BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 020007-EI

In the Matter of

ENVIRONMENTAL COST
RECOVERY CLAUSE.
______________________________/

ELECTRONIC VERSIONS OF THIS TRANSCRIPT ARE
A CONVENIENCE COPY ONLY AND ARE NOT
THE OFFICIAL TRANSCRIPT OF THE HEARING,
THE .PDF VERSION INCLUDES PREFILED TESTIMONY.

VOLUME 1

PAGES 1 through 123

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN LILA A. JABER
COMMISSIONER J. TERRY DEASON
COMMISSIONER BRAULIO L. BAEZ
COMMISSIONER MICHAEL A. PALECKI
COMMISSIONER RUDOLPH "RUDY" BRADLEY

DATE: Wednesday, November 20, 2002

TIME: Commenced at 9:30 a.m.
Concluded at 4:20 p.m.

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

REPORTED BY: JANE FAUROT, RPR
Chief, Office of Hearing Reporter Services
FPSC Division of Commission Clerk and
Administrative Services
(850) 413-6732

APPEARANCES:

RUSSELL A. BADDERS, Beggs & Lane, 700 Blount Building, 3 West Garden Street, Post Office Box 12950, Pensacola, Florida 32576-2950, appearing on behalf of Gulf Power Company (GULF).

JAMES D. BEASLEY, Ausley & McMullen, Post Office Box 391, Tallahassee, Florida 32302, appearing on behalf of Tampa Electric Company (TECO).

RICHARD MELSON, ESQUIRE, Hopping, Green & Sams, 123 Calhoun Street, Tallahassee, Florida 32301, representing Florida Power Corporation.

VICKI GORDON KAUFMAN, McWhirter, Reeves, McGlothlin, Davidson, Decker, Kaufman, Arnold & Steen, P.A., 117 South Gadsden Street, Tallahassee, Florida 32301, appearing on behalf of Florida Industrial Power Users Group (FIPUG).

JOHN T. BUTLER, P.A, Steel, Hector & Davis, LLP, 200 Biscayne Boulevard, Suite 4000, Miami, Florida 33131-2398, appearing on behalf of Florida Power & Light Company (FPL).

ROBERT D. VANDIVER, Deputy Public Counsel, Office of Public Counsel, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400, appearing on behalf of the Citizens of the State of Florida.

APPEARANCES:

MARLENE K. STERN, FPSC General Counsel's Office, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870, appearing on behalf of the Commission Staff.

I N D E X

WITNESSES

EXHIBITS

NUMBER:		ID.	ADMTD.
1	Staff's Composite Exhibit 1-19	8	12
2	FPL's Responses to Staff's Interrogatories 11, 21 and 22	8	12
3	Agreement between FPL & DEP	9	12
4	FPL Responses to Staff Interrogatories 1-4, 23,24 31-38 and DOT Rules	12	12
5	JP-1 and JP-2 revised November 12, 2002	14	14
6	JTS-1	14	14
7	SDR-1 through SDR-3	15	15
8	HTB-1 through HTB-3	15	15

PROCEEDINGS

CHAIRMAN JABER: The next docket would be 07, is that right?

MS. STERN: Yes.

CHAIRMAN JABER: Okay. I understand there are some stipulations we can take up first, Ms. Stern.

MS. STERN: Yes, there are other preliminary matters, as well, but we can --

CHAIRMAN JABER: Go ahead.

MS. STERN: Well, there are some outstanding motions to be addressed. There are some proposed -- Staff has proposed stipulated exhibits. There are also some, I believe, opening statements that parties want to make in this docket, but I suggest we just do the preliminary matters then do the opening statements.

CHAIRMAN JABER: That's fine, go ahead and get started. Do you want to start with the motions?

MS. STERN: Okay. There is a motion by Florida Power Corporation for leave to file revised exhibits. They filed that on November 13th, 2002. Staff recommends that the motion be granted.

CHAIRMAN JABER: The exhibits have been filed already, right?

MS. STERN: Yes.

CHAIRMAN JABER: And there is no objection to the motion. Seeing no objection, the motion -- Florida Power Corporation's motion for leave to filed revised exhibits is granted.

