FILED JUL 12, 2013
DOCUMENT NO. 03963-13
FPSC - COMMISSION CLERK

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 130140-EI

GULF POWER
A SOUTHERN COMPANY

TESTIMONY AND EXHIBIT

OF

RAYMOND W. GROVE

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony of
Raymond W. Grove
Docket No. 130140-EI
In Support of Rate Relief
Date of Filing: July 12, 2013

Q. Please state your name and business address.

A. My name is Ray Grove. My business address is One Energy Place, Pensacola, Florida, 32520.

Q By whom are you employed?

A. I am employed by Gulf Power Company (Gulf or the Company). I am the Manager of Power Generation Services.

Q. What are your responsibilities as Manager of Power Generation Services?

A. I am responsible for Generation Planning, including the Ten Year Site Plan and the Renewable Standard Offer Contract, reporting plant performance through the Generation Performance Incentive Factor, supply side renewable energy development, Operations and Maintenance (O&M) budgeting for Production, and capital budgeting for Production.

Q. Please state your prior work experience and responsibilities.

A. I was hired by Gulf in January 1982 as a district accountant responsible for accounting and budgeting for the Western District. In 1984 I transferred to Internal Auditing, with the primary responsibility for audit of Power Generation and Fuel. I transferred to Power Generation in 1998,

with responsibility for accounting and budgeting for Power Generation. I assumed the additional responsibility for Generation Planning in 2002 and supply side renewable generation in 2008.

Q. What is your educational background?

A. I graduated with a Bachelor of Arts in Accounting from the University of West Florida in 1981.

Q. What are the purposes of your testimony?

A. My testimony discusses Gulf's generation resources used and useful in the provision of electric service to our customers. My testimony also addresses Gulf's resource planning process, Production investment, and the 2014 Production O&M budget.

Q. Are you sponsoring any exhibits?

A. Yes. I am sponsoring Exhibit RWG-1, Schedules 1 through 10. Exhibit RWG-1 was prepared under my direction and control, and the information contained therein is true and correct to the best of my knowledge and belief.

Q. Are you sponsoring any of the Minimum Filing Requirements (MFRs) filed by Gulf?

A. Yes. A list of MFRs I sponsor or cosponsor is included on Schedule 1 of Exhibit RWG-1. The information contained in the MFRs I sponsor or co-sponsor is true and correct to the best of my knowledge and belief.

I. GULF'S GENERATION RESOURCES

Q. Please describe Gulf's generating resources that will be available to serve retail customers during the 2014 test year.

A. Gulf will generate or purchase electricity from a diverse group of resources in 2014. These resources will include: (a) units owned solely by Gulf, (b) units owned jointly with other operating companies within the Southern electric system (SES), (c) units in the SES available to Gulf through the SES Intercompany Interchange Contract (IIC), and (d) units available to Gulf under Power Purchase Agreements (PPAs). The fuels used for the generation resources available to Gulf include coal, oil, natural gas, landfill gas and municipal solid waste.

Q. Please describe Gulf's projected capacity mix by fuel type for 2014.

A. In the summer of 2014, Gulf will have 3,382 MW of capacity available for our customers. Exhibit RWG-1, Schedule 2, shows that the resources available to Gulf will be made up of 55.7 percent coal, 43.0 percent gas, 0.9 percent oil, and 0.4 percent renewable.

Through an effective planning process, Gulf has a generation mix which will allow us to provide our customers energy from whichever resources are most economical. When coal prices are high, the gas resources can be utilized; when gas prices are high, coal resources can be utilized. In addition, as a party to the SES IIC, Gulf takes advantage of making purchases or sales

through the Southern Company Power Pool (the Pool) that further benefit our customers.

Q. Please describe the generation resources forecasted to be owned, operated and used by Gulf to serve its retail customers in the summer of 2014.

A. Exhibit RWG-1, Schedule 3 provides a list of the units owned and operated or co-owned by Gulf and used to provide retail service.

Q. What PPAs will Gulf have in place and use to provide electric service in 2014?

A. Exhibit RWG-1, Schedule 4 provides a list of the power purchase resources available to Gulf during 2014 and information regarding the fuels and technologies used by these generating resources. All of these agreements have been approved by the Florida Public Service Commission (FPSC or the Commission).

Q. You mentioned the SES Intercompany Interchange Contract, or IIC. Please summarize that arrangement.

A. The IIC is a contract among Alabama Power Company, Georgia Power Company, Mississippi Power Company, Gulf Power Company and Southern Power Company (collectively the Operating Companies). The IIC is designed to provide for the continued operation of the electrical system of the Operating Companies in such a manner as to achieve the maximum possible economies consistent with the highest practical reliable service, the reasonable utilization of natural resources, and the equitable sharing among

the Operating Companies of the costs associated with the operation of facilities that are for the mutual benefit of the Operating Companies and their customers.

Q. How does the SES IIC work to the benefit of Gulf's customers?

A. Gulf's customers benefit tremendously from Gulf's participation in this pooling arrangement. Benefits include, but are not limited to, the following:

1. Economic dispatch production cost savings,
2. Economic sharing of generating reserve capacity,
3. Lower reserve margin requirements,
4. Ability to install large, efficient generating units,
5. Reduced requirements for operating reserves,
6. Pool market for temporary surpluses of capacity and energy on Gulf's system,
7. Ready supply of energy for purchase when Gulf is short,
8. Opportunity energy sales and purchases

In summary, Gulf's decision to enter into and participate in the SES IIC was reasonable and prudent, and the benefits justify that Gulf's participation in the IIC is in the best interest of our customers.

II. GULF'S RESOURCE PLANNING PROCESS

Q. Please provide an overview of Gulf's resource planning process.

A. The resource planning process utilized by Gulf to determine its future needs is coordinated within the SES Integrated Resource Planning (IRP) process. Gulf participates in the IRP process along with the other SES retail Operating Companies (Alabama Power, Georgia Power, and Mississippi Power). Gulf receives a number of benefits from being part of a collaborative system planning process. Planning its capacity additions in conjunction with the SES retail Operating Companies allows Gulf to meet its demand and reserve requirements by utilizing the temporary surpluses of capacity available on the SES or by sharing our temporary capacity surpluses with the other retail operating companies.

This ability to coordinate capacity additions and rely temporarily on any surplus system reserves provides Gulf the opportunity to defer capacity addition decisions in order to consider (a) larger blocks of need that might justify less costly addition alternatives, (b) emerging technologies that might not have been available earlier, and (c) emerging environmental requirements that might affect unit addition choices. Another benefit to Gulf that is gained from planning a large system such as the SES is the ability to receive support of system planning personnel as the need arises without incurring the costs of a large planning staff of its own.

