Dobel and dielectric testing, an increase in maintenance of \$555,000 annually is required to adhere to Gulf's Substation Maintenance Program and prevent increased failures of this aging substation equipment.

During the 2001 to 2003 time period, Gulf will install an additional seven substation transformer banks, 32 breakers and six capacitor banks. Maintenance associated with this equipment will cost an additional \$200,000 annually. Also, we have experienced insulator arcing and outages at one of our distribution substations due to salt contamination. In order to prevent reoccurrence of this, approximately \$60,000 will be expended each year to clean the insulators in this substation.

**O & M BENCHMARK VARIANCE BY FUNCTION
DISTRIBUTION ACCOUNTS**

7. Depreciation Study Adjustment

	<u>\$(000)</u>
1990 Allowed	0
Test Year Adjusted Benchmark	0
Test Year Adjusted Request	414
System Benchmark Variance	414

Justification

This represents the Distribution O & M portion of Adjustment 17 made by Mr. Labrato on his Schedule 8. This adjustment represents the change of \$414,000 in depreciation of transportation equipment, which is charged to a clearing account and then allocated to the appropriate O & M accounts. This is a Net Operating Income (NOI) adjustment which reflects the Company's new proposed depreciation rates and dismantlement accruals, which have been filed in Docket No. 010789-EI with the Commission on May 29, 2001, through the Company's 2001 Depreciation and Dismantling Study.

**O & M BENCHMARK VARIANCE BY FUNCTION
DISTRIBUTION ACCOUNTS**

8. Facility Expenses

	<u>\$(000)</u>
1990 Allowed	132
Test Year Adjusted Benchmark	242
Test Year Adjusted Request	988
System Benchmark Variance	746

Justification

The Company implemented cost-saving measures to manage facility expenses resulting in the overall corporate and district facility expenses being \$1.0 million under the benchmark. As part of an effort to keep costs down, the Company centralized the operation and maintenance of the corporate and district facilities and revised the functional accounts being charged to more accurately allocate facility expenses to the business functions. Although total corporate and district facility expenses are below the Benchmark, a change in allocation of these expenses accounts for approximately \$746,000 of the Distribution variance.

**O & M BENCHMARK VARIANCE BY FUNCTION
DISTRIBUTION ACCOUNTS**

9. Underground Cable Injection

	<u>\$(000)</u>
1990 Allowed	0
Test Year Adjusted Benchmark	0
Test Year Adjusted Request	166
System Benchmark Variance	166

Justification

Gulf had over 600 trench miles of underground primary cable installed before 1990. The cable injection process involves injecting underground primary cables with a silicone fluid to remove water and fill voids. This process has proven to retard the deterioration of the cable insulation. The life of a selected group of these aging cables can be greatly extended by this cable injection process. Injecting these cables in a planned manner will reduce the likelihood of outages caused by premature failures and is less expensive than cable replacement which incurs cost associated with boring under or trenching through established years and commercial sites. The projected cost of this program is \$166,000.

**O & M BENCHMARK VARIANCE BY FUNCTION
DISTRIBUTION ACCOUNTS**

10. Pole Line Inspection Program

	<u>\$(000)</u>
1990 Allowed	0
Test Year Adjusted Benchmark	0
Test Year Adjusted Request	734
System Benchmark Variance	734

Justification

In 1991, Gulf began a ground-line inspection program to inspect and, as necessary, treat, repair or replace the Creosote and Penta treated poles the Company has in service. Gulf's distribution poles are located in the worst of five wood decay zones (zone 5 "Severe") as defined in the American Wood Preservers Association Standard C-4-99. Prior to 1980, Gulf installed Southern Pine Creosote and Penta Treated wood poles. Since the early 1980's, Gulf has installed Chromated Copper Arsenate (CCA) treated wood poles with superior decay resistance. To date, approximately 48,000 poles have been inspected. Based on these inspections, it was determined that 82 percent of the poles could be retreated without additional repairs, 4 percent needed to be reinforce to remain in service, and 14 percent required replacement.

Due to the condition of its aging poles, Gulf has determined it is necessary to speed up this program. We will inspect and, as necessary, treat, repair or replace the remaining 60,000 Creosote and Penta poles over the next five years. Proceeding with this program in a planned, organized manner allows repairs to be made without prolonged outages under emergency conditions. This will result in better customer satisfaction and greater safety. The pole inspection program accounts for \$734,000 of the increase in the test budget year for Distribution.

Minimum Filing Requirements (MFR)

<u>MFR Schedule</u>	<u>Description</u>
A-8	Five Year Analysis – Change in Cost
C-8	Report of Operation Compared to Forecast – Revenues and Expenses
C-12	Budgeted vs. Actual Operating Revenues and Expenses
C-19	Operation and Maintenance Expenses – Test Year
C-20	Operation and Maintenance Expenses – Prior Year
C-21	Detail of Changes in Expenses
C-22	Maintenance on Customer Owned Facilities, Installations on Leased Premises and Leased Property on Customer Premises
C-57	O & M Benchmark Variance by Function
C-65	Outside Professional Services
F-17	Assumptions