MS. STERN: Florida Power and Light has an outstanding motion for leave to file revised testimony. That testimony was filed November 15th, 2002. Staff recommends the motion be granted.

CHAIRMAN JABER: Seeing no objection to FPL's motion for leave to filed revised testimony, that motion is granted.

MS. STERN: Gulf has a motion for leave to file supplemental testimony, that was filed on November 8th, but the motion will be moot if Gulf's company-specific issues, 10A and 10B are stipulated. They are proposed stipulations now, so we recommend that when the Commission takes up the proposed stipulations we address the motion. We might not have to address the motion at that point.

CHAIRMAN JABER: My preference is if someone will remind me, once we address the stipulations we will find the motion moot. Remind me.

MS. STERN: Yes, I will remind you.

Staff has some stipulated exhibits that we would like to make sure there are no objections on at this point. All the parties have been given copies of the exhibits. There is a composite exhibit of Florida Power Corporation's Responses to Staff's Interrogatories 1 through 19.

CHAIRMAN JABER: Any objection to Staff's Composite Exhibit 1 through 19? That will be identified as Hearing Exhibit 1.

(Exhibit 1 marked for identification.)

MS. STERN: There is a proposed stipulation pertaining to Florida Power and Light's SPCC project that includes Responses to Staff Interrogatories 7 through 11, 21 and 22.

CHAIRMAN JABER: Are there any objections to FPL's Responses to Staff's Interrogatories 7 through 11, 21 and 22 being a Staff Composite Exhibit? Seeing no objection, that will be identified as Hearing Exhibit 2.

(Exhibit 2 marked for identification.)

MS. STERN: Staff has a proposed exhibit including the final ozone reduction agreement between FPL and DEP.

CHAIRMAN JABER: I'm sorry, what is that? Is that the FPL Response to Staff Interrogatory --

MS. STERN: It is an agreement between FPL and DEP for ozone reduction measures.

CHAIRMAN JABER: Okay. And you want to have that identified as a separate exhibit?

MS. STERN: Yes.

CHAIRMAN JABER: Is there any objection to that?

MR. BUTLER: No.

CHAIRMAN JABER: Okay. The agreement between FPL --

and who was it, Ms. Stern?

MS. STERN: DEP, Department of Environmental Protection.

CHAIRMAN JABER: -- and DEP will be identified as Exhibit 3.

(Exhibit 3 marked for identification.)

MS. STERN: And our final exhibit is a composite exhibit consisting of FPL's Responses to Staff Interrogatories 1 through 4, and 23 through 38. It also includes three Federal Rules, 49 CFR 195.452, 49 CFR 195.450, and 49 CFR 195.6. That exhibit pertains to the pipeline integrity management project.

CHAIRMAN JABER: Are there any objections to this composite exhibit?

MR. BUTLER: Yes, Madam Chairman. We object in the sense that we would like to add a report that we think would make this exhibit much more complete. If you look within this package to the Response to Interrogatory 25, you will see that there is a reference to FPL being in the process of identifying pipeline segments that have various high consequence area designations that would apply to them that FPL wasn't able to supply the information at the time the interrogatory was answered, but would have the information available by November 18, 2002.

We have a report entitled, "Pipeline integrity management, HCA and pipeline segment identification protocols," that was completed, FPL received it late Friday. We e-mailed it to every one of the parties yesterday morning in response to Ms. Stern's e-mail asking if there were objections to this proposed stipulated exhibit. And we just think it would make it much more complete, if you look at the --

CHAIRMAN JABER: Mr. Butler, may I interrupt you for just a minute.

MR. BUTLER: Sure. Sorry.

CHAIRMAN JABER: But you don't have any objections to -- I understand your request is to add something to the composite exhibit. How about we separate out Interrogatory Number 25 and discuss that in terms of an exhibit you would like to put together. You don't have any objections to anything else related to Staff's composite exhibit, right?

MR. BUTLER: Well, the only thing I would say is that Interrogatories 26 through 30 basically say see the answer to 25, so they fit into the same category.

CHAIRMAN JABER: But these are FPL's responses, you just want to be able to add to the responses the final report.