The generation planning process employed by the SES uses PROVIEW (a computer model) to screen available technologies in order to produce a listing of preferred capacity resources from which to select the most cost-effective plan for the system. The resulting SES resource needs are

allocated among the Operating Companies based on reserve requirements. Each Operating Company then determines the resources that will best meet its capacity and reliability needs.

Gulf's long-range goal is to have economical, reliable generating capacity available to meet our customers' needs. In order to meet the anticipated demand that often develops irregularly and in increments much smaller than the capacity of a large, efficient generating unit, and to realize the economies of scale inherent in large units, most electric utilities will construct "blocks" of generating capacity which are temporarily in excess of the requirements anticipated at the time the unit is initially brought on line. If the utility were to satisfy only the annual increase in demand, these small blocks would be much higher in cost on a per unit basis and much lower in efficiency.

In planning generating capacity additions, Gulf has certain advantages that greatly benefit its customers. Gulf Power, Alabama Power, Georgia Power, and Mississippi Power operate as an integrated generation and transmission network over a four-state area. Coordinated planning with our Southern system affiliates allows for the staggered construction of larger, more efficient generating units spread throughout the Southern electric system.

Q. Is this the same planning process used in Gulf's last rate case and the same process described in Gulf's Ten Year Site Plan?

A. Yes.

Q. Please address any major generating resource changes since Gulf's last rate proceeding.

A. PPAs for Coral Baconton (owned and operated by Shell Energy North America or SENA) and Dahlberg (owned and operated by Southern Power) currently totaling 494 MW will expire on May 31, 2014. In addition, a PPA with Bay County for the output of their Municipal Solid Waste facility is scheduled to expire on July 1, 2014. We anticipate the county will want to renegotiate an extension of that contract, but no decisions have been made at this time.

In addition, there could potentially be a third 1.6 MW landfill gas unit added at the Perdido site as early as August 2014. However, because of uncertainties associated with the unit, Gulf has elected to remove all investment and O&M expense associated with the third unit at Perdido from this case. The adjustments necessary to remove the investment and O&M expenses associated with Perdido Unit 3 are addressed by Gulf Witness Ritenour.

III. GULF'S PRODUCTION INVESTMENT

Q. Mr. Grove, Ms. Ritenour shows a total of $2.944 billion of plant in service investment in Gulf's 2014 rate base in this case. Are the Production assets associated with these costs used and useful in the provision of electric service to the public?

A. Yes. The Production assets, which comprise a total of $1.155 billion of plant

in service in Gulf's 2014 rate base in this case, are used and useful in Gulf's provision of electric service.

Q. Were these Production costs reasonable and prudently incurred?

A. Yes. They were incurred pursuant to our capital budget process. I will discuss that process later in my testimony. They also were subject to cost controls used to govern budgeted expenditures. These cost controls are also discussed later in my testimony.

Q. What is Gulf's projected Production Capital Additions Budget for 2013 and 2014 excluding Plant Scherer and items recovered through the Environmental Cost Recovery Clause (ECRC)?

A. Gulf's Production non-ECRC Capital Additions Budget for 2013 is $50,011,000. As shown on Exhibit RWG-1, Schedule 5 page 1 of 2, there are 77 projects scheduled for 2013. However, $40,000 of the project listed as "Perdido Landfill Gas Energy" and the entire $4,420,000 for the project listed as "Perdido Landfill Gas to Energy Unit 3" have been removed for reasons discussed earlier in my testimony. The adjustments necessary to remove the projects associated with Perdido Unit 3 are addressed by Ms. Ritenour.

Gulf's Production, non-ECRC Capital Additions Budget for 2014 is $38,384,000. As shown in Exhibit RWG-1, Schedule 5, page 2 of 2, there are 87 capital projects in 2014. All of these budgeted projects for both 2013

and 2014 are needed to address safety issues, to maintain efficiency (heat rate), or to sustain reliability.

Q. Please address how Gulf's Production Capital Additions Budget is formulated.

A. The Production Capital Additions Budget process is a multi-step process that begins at the plant level and is ultimately approved by Gulf's Executive Management Team, which is made up of the President and CEO and the four vice presidents of Gulf. All capital projects are evaluated to ascertain the necessity of performing the work.

Plant personnel begin the Production budgeting process by evaluating existing plant equipment performance and maintenance costs. Where performance has degraded or is forecasted to degrade to an unacceptable level and maintenance costs are increasing, replacement of the equipment becomes necessary. As part of this evaluation process, plant personnel review the information provided by Gulf to the North American Electric Reliability Corporation (NERC) Generation Availability Data System (GADS) to evaluate events that have triggered unplanned outages or unit derates. Gulf develops plans to address GADS events that continue to be problematic and makes decisions to repair or replace existing equipment. Once plant personnel have identified specific projects, the Group Managers at each plant review the proposed project list to determine which projects will be submitted to the Plant Management Team (the Plant Manager and his direct reports). The Plant Management Team meets to discuss each proposed project to

determine which projects will be submitted for the next level of review to be included for consideration in the final budget.

Each plant presents its proposed list of capital projects to the Power Generation Leadership Team (the Vice President of Power Generation and his direct reports). The plant managers then meet with the Power Generation Leadership Team to prioritize all projects at the Power Generation Level to ensure the most critical projects are included in the budget submitted for final review by Gulf's executives.

Lastly, the Production Capital Additions Budget request is presented to Gulf's executives. The final Capital Additions Budget is ultimately approved or revised by executive management.

Q. How does Gulf control capital cost after the Capital Additions Budget is developed?

A. Once the Capital Additions Budget is approved, each project is assigned a project manager who is responsible for all aspects of the project. The project manager develops documentation outlining the scope of the project and works with Supply Chain Management to develop a bid package. From start to finish, the project manager is responsible for all on-site management, including contractor performance and invoice review. The plant manager receives a report from the Manager of Power Generation Services each month detailing capital project expenditures and any budget variance for all projects. The Plant Manager is responsible for explaining budget variances.

At the Company level, the Corporate Planning group requires a detailed explanation quarterly of all budget variances greater than 10 percent or $250,000 (whichever is lower). Variances less than $10,000 do not require a variance explanation.

Q. How are new capital projects or changes to existing projects incorporated in the current year budget?

A. In the event a new project or an increase in expenditures associated with an existing project is necessary, the planning unit must submit a justification letter to the Vice President with functional responsibility. If approved by the functional Vice President, the letter is also reviewed and approved by the Chief Financial Officer. Finally, the letter is sent to Corporate Planning where the change is documented and added to the financial plan.

Q. Was Gulf's Production non-ECRC Capital Additions Budget for 2013 and 2014 developed by this budget and cost control process?