MR. BUTLER: That's right. There was a deadline that the statute, the federal statute sets for developing this information. We got it prepared by that deadline, which was November 18. We told the Staff when we were answering the discovery, we don't have it yet, but we are going to provide it to you. And it just seems for completeness sake that it would be more appropriate to have the answer in there. That is sort of the sum and substance of our position.

CHAIRMAN JABER: Okay. Staff.

MS. STERN: Staff objects to the inclusion of this report at this late date. The fact that FPL did not have the information when we asked for it during discovery I think argues against moving it into evidence at this point. Staff hasn't had a chance to look at that report, hasn't had a chance to do any discovery on that report. We don't know what the report says. So for us to agree to move something into the record that we haven't read is not advisable.

CHAIRMAN JABER: Is there any feedback from the parties in this regard?

MR. VANDIVER: I spoke to Mr. Butler about it this morning, and I said I had no objection to it, but that I had not had the opportunity to read it, having just gotten it yesterday.

CHAIRMAN JABER: I think what we need to do, Staff and Mr. Butler, is we are going to separate these questions out, give you all an opportunity to look through the report during a break today, because we do have witnesses to cross-examine in this proceeding, right?

MS. STERN: Yes.

CHAIRMAN JABER: Before the conclusion of this proceeding, we will revisit Mr. Butler's request. Mr. Butler, I need to see a copy of it, too.

MR. BUTLER: We will get you a copy right away, to all of the Commissioners. Thank you.

CHAIRMAN JABER: All right.

MS. STERN: There is one more preliminary matter and that is the order of witnesses on cross-examination.

CHAIRMAN JABER: Wait a minute, we are not done with the last preliminary matter yet.

MS. STERN: Oh, I'm sorry.

CHAIRMAN JABER: So which interrogatories need to come out temporarily, Ms. Stern? One through 4 are not affected, correct? And it looks like 23 and 24 are not affected.

Mr. Butler, which ones do you believe cover your --

MR. BUTLER: 25 through 30.

CHAIRMAN JABER: Staff, do you agree with that?

MS. STERN: I just want to check one thing. Okay, that's fine.

CHAIRMAN JABER: Great. Staff's composite exhibit will include FPL Responses to Staff's Interrogatories 1 through 4, 23, 24, 31 through 38, the Department of Transportation rules. And that composite exhibit is identified as Composite Exhibit 4. All right. And Exhibits 1 through 4 are admitted into the record.

(Exhibit 1 though 4 admitted into the record.

Exhibit 4 marked for identification and admitted into the record.)

MR. BUTLER: Madam Chairman, if I may approach the bench, I can give you now copies of the report.

CHAIRMAN JABER: Go ahead, Mr. Butler. Ms. Stern, you were about to give me another preliminary matter?

MS. STERN: Yes. I discussed this with Mr. Butler yesterday. We would like to reverse the order of FPL's witnesses. Instead of taking Korey Dubin first, we would like to take Randall LaBauve first.

CHAIRMAN JABER: So it will be LaBauve and then Dubin. Any objection to that? Seeing none, that will be the order for the witnesses.

Anything else?

MS. STERN: Well, at this point we can either hear the opening statements or we can -- we have a number of witnesses who have been excused, and their testimony can just be moved into the record along with their exhibits. If we could get that out of the way, and then do the opening statements.

CHAIRMAN JABER: Okay. It looks like, and you all need to correct me if I'm wrong, it looks like -- is it Portuondo?

MR. MELSON: Yes, ma'am.

CHAIRMAN JABER: Silar, Vick, Ritenour, Bryant and

Nelson are witnesses whose testimony has been stipulated, is that correct?

MS. STERN: Yes.

MR. MELSON: Madam Chairman, on Portuondo and Silar, it is the October 23rd revision of the testimony that replaced an earlier filing.

CHAIRMAN JABER: Thank you. All right. Then the prefiled direct testimony of Witnesses Portuondo, Silar, Vick, Ritenour, Bryant, and Nelson shall be inserted into the record as though read with the notation that as it relates to Witnesses Portuonda and Silar, it is the October 23rd prefiled testimony. Exhibits.