A. Yes. The projects included in Gulf's Production Capital Additions Budget were approved pursuant to this rigorous evaluation and approval process. Gulf's effective capital budgeting and cost control process has helped to ensure that our generating fleet continues to provide reliable and efficient generation. The dollars included in the test year non-ECRC Capital Additions Budget for Production are reasonable, prudent, and necessary. Gulf will continue to evaluate the benefits of additional capital projects in the future to ensure that we are able to provide our customers with reliable, cost-effective and efficient generating capacity.

IV. GULF'S 2014 PRODUCTION O&M BUDGET

Q. What are Gulf's Production O&M budgets for 2013 and 2014?

A. Gulf's Production O&M budget for 2014 is set forth on Exhibit RWG-1, Schedule 6 and Schedule 7. Gulf's Production O&M budget for 2014 is $106,736,000, including Steam Production, Other Production, and Other Power Supply expenses.

Gulf's Production O&M budget for 2013 is set forth on Exhibit RWG-1, Schedule 7. Gulf's Production O&M budget for 2013 is $91,429,000 including Steam Production, Production Other, and Other Power Supply expenses.

Q. Are Gulf's projected levels of Production O&M expenses of $91,429,000 in 2013 and $106,736,000 in 2014 reasonable and prudent?

A. Yes. My conclusion is based primarily on the fact that Gulf's 2013 and 2014 Production O&M budget are the product of a rigorous budget process implemented by experienced employees who know their jobs and their facilities. Each year, Gulf's Power Generation Organization develops a five-year O&M budget based on historical results, projected maintenance and outage planning. As we develop the budget request, we focus on planned outages and baseline expenses.

Over the years, Gulf's plant personnel have gained valuable knowledge relating to the maintenance of our equipment. Our experience indicates that

each unit should have a regularly scheduled planned outage to inspect and repair fuel handling equipment, boilers and auxiliary equipment every 18 to 24 months unless conditions warrant an adjustment to the schedule. In addition, a major planned outage is scheduled on each unit every 8 to 10 years, which includes work on the turbine and generator equipment in addition to the equipment listed above.

Baseline expenses are costs required to conduct the day-to-day operation and maintenance of the generating equipment and auxiliary equipment and facilities. Baseline expenses include all labor, material and other expenses, such as contracts for maintaining grounds, janitorial services, and other services.

The five-year O&M budgets are developed at the plant level with the goal of maintaining high reliability and efficiency. As discussed in Gulf Witness Burroughs' testimony, Gulf has done an exceptional job of maintaining high unit reliability and efficiency. At the same time Gulf has fostered an environment where employee safety is our number one priority.

As each plant develops a five-year O&M budget, the Plant Management Team seeks input from system owners and unit owners to ensure the most critical issues receive attention. Each plant assigns a system owner (expert) over major systems such as boiler, turbine or generator. In addition, each unit has an individual assigned as the unit owner with the expectation that the individual will be the coordinator of any work related to the assigned unit. As

the O&M budget is developed, the Plant Management Team meets to discuss all aspects of the equipment maintenance requirements.

Once the Plant Management Team is satisfied that their O&M budgets meet the plant's needs, the Power Generation Leadership Team meets to discuss the overall Power Generation O&M budget. In the event that there are resource (labor, physical, or financial) constraints, the Power Generation Leadership Team discusses risks associated with projects and prioritizes projects to help ensure the most critical activities are included in the budget. Lastly, the Power Generation budget is submitted to Gulf's Corporate Planning and Budgeting departments. Ms. Ritenour discusses the budget process that takes place after Corporate Planning and Budgeting receives the Power Generation O&M budget request.

The $106,736,000 included in the 2014 Production O&M budget was developed using teams from the plants whose expertise and understanding of plant equipment and plant operations has been clearly demonstrated by the continued high performance indicators of the units. The budgets are then reviewed and modified by the Plant Management Team, the Power Generation Leadership Team, and ultimately Gulf's Executive Management Team. The 2014 Production O&M budget is the product of this robust budgeting process and is also adjusted for rate case adjustments.

Q Is Gulf's projected level of Production O&M expenses of $106,736,000 in 2014 representative of a going forward level of Production O&M expenses beyond 2014?

A. Yes. As shown on Schedule 7 of Exhibit RWG-1, the average Production O&M budget for the three year period (2015 – 2017) is $108,284,000. The Production O&M expense for the 2014 test period is representative of the ongoing level of expense necessary to maintain generation performance and reliability.

Q. On your Schedule 7, you show a series of adjustments in the years 2013 – 2017. Please explain the purpose for each of those adjustments.

A. There are three adjustments to the Production O&M request:

1. The adjustment for Plant Scholz of $1,475,000 related to Steam Production consists of an outage adjustment of $415,000 and a non-outage O&M adjustment of $1,060,000. When Gulf made the decision to retire Plant Scholz, the entire 2013 budget cycle was adjusted to reflect the operational and maintenance expenses that would be required with the understanding the plant would retire in April 2015. The ratemaking adjustments that reflect these budget changes are addressed by Ms. Ritenour.

2. When Gulf originally developed the budget in the fall of 2012 for the budget cycle 2013 – 2017, Gulf planned to have the Perdido Unit 3 on the ground and available to our customers by the end of 2013. As a

result of uncertainties associated with the in-service date of the third unit, Gulf made the decision to remove all expenses ($400,000) associated with the third unit from our request in this proceeding. The ratemaking adjustments to remove this project from the test year are addressed by Ms. Ritenour.

3. The wholesale adjustment of $255,000 is related to wholesale expenses that Gulf has removed from base rates since these expenses are not related to retail customers.

Q. Production O&M expenses in 2014 are higher than the five year historical average for the period 2008 through 2012. Why is the 2014 Production O&M Budget representative of the ongoing level of expenses necessary to maintain generation performance and reliability?

A. The historical average level of Production O&M expense of $95,343,000 for the years 2008 through 2012 is not representative of Gulf's going forward level of Production O&M expenses. If Gulf were held to such a level of expenses, necessary and essential maintenance would have to be foregone, and generation unit performance would likely suffer. There are a number of factors that have led to the increase in Production O&M expenses for the period 2013-2017 relative to the period 2008-2012.

However, it is important to put this comparison in context. To simply compare a 2008 dollar to a 2017 dollar is not meaningful. In order to make a meaningful comparison, Exhibit RWG-1, Schedule 8 of my testimony

provides an analysis with everything in 2014 dollars, using the CPI index published by the Bureau of Labor and Statistics. In that analysis, the average budget for the projected years (2013 – 2017) is $102,101,339 while the historical average is $104,124,434. Thus, all other things being equal, the entire increase in average annual expense could be explained by the impact of inflation alone.

Q. Putting inflation aside, are there other factors that result in Gulf's Production O&M expense for the period 2013 – 2017 being slightly higher than the period 2008 – 2012?