MR. MELSON: Madam Chairman, for Mr. Portuondo, his Exhibits JP-1 and JP-2, revised November 12, we would ask that that be marked as Composite 5.

CHAIRMAN JABER: Thank you. JP-1 and JP-2 revised November 12th, 2002, will be identified as Composite Exhibit 5.

MR. MELSON: And Mr. Silar's Exhibit JTS-1.

CHAIRMAN JABER: JTS-1 will be Hearing Exhibit 6.

MR. MELSON: And I would move the admission of 5 and 6.

CHAIRMAN JABER: Exhibits 5 and 6 are admitted into the record.

(Exhibit 5 and 6 marked for identification and admitted into the record.)

CHAIRMAN JABER: Gulf, you have got SDR-1 through SDR-2, is that correct?

MR. BADDERS: That is correct.

CHAIRMAN JABER: SDR-1 through SDR-3 are identified as Composite Exhibit 7, and Hearing Exhibit 7 is admitted into the record.

(Exhibit 7 marked for identification and admitted into the record.)

CHAIRMAN JABER: TECO, it looks like you have got HTB-1 through HTB-3?

MR. BEASLEY: That is correct.

CHAIRMAN JABER: HTB-1 through HTB-3 are identified as Composite Exhibit 8, and Hearing Exhibit 8 is admitted into the record.

MR. BEASLEY: Thank you.

(Exhibit 8 marked for identification and admitted into the record.)

TAMPA ELECTRIC COMPANY
DOCKET NO. 020007-EI
SUBMITTED FOR FILING 04/01/02

BEFORE THE PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

HOWARD T. BRYANT

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

A. My name is Howard T. Bryant. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "company") in the position of Manager, Rates in the Regulatory Affairs Department.

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from the University of Florida in June 1973 with a Bachelor of Science degree in Business Administration. I have been employed at Tampa Electric since 1981. My work has included various positions in Customer Service, Energy Conservation Services, Demand Side Management ("DSM") Planning, Energy Management and Forecasting, and Regulatory Affairs.

In my current position I am responsible for the company's

Energy Conservation Cost Recovery ("ECCR") clause, the Environmental Cost Recovery Clause ("ECRC"), and retail rate design.

Q. Have you previously testified before the Florida Public Service Commission ("Commission")?

A. Yes. I have testified before this Commission on conservation and load management activities, DSM goals setting and DSM plan approval dockets and ECCR dockets since 1993.

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

A. The purpose of my testimony is to present, for Commission review and approval, the actual true-up amount and the calculations thereof associated with the environmental compliance activities for the period January 2001 through December 2001.

Q. Do you wish to sponsor exhibits in support of your testimony?

A. Yes. Exhibit No.___(HTB-1) consists of eight forms prepared under my direction and supervision. Form 42-1A, Document No. 1, presents the final true-up for the January 2000 through December 2000 period; Form 42-2A, Document No. 2, provides the detailed calculation of the final true-up for the period; Form 42-3A, Document No. 3, details the calculation of the interest provision for the period; Form 42-4A, Document No. 4, reflects the calculation of variances between actual and actual/estimated costs for O&M activities; Form 42-5A, Document No. 5, provides a summary of actual monthly O&M activity costs for the period; Form 42-6A, Document No. 6, provides details of the calculation of variances between actual and actual/estimated costs for capital investment projects; Form 42-7A, Document No. 7, presents a summary of actual monthly costs for capital investment projects for the period; Form 42-8A, Document No. 8, pages 1 through 18, consists of the calculation of depreciation expenses and return on capital investment for each project that is being recovered through the ECRC, and page 19 calculates the return on costs associated with maintaining an SO_2 allowance inventory.

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

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

Q. What is the actual true-up amount which Tampa Electric is requesting for the twelve-month period January 2001 through December 2001?

A. Tampa Electric has calculated and is requesting approval of an under-recovery of $967,612 as the actual true-up amount for the twelve-month period January 2001 through December 2001.

Q. What is the adjusted net true-up amount which Tampa Electric is requesting for the January 2001 through December 2001 period which is to be applied in the calculation of the environmental cost recovery factors to be refunded/recovered in the next projection period?

A. Tampa Electric has calculated and is requesting approval of an under-recovery of $289,885 reflected on Form 42-1A, as the adjusted net true-up amount for the twelve-month period. This adjusted net true-up amount is the difference between the actual under-recovery and the actual/estimated over-recovery for the period January 2001 through December 2001 as depicted on Form 42-1A. The actual true-up amount for the period January 2001 through December 2001 is an under-recovery of $967,612 as compared to the $677,727 actual/estimated over-recovery amount approved in FPSC Order No. PSC-01-2463-FOF-EI dated December 18, 2001.

Q. Are all costs listed in Forms 42-4A through 42-8A attributable to environmental compliance projects approved by the Commission?

A. Yes, they are.

Q. How did actual expenditures for the period January 2001 through December 2001 compare with Tampa Electric's actual/estimated projections as presented in previous testimony and exhibits?

A. As shown on Form 42-4A, total O&M activities costs were $7,882,873 or 7.3 percent greater than actual/estimated projections. Form 42-6A shows the total capital investment costs were $18,912,729 or 0.7 percent less than actual/estimated projections. O&M and capital investment projects with material variances are explained below.

O&M Project Variances

- **Big Bend Unit 3 Flue Gas Desulfurization Integration:** The Big Bend Unit 3 Flue Gas Desulfurization Integration project variance was $170,010 or 8.1 percent greater than projected due to the increase in SO_2 removed which directly resulted in increased reagent costs.
- **Big Bend Units 1 and 2 Flue Gas Conditioning:** The Big Bend Units 1 and 2 Flue Gas Conditioning project variance was $22,000 or 100.0 percent less than projected due to a limited number of non-scrub days of unit operation and the characteristics of the fuel utilized during those days. Therefore, the flue gas conditioning system was not required.
- **SO_2 Emission Allowances:** The SO_2 Emission Allowances project variance was $43,042 or 1,623.0 percent greater than projected for two primary reasons: 1) higher than anticipated SO_2 allowance payments to cogenerators; and 2) SO_2 allowance revenue from interchange sales was less than expected.
- **Big Bend Units 1 and 2 Flue Gas Desulfurization ("FGD"):** The Big Bend Units 1 and 2 FGD project

variance was \$520,130 or 12.1 percent greater than projected due to the increase in SO_2 removed which directly resulted in increased reagent costs.

- **Big Bend FGD Optimization and Utilization:** The Big Bend FGD Optimization and Utilization project variance was \$79,126 or 11.7 percent less than projected. This variance was due to the postponement of the repair of reagent piping and elbows until 2002.
- **Big Bend Particulate Matter ("PM") Minimization and Monitoring:** The Big Bend PM Minimization and Monitoring project variance was \$25,119 or 19.0 percent less due to less than projected material and contracted labor costs for flyash hopper gate valves.
- **National Pollutant Discharge Elimination System ("NPDES") Annual Surveillance Fees:** The NPDES Annual Surveillance Fees were \$9,200 or 19.0 percent less than projected due to the delay in the fee assessment for Gannon Station. The 2001 assessment is expected in 2002 as well as the normal 2002 assessment for that station.
- **Gannon Thermal Discharge Study:** The Gannon Thermal Discharge Study was \$60,000 or 100.0 percent less than projected due to the Florida Department of Environmental Protection's delay on the final approval of the study plan. Approval has now occurred and

contractor work will commence in early 2002.

Capital Investment Project Variances

- **Big Bend FGD Optimization and Utilization:** The Big Bend FGD Optimization and Utilization project variance was $84,984 or 5.4 percent less than projected due to the delay of installing the backup gypsum dewatering tank. This activity is expected to occur in early 2002.
- **Big Bend NO_x Emissions Reduction:** The Big Bend NO_x Emissions Reduction project variance was $4,819 or 5.5% less than projected due to the delay of approval from the Department of Energy ("DOE") for a joint project between DOE and Tampa Electric Company that will utilize a neural network intelligent sootblowing program to minimize NO_x emissions. Project commencement is expected in 2002. Additionally, contractor costs for optimizing Big Bend Unit 1 burners was less than projected.