A. Yes. The expenditures for a large portion of the historical period (2008 through 2012) were low because Gulf made a conscious decision in the years 2008 – 2010 to hold down costs in an effort to defer a rate proceeding. This is best explained by looking at the actual Production O&M expenses in 2008 through 2010. Clearly, the amounts being spent in 2008 through 2010 were significantly lower than the amounts spent in 2011 and 2012. The average spend in 2008 through 2010 was $88,507,000 while the average spend in 2011 and 2012 was $105,596,000. Holding down expenses in 2008 through 2010 was part of Gulf's initiative to defer asking for rate relief until 2012.

In contrast, the forecasted levels of Production O&M expenses for the period 2014-2017 more closely approximate the level of expenses incurred in 2011 and 2012 rather than the dramatically restrained levels of 2008 through 2010. Gulf took calculated risks in those earlier years without an adverse effect on

EFOR. However, Gulf could not continue to spend at the 2008 – 2010 levels without risking reliability issues which would have a direct impact on our customers in the form of increased fuel costs. As a result Gulf was forced to ask for rate relief in 2012.

Q. How were you able to hold down expenses?

A. We prioritized maintenance, but we did it to avoid asking for a base rate increase during a time of weak economic recovery and high unemployment. We made calculated risk assessments of what maintenance had to be performed. Our EFOR performance indicator shows Gulf was able to make these reductions while we continued to maintain excellent performance.

Q. Given that Gulf was able to hold down expenses in the prior years to avoid a rate case, shouldn't Gulf be able to continue to hold down costs with minimal impact to the generating fleet?

A. No. This strategy is acceptable for a short period of time but only if the fleet has been well maintained in the years immediately preceding the reduction. As shown in Mr. Burroughs' testimony, Gulf has enjoyed years of exceptional EFOR. This is driven by an excellent maintenance strategy focused on addressing problem equipment and issues in a timely manner. If Gulf were to hold expenditures dollars down without allowing for an increase in the cost of doing business, there is a risk that EFOR will deteriorate. Increased EFOR has a direct negative effect on fuel and replacement power costs and ultimately on our customers.

Q. Please discuss Gulf's approach to planned outages.

A. Gulf has 12 generating units, and in 2014 there are 6 planned outages. A total of 39 planned outage weeks are scheduled across the fleet. The planned outage schedule varies from year to year based on the maintenance requirements of each generating unit and the need for adequate generating capacity in service to meet demand throughout the year. Exhibit RWG-1, Schedule 9, page 1 of 2 of my testimony clearly shows that the planned maintenance forecast for 2014 is typical of the expected future planned outage requirements.

In general, Gulf plans outages on each unit every 18 to 24 months, unless conditions warrant an adjustment to the schedule. Outage planning begins as soon as the previous outage is completed. Plant management, system owners, and unit owners continually evaluate unit performance and determine what items need to be addressed at the next outage. Prior to the unit outage the Plant Leadership Team meets to determine what specific items need to be addressed while the unit is off-line. The major equipment evaluated for each outage includes boilers, pulverizers, condenser systems, turbine valves and other auxiliary equipment.

Q. How does the planned outages expense in the prior rate case test year (2012) compare to the planned outage expense for the test year in this proceeding?

A. In the prior rate case, Gulf projected to spend $23,149,000 for planned

outages in 2012. In this proceeding Gulf is requesting $17,221,000 for the test year (2014).

Q. Why are the planned outage O&M expenses in the test year significantly lower than the amount requested in the prior case?

A. The costs associated with Planned Outages are a direct result of outage scope. Exhibit RWG-1, Schedule 9, page 2 of 2 shows that in the prior rate case test year there were 5 outages totaling $23,149,000. In the current test year there are 6 outages, but the forecast costs are only $17,221,000. The planned outages in the projected test year are for a different group of units and the outage scope on the units is also different. The 2012 planned outages included two major turbine boiler outages while there is only one turbine outage included in the current period.

Q. Please address why Gulf's request for $17,221,000 for planned outages in Production in the test year is representative of planned outage expenses in the future.

A. Exhibit RWG-1, Schedule 9, page 1 of 2 provides a detailed analysis of planned outage expense in Production Steam for the five-year period beginning with 2013. The planned outage expenses for the 2014 test year are $17,221,000. The average planned outage expense for the future period (2015 – 2017) is $17,149,000.

Q. The Production O&M budget request in the Test Year is $106,736,000 which is higher than the Prior Year of $91,429,000. Can you explain the increase?

A. Yes. If you examine my Exhibit RWG-1, Schedule 7 you will clearly see the increase is driven almost entirely by an increase in planned outages (after the adjustments related to Plant Scholz) of $14,801,000. The 2013 level of planned outages is the lowest level of outage expense for the entire period shown on Exhibit RWG-1, Schedule 7. As I explain below, the level of planned outage expenses in 2013 is abnormally low and not representative of future conditions.

Q. Why were the planned outage expenditures abnormally low in 2013?

A. As I discussed earlier we have traditionally performed outage work on a cyclical basis. However, in 2012 and 2013 we saw a drop in capacity factor on the coal fleet driven by a reduction in natural gas prices and a corresponding increase in generation from our natural gas fleet. As gas prices dropped we were able to shift generation from coal to gas resources. As a result of lower capacity factors on the coal fleet, Gulf made the strategic decision to extend maintenance cycles and planned outages. The ability to make these types of adjustments in response to changed circumstances is one of the benefits of properly maintaining our portfolio of generating resources.

Q. Did shifting outages have the effect of increasing planned outages in the test year?

A. No. In fact, in our prior rate case Gulf had forecasted to spend $20,195,000 in 2014 for planned outages. In this case Gulf is requesting $17,221,000 for planned outages in 2014 or a reduction of $2,974,000. The same relationship

occurs in 2015 where Gulf budgeted $20,615,000 in the prior case for planned outages while Gulf budgeted $15,186,000 for planned outages in 2015 in our current case.

Q. Please address why the scope of planned outages assumed in the 2014 test year is appropriate.

A. As I have discussed throughout my testimony, Gulf has worked hard to maintain our fleet of generators in a manner that ensures high reliability. Our success is demonstrated in the testimony of Mr. Burroughs. As one can see from the outages discussed below, the work we are planning simply includes the normal type of maintenance that is required to maintain our fleet of generation. Moreover, the work described below is indicative of the work we plan to continue on our entire fleet in the future. The following is a list of the outages planned for the test year:

- Plant Crist Unit 4 has a 30-day planned outage to address boiler inspection/repairs, replacing coal piping, Station Service transformers, soot blowers, and pulverizer rebuilds.
- Plant Crist Unit 5 has a 30-day planned outage to address boiler inspection/repairs, replacing coal piping, Station Service transformers, soot blowers, and pulverizer rebuilds.
- Plant Crist Unit 6 has a 58-day planned outage to address boiler inspections/ repairs, ash hopper, ash piping, and pulverizer rebuilds.
- Plant Smith Unit 3 has two 9-day planned outages to address boiler inspection/repairs.
- Plant Daniel Unit 2 has a 72-day planned outage to address boiler

inspection / repairs, LP turbine, and FGD activities.

- Perdido has an outage planned to work on generators, cranks, cams, main bearings and cylinders.

Q. How does the current planned outage budget for the test year 2014 compare to the benchmark from 2012?

A. As is shown on Exhibit RWG-1, Schedule 9, page 2 of 2, the amount allowed in our prior rate case for planned outages in 2012 was $23,149,000, which results in a benchmark amount of $24,308,000 for the 2014 test year. Gulf's planned outage budget for 2014 is $17,221,000 or $7,087,000 less than the benchmark amount.

Q. Are you testifying that these same planned outages will recur each year?

A. Not at all. I am testifying that this level of outages, and more importantly, this level of total planned outage O&M dollars are typical or representative of annual planned outage O&M dollars. What is recurring annually is the level of planned outage expense, not each planned outage itself. We budget to spread our outages over time, and virtually every type of work performed in a planned outage will recur at some time in the future. However, we attempt to schedule planned outages so that some occur every year and that the general level of planned outage expenses will be roughly equivalent from year to year.

Q. If you attempt to incur planned outage costs that are roughly equivalent each year, why is the level of planned outages and the level of planned outage

dollars in 2013 so low relative to both prior and subsequent years?

A. There were two driving forces behind the planned outage dollars in 2013. First, as gas prices fell and Gulf was able to obtain firm gas transportation and firm transmission for the Central Alabama facility Gulf was able to shift generation from the coal fleet to the gas fleet. This resulted in our running the coal fleet in 2013 much less and allowed planned outage cycles to be extended. As I mentioned earlier this shift from coal to gas has provided significant benefits to our customers in terms of reduced fuel costs. Second, at the same time loads have dropped off and not recovered as rapidly as Gulf anticipated and we were forced to look hard at ways to reduce costs in the short term.

Q. How does Gulf's 2014 Production O&M expense forecast compare to the O&M expense benchmark historically employed by the Commission?

A. The O&M benchmark for Production is $112,289,000 as provided to me by Gulf Witness McMillan. Gulf's projected 2014 Production O&M expenses are $106,736,000 which results in a favorable benchmark variance of ($5,553,000). This is shown on Exhibit RWG-1, Schedule 10. There are three sections to Production: Steam Production is ($8,360,000) below the benchmark; Production-Other Power Supply is ($657,000) below the benchmark; and Production Other is $3,464,000 over the benchmark.

Q. Please explain why Gulf's Production Other O&M is $3,464,000 over the O&M benchmark.

A. There are several reasons the Production Other expenses are above the benchmark.

First, there was an $800,000 increase in labor dollars to maintain and operate the gas combined cycle unit (CC) at Plant Smith. On an overall basis, there was a corresponding decrease in Production Steam labor, as dollars were shifted from the coal units to the CC.

Second, Planned Outage work on the Smith CC and the Perdido facilities are $800,000 more than the prior test year. Although there is an increase in Production Other planned outage expense, there is a corresponding decrease in the planned outage expense for Production Steam.

Third, Work on the Heat Recovery Steam Generator (HRSG) in 2014 is budgeted to be $2,000,000 more than was allowed in the 2012 rate case. The structural corrosion associated with the saltwater cooling towers continues to require the levels of maintenance budgeted in 2014 and beyond.

VII. SUMMARY

Q. Please summarize your testimony.

A. Gulf maintains and operates generation resources designed to serve our

customers economically and reliably. Gulf has made sound generation planning decisions that were clearly in the best interest of our customers.

Gulf's Production operation continues to provide, reliable electric service to our customers to meet their increasing demand for electricity. The reliability of Gulf's generating units and low EFOR are clear indications that Gulf has executed an effective maintenance program that continues to provide our customers with reliable service. Gulf is committed to maintaining our generating facilities through the effective use of resources that focuses not only on reliability but also efficiency.

Gulf's entire Production, Other Production, and Other Power Supply investment should be included in Gulf's rate base. This property is used and useful in providing service to Gulf's customers. Moreover, the investment has been reasonably and prudently incurred and managed.

Gulf's Production capital additions and O&M expenses are carefully controlled and utilized in a manner to ensure high availability and low EFOR. The $106,736,000 budgeted for Power Production O&M and $38,384,000 budgeted for Capital Additions in the test year are reasonable, prudent, and necessary expenditures and should be included in establishing Gulf's base rates.

Q. Does this conclude your testimony?

A. Yes, it does.

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 130140-EI

Before me the undersigned authority, personally appeared Raymond W. Grove, who being first duly sworn, deposes, and says that he is the Manager of Power Generation Services for Gulf Power Company, a Florida corporation, and that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.

Raymond W. Grove
Manager of Power Generation Services

Sworn to and subscribed before me this 8th day of July, 2013.

Notary Public, State of Florida at Large

Commission No. EE166803

My Commission Expires 2/6/16

MONICA A WILLIAMS
MY COMMISSION # EE166803
EXPIRES February 06, 2016
(407) 398-0153 FloridaNotaryService.com

Florida Public Service Commission
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GULF POWER COMPANY
Witness: Raymond W. Grove
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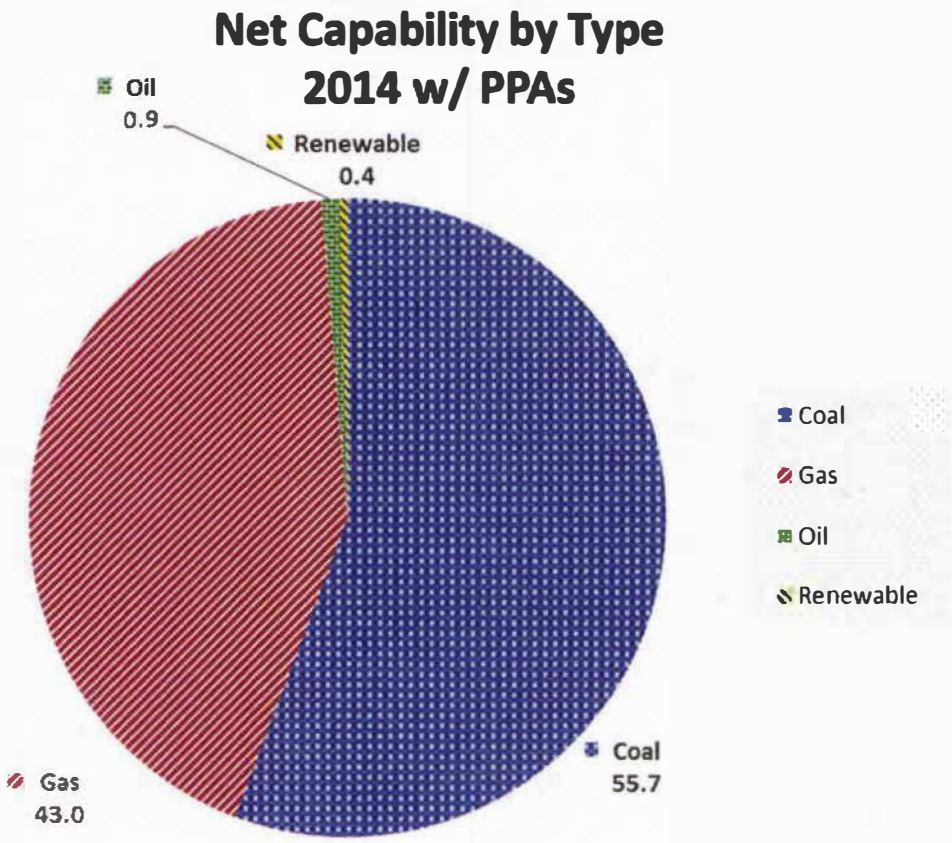
Responsibility for Minimum Filing Requirements

Schedule	Title
B-11	Capital Additions and Retirements
B-12	Production Plant Additions
C-6	Budgeted Versus Actual Operating Revenues and Expenses
C-8	Detail of Changes in Expenses
C-9	Five Year Analysis - Change in Cost
C-34	Statistical Information
C-41	O&M Benchmark Variance By Function
F-5	Forecasting Models
F-8	Assumptions

Total Capacity 3,382 MW



Note – Assumes Coral Baconton and Dahlberg PPAs have expired for Summer of 2014.

Owned and Operated or Jointly Owned Generating Capacity

Unit Description	Net Generation (MW)
Crist Unit 4	75
Crist Unit 5	75
Crist Unit 6	299
Crist Unit 7	475
Smith Unit 1	162
Smith Unit 2	195
Smith Unit 3	556
Smith Unit A	32
Scholz Unit 1	46
Scholz Unit 2	46
Pea Ridge Unit 1	4
Pea Ridge Unit 2	4
Pea Ridge Unit 3	4
Perdido Unit 1	1.6
Perdido Unit 2	1.6
Daniel Unit 1	255
Daniel Unit 2	255

Although a third 1.6 MW landfill gas-fired generating unit at the Perdido site is scheduled for August 2014, there is so much uncertainty about whether and when such a unit might be built, Gulf has not included such a unit in rate base or listed it as available capacity.

Power Purchase Agreements

Agreement	Technology	Fuel	MW	Start Date	End Date
Bay County	Steam	MSW	11	July 2008	July 2014
Coral Baconton	CT	Gas/Oil	195	June 2009	May 2014
Dahlberg	CT	Gas/Oil	299	June 2009	May 2014
Central Ala.	CC	Gas	885	Nov 2009	May 2023

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2013 Production Capital Additions Budget
($000)

Description	2013
PERDIDO LANDFILL GAS ENERGY	120
Perdido Landfill Gas to Energy Unit 3	4,420
CRIST UNIT 4 & S ASH SYSTEM 600 VAC MCC	30
CRIST U6 DUCTWORK AND EXPANSION JOINTS	50
CRIST 4 & S PRIMARY/SECONDARY ASH COLLECTOR REPLACEME	300
CRIST 4 & S ASH CONTROLS	1,000
CRIST COMMON SILO TRANSFORMERS	200
CRIST 6C 4160 V BUS REPL BREAKERS	40
CRIST 4 - 2300 VOLT BREAKERS	30
CRIST S – 2300 VOLT BREAKERS	30
CRIST 6 PYRITE HOPPERS	20
CRIST 6 & 7 REPLACE COOLING TOWER BUILDING	420
CRIST U1-2-3 2300 VOLT SWITCHGEAR	30
CRIST 4 & S SSS TRANSFORMER REPLACEMENT	500
CRIST U4 ASSET PROTECTION	50
CRIST UNIT S WALL BLOWERS	2S
CRIST UNIT S LONG RETRACT SOOTBLOWERS	2S
CRIST UNIT S BURNER REPLACEMENT	2S
CRIST 6 REPLACE ASH HOOPER	2S0
CRIST US ASSET PROTECTION	50
CRIST U6 ASSET PROTECTION	50
CRIST U7 ASSET PROTECTION	50
CRIST S - AIR HEATER BASKETS	2S
CRIST - MINOR MISC ADDITIONS	7S0
CRIST 4 - PULVERIZED COAL PIPING	50
CRIST 6 CONTROL SYSTEM UPGRADES	400
CRIST - MAJOR MISC ADDITIONS	1,000
CRISTU4 REPL BREAKERS CABLE & SWITCHES FOR ARC FLASH ST	75
CRIST LAB DATA MANAGEMENT SYSTEM-OVATION	500
CRIST DEMINERALIZER NEUTRALIZATION BASIN LEVEL CONTROL	7S
CRIST HYDRO-BIN PUMP AND PIPING	1S0
CRIST U 4 & S ASH SLUICE PUMP SKIDS	300
ENVIR-WASTE- CRIST-FLY ASH LANDFILL STORAGE CELL DEVELOF	500
CRIST COMMON -CONVEYOR BELTS REPLACEMENT	1S0
CRIST 4 & S REPLACE COAL CRUSHER	100
CRIST 4-7 AQUEAOUSAMMONIA/HYDRAZINE BULK TANKS	363
CRIST 4-7 NEW RAW WATER SUPPLYWELL	800
CRIST UNIT 6 UPS BATTERIES AND ROOM	600
CRIST UNIT 7 UPS BATTERIES AND ROOM	600

Description	2013
SCHOLZ - MISC. STEAM PLANT ADDITIONS	120
SMITH 1&2 - MISC. STEAM PLANT ADDITIONS	500
SMITH 3 - BFP HYDRAULIC COUPLINGS	2,700
SMITH 3 - LTSA	20,90S
SMITH 3 - REPLACE INLINE AIR FILTERS	200
SMITH 3 - BLADE HEALTH MONITOR	600
SMITH - AIR COMPRESSOR REPLACEMENT	200
DANIEL-MISC. STEAM PLANT ADDITIONS &	108
DANIEL 1 & 2 COAL HANDLING CONTROLS	44
DANIEL WATER TREATMENT PLANT CONTROLS	21
DANIEL 1&2 ASH HANDLING CONTROLS	37
DANIEL 1&2 CONVEYOR BELT	38
DANIEL 2 ZENON CASSETTES	2S2
DANIEL 2 CONDENDSER TUBES	3,027
DANIEL I&2 CONVEYOR DIRECT DRIVE GEARBOXES	111
DANIEL 1&2 AIR COMPRESSORS	141
DANIEL 1 BENTLEY VIBRATION SYSTEM	3
DANIEL 2 BENTLEY VIBRATION SYSTEM	600
DANIEL 1 REPLACE ZENON CASSETTES	2S2
DANIEL 1 & 2 NERCCIP	149
SMITH 3 - MISC. STEAM PLANT ADDITIONS	900
SMITH - CYBER SECURITY	86
ENVIR-WASTE-SMITH CAP ASH LANDFILL CELLS	200
SMITH 1&2 - AIR COMPRESSOR DESICCANT DRYER SYS	2S0
SMITH 1&2 - REPLACE YARD SUMP PUMPS	4S0
SMITH - NERC CIP IMPLEMENTATION	264
SMITH 3 - REPLACE EVAP COOLER FILL MEDIA	100
SMITH 1&2 - REPLACE LIVE STORAGE FEEDER	2S0
SMITH 3 - CORROSION PROJECT	1,500
DANIEL UNIT 1 & 2 LAB ANALYSIS EQIP	697
DANIEL 2 COAL FEEDER	113
DANIEL SHAKER SLIDE GATES	2S0
DANIEL 2 DCS UPGRADE	8
DANIEL 2 BOILER FEED PUMPS	5
Daniel - Purchase/Install Unit 1A&B Battery Banks	289
Daniel 1 & 2 Beck Drivers and Speed Changers	192
Daniel 1 & 2 Closed Loop Coolers	217
Daniel -Replace Roof over Service Building	79
Total	S0,011

2014 Production Capital Additions Budget

($000)

Descripton	2014
PERDIDO LANDFILL GAS ENERGY	200
CRIST UNIT 4 & 5 ASH SYSTEM 600 VAC MCC	180
CRIST UNIT 7 ROOF TUBES HEADER TO HEADER	800
CRIST U6 DUCT WORK AND EXPANSION JOINTS	700
CRIST UNIT 7 FINISHING SUPERHEATER	1,500
CRIST U7 DUCT WORK AND EXPANSION JOINTS	750
CRIST 4 & 5 PRIMARY/SECONDARY ASH COLLECTOR F	400
CRIST 4 BOTTOM ASH DOGHOUSE AND SLUICE GATE	138
CRIST 4 & 5 ASH CONTROLS	2,000
CRIST 7 CONDENSER VACUUM PUMPS	50
ENVIR - WASTE - CRIST FLY ASH LANDFILL STORAGE CI	500
CRIST 6C 4160 V BUS REPL BREAKERS	360
CRIST 7C4160 VOLT BUS REPLACE BREAKERS	40
CRISTCOMMON #2 DEMIN. MCC. REPLACEMENT	30
CRIST 4 - 2300 VOLT BREAKERS	420
CRIST 6 PYRITE LINES	118
CRIST 5 – 2300 VOLT BREAKERS	420
CRIST 6 PYRITE HOPPERS	120
CRIST U6 BLOWDOWN TANK REPLACEMENT	120
CRIST U1-2-3 2300 VOLT SWITCHGEAR	270
CRIST 4&S SSS TRANSFORMER REPLACEMENT	1,250
CRIST U4 ASSET PROTECTION	50
CRIST UNIT 5 WALL BLOWERS	300
CRIST UNIT 5 LONG RETRACT SOOTBLOWERS	400
CRIST UNIT S BURNER REPLACEMENT	475
CRIST 6 REPLACEASH HOOPER	3,350
CRIST 7 AIR HEATER BASKETS	500
CRIST U5 ASSET PROTECTION	50
CRIST U6 ASSET PROTECTION	50
CRIST U7 ASSET PROTECTION	50
CRIST S - AIR HEATER BASKETS	500
CRIST - MINOR MISC ADDITIONS	750
CRIST 7 - ECONOMIZER	1,500
CRIST 7 - DIVISION WALL SUPERHEATER	848
CRIST 7 - PULVERIZED COAL PIPING	50
CRIST 4 - PULVERIZED COAL PIPING	1,500
CRIST 4 - EXCITER AND VOLTAGE REGULATOR	400
CRIST 5 - EXCITER AND VOLTAGE REGULATOR	400
CRIST 6 CONTROL SYSTEM UPGRADES	1,200
CRIST 5 CONTROL SYSTEM UPGRADES	400
CRIST 4 CONTROL SYSTEM UPGRADES	400
CRIST 4 MONITORING SYSTEM UPGRADES	138
CRIST 5 MONITORING SYSTEM UPGRADES	138
CRIST 7 CONTROL SYSTEM UPGRADES	1,300

Description	2014
CRIST - MAJOR MISC ADDITIONS	1,000
CRIST U4 REPL BREAKERS CABLE & SWITCHES FOR ARC FL/	175
CRIST UNIT 6 TURBINE PROTECTION SYSTEM	280
CRIST CONSOLIDATED AIR COMPRESSOR AND DRYER ARE/	175
CRIST 7 BOTTOM ASH HOPPER	500
CRIST ADDITION OF SAMPLE PANEL IN LABORATORY	55
CRIST UNIT 7 HOT REHEAT PIPING	500
CRIST UNITS 4 5 6 & 7 CHEMICAL FEED SYSTEM	300
CRIST COMMON DEMINERALIZER #2 REVERSE OSMOSIS SY	1,000
SCHOLZ - MISC. STEAM PLANT ADDITIONS	120
SMITH 1&2 - MISC. STEAM PLANT ADDITIONS	500
SMITH 1 - PRIMARY AIR INSTRUMENTATION	200
SMITH 2 - PRIMARY AIR INSTRUMENTATION	200
SMITH 1 - VACUUM PUMPS	150
SMITH 2 - VACUUM PUMPS	150
SMITH 3 - REPLACE INLINEAIR FILTERS	200
SMITH 1&2 - REPLACE #5 HP HEATER	200
SMITH 3 - POWER GRAPHICS	750
SMITH 1 - GENERAL SERVICE WATER COOLER REPLACEME!	500
SMITH 2 - EXPANSION JOINT REPLACEMENT	300
SMITH 1&2 - SAFETY VALVE REPLACEMENT	200
DANIEL-MISC. STEAM PLANT ADDITIONS &	18
DANIEL 1&2 CONVEYOR BELT	30
DANIEL 2 CAPITAL VALVE REPLACEMENTS	38
DANIEL I&2 CONVEYOR DIRECT DRIVE GEARBOXES	110
DANIEL 1&2 AIR COMPRESSORS	70
DANIEL 1 BENTLEY VIBRATION SYSTEM	598
DANIEL RELAY MODERNIZATION	1,217
SMITH 3 - MISC. STEAM PLANT ADDITIONS	500
SMITH - CYBER SECURITY	86
ENVIR-WASTE-SMITH CAP ASH LANDFILL CELLS	200
SMITH 1 - REPLACE DUCTWORK	350
SMITH 3 - CORROSION PROJECT	1,000
SMITH 1 - EXPANSION JOINT REPLACEMENT	250
DANIEL 2 EXPANSION JOINTSC0043S C00437 C01716	151
DANIEL SHAKER SLIDE GATES	250
DANIEL 2 FW HEATER 4 LP	321
DANIEL 1 BOILER FEED PUMPS	5
DANIEL 2 BOILER FEED PUMPS	101
DANIEL 1 SEAL AIR SYSTEM	20
Daniel 1 & 2 Beck Drivers and Speed Changers	43
Daniel 1 & 2 Closed Loop Coolers	218
Daniel 1 & 2 CPAT Drum Index	238
Total	38,384

2014 Production O&M Budget
($000)

Description	2014 Test Year Budget
Steam Production	91,723
Other Production	11,142
Other Power Supply	3,871
Total Production	106,736

Excludes Environmental Cost Recovery and Plant Scherer

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Gulf Power Company
Production FERC's

Excludes Plant Scherer and ECRC

	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012
Baseline Materials	7,288	6,376	7,762	8,514	7,843
Baseline Other	40,727	37,820	46,923	47,393	44,846
Baseline Labor	27,328	25,769	27,237	27,779	28,150
Total Baseline	**75,343**	**69,965**	**81,922**	**83,686**	**80,839**
Total Outages	13,014	14,183	10,871	26,206	20,109
Special Projects	67	61	96	136	215
Total Actual/Budget	**88,424**	**84,209**	**92,889**	**110,028**	**101,163**

Average 2008 - 2012	**95,343**
Average 2008 - 2010	**88,507**
Average 2011 - 2012	**105,596**

	Budget 2013	Budget 2014	Budget 2015	Budget 2016	Budget 2017
Baseline Materials	10,321	10,006	10,035	10,439	10,200
Baseline Other	50,381	51,593	51,925	53,252	54,410
Baseline Labor	29,009	29,476	30,288	31,339	31,863
Total Baseline	**89,711**	**91,075**	**92,248**	**95,030**	**96,473**
Total Outages	2,772	17,636	15,601	21,055	16,022
Adjustment for Scholz	(352)	(415)	(415)	(415)	(400)
Special Projects	332	155	159	170	172
Adjustments					
Scholz	(790)	(1,060)	(2,071)	(3,353)	(3,412)
Perdido	-	(400)	(405)	(415)	(414)
Wholesale	(244)	(255)	(257)	(266)	(255)
Total Actual/Budget	**91,429**	**106,736**	**104,860**	**111,806**	**108,186**

Average 2013 - 2017	**104,603**
Average 2015 - 2017	**108,284**

Gulf Power Company
Production O&M
Adjusted by CPI to 2014 Dollars

	2008	2009	2010	2011	2012
Actual Expenditures	88,424,000	84,209,000	92,889,000	110,028,000	101,163,000
CPI Index	215.26	214.56	218.08	224.94	229.66
CPI Adjusted	99,063,142	94,648,781	102,719,696	117,961,912	106,228,638
				Adjusted Average	**104,124,434**

	2013	2014	2015	2016	2017
Actual Expenditures	91,429,000	106,736,000	104,860,000	111,806,000	108,186,000
CPI Index	234.72	241.16	247.08	252.92	258.63
CPI Adjusted	93,937,533	106,736,000	102,347,570	106,607,366	100,878,227
				Adjusted Average	**102,101,339**

Gulf Power Company
Planned Outage 2013 – 2017
($000)
(excludes labor, ECRC and Plant Scherer)

	2013	2014	2015	2016	2017
Crist Plant Unit 4	-	2,703	-	3,215	-
Crist Plant Unit 5	-	2,950	-	3,166	-
Crist Plant Unit 6	75	4,646	28	6,278	34
Crist Plant Unit 7	55	-	4,493	-	5,758
Crist Common	69	69	47	74	25
Scholz Plant Unit 1	-	-	-	-	-
Scholz Plant Unit 2	-	-	-	-	-
Scholz Common	-	-	-	-	-
Smith Plant Unit 1	24	-	4,720	19	19
Smith Plant Unit 2	-	31	600	25	4,909
Smith CT	-	-	-	-	-
Smith CC	2,192	1,668	1,683	4,813	1,236
Smith Common	-	-	23	-	50
Plant Daniel	5	4,835	3,305	3,050	3,590
Perdido	-	319	287	-	-
Total Production	2,420	17,221	15,186	20,640	15,621
Production Steam	228	15,234	13,216	15,827	14,385
Production Other	2,192	1,987	1,970	4,813	1,236

Total Production Average 2015-2017	$17,149,000
Total Production Average 2013-2017	$14,218,000
Production Steam Average 2013-2017	$11,778,000
Production Other Average 2013-2017	$ 2,440,000

Gulf Power Company
Planned Outages
Benchmark Comparision

Crist	Prior Test Year		Benchmark	Test Year	Variance
4	-	1.05007	-	2,702,800	2,702,800
5	-	1.05007	-	2,949,900	2,949,900
6	6,966,000	1.05007	7,314,788	4,645,530	(2,669,258)
7	6,120,000	1.05007	6,426,428	-	(6,426,428)
Common	322,000	1.05007	338,123	69,012	(269,111)

Smith	Prior Test Year		Benchmark	Test Year	Variance
1	-	1.05007	-	-	-
2	2,269,000	1.05007	2,382,609	31,186	(2,351,423)
CT	-	1.05007	-	-	-
CC	1,133,000	1.05007	1,189,729	1,668,255	478,526
Common	153,000	1.05007	160,661	-	(160,661)

Scholz	Prior Test Year		Benchmark	Test Year	Variance
1	-	1.05007	-	-	-
2	-	1.05007	-	-	-
Common	39,000	1.05007	40,953	-	(40,953)

Daniel	Prior Test Year		Benchmark	Test Year	Variance
	6,147,000	1.05007	6,454,780	4,835,360	(1,619,420)

Perdido Landfill	Prior Test Year		Benchmark	Test Year	Variance
	-	1.05007	-	319,000	319,000

Total Production	23,149,000	24,308,070	17,221,043	(7,087,027)
Production Steam	22,016,000	23,118,341	15,233,788	(7,884,553)
Production Other	1,133,000	1,189,729	1,987,255	797,526

2014 Production O&M Benchmark Comparison
($000)

Description	Test Year Benchmark	2014 Test Year Production O&M Budget	Variance
Steam Production	100,083	91,723	(8,360)
Other Production	7,678	11,142	3,464
Other Power Supply	4,528	3,871	(657)
Total Production	112,289	106,736	(5,553)