Q. Does this conclude your testimony?

A. Yes, it does.

TAMPA ELECTRIC COMPANY
DOCKET NO. 020007-EI
FILED: 08/09/02

BEFORE THE PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

HOWARD T. BRYANT

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

A. My name is Howard T. Bryant. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "Company") in the position of Manager, Rates in the Regulatory Affairs Department.

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from the University of Florida in June 1973 with a Bachelor of Science degree in Business Administration. I have been employed at Tampa Electric since 1981. My work has included various positions in Customer Service, Energy Conservation Services, Demand Side Management ("DSM") Planning, Energy Management and Forecasting, and Regulatory Affairs. In my current position I am responsible for the company's Energy Conservation Cost Recovery ("ECCR") clause, the

Environmental Cost Recovery Clause ("ECRC"), and retail rate design.

Q. Have you previously testified before the Florida Public Service Commission ("Commission")?

A. Yes. I have testified before this Commission on conservation and load management activities, DSM goals setting and DSM plan approval dockets, and other ECCR dockets since 1993, and ECRC activities since 2001.

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

A. The purpose of my testimony is to present, for Commission review and approval, the calculation of the January 2002 through December 2002 true-up amount to be refunded or recovered in the projection period January 2003 through December 2003. My testimony addresses the recovery of capital and operating and maintenance ("O&M") costs associated with environmental compliance activities for the year 2002, based on six months of actual data and six months of estimated data. This information will be used to determine the environmental cost recovery factors for the year 2003.

Q. Have you prepared an exhibit that shows the determination of the recoverable environmental costs for the period January 1, 2002 through December 31, 2002?

A. Yes. Exhibit No. _____ (HTB-2), containing one document, was prepared under my direction and supervision. It includes Forms 42-1E through 42-8E which show the current period true-up amount to be used in calculating the cost recovery factors for 2003.

Q. What has Tampa Electric calculated as the estimated true-up for the current period to be applied in the January 2003 through December 2003 ECRC factors?

A. The estimated true-up applicable for the current period, January 2002 through December 2002, is an over-recovery of $3,457,263. A detailed calculation supporting the estimated true-up is shown on Forms 42-1E through 42-8E of my exhibit.

Q. Is Tampa Electric including costs in this estimated ECRC true-up filing for any environmental projects that were not anticipated and included in its 2002 factors?

A. No. In this estimated ECRC true-up filing for calendar year 2002, Tampa Electric is only seeking recovery of costs associated with projects previously approved by the FPSC. These include nine O&M projects and 18 capital investment projects.

Q. How did the actual/estimated project expenditures for January 2002 through December 2002 period compare with the company's original projection?

A. As shown on Form 42-4E, total O&M activities were $3,724,853 or 37.3 percent lower than projected costs. Total capital expenditures itemized on Form 42-6E, were $390,946 or 1.9 percent lower than originally projected. O&M and capital investment projects with material variances are explained below.

<u>O&M Project Variances</u>

- **Big Bend Unit 3 Flue Gas Desulfurization Integration:** The Big Bend Unit 3 Flue Gas Desulfurization Integration project variance is estimated to be $2,399,766 or 58.5 percent lower than originally projected due to the significant outage time, both planned and unplanned, that occurred on Big Bend Unit 3. This outage time resulted in greatly reduced reagent costs. Additionally, the original estimate of reagent costs was estimated at a level that was slightly higher than needed absent any outages.

- **Big Bend Units 1 and 2 Flue Gas Conditioning:** The Big Bend Units 1 and 2 Flue Gas Conditioning project variance is estimated to be $20,000 or 100 percent less than projected due to the anticipated limited number of non-scrub days of unit operation and the ash resistivity characteristics of the low sulfur coal being utilized. Therefore, the flue gas conditioning system should not be required for the balance of 2002.
- **SO_2 Emission Allowances:** The SO_2 Emission Allowances project variance is estimated to be $232,712 or 71.7 percent greater than originally projected. There are three primary reasons: 1) higher than anticipated SO_2 allowance payments to cogenerators; 2) lower revenues from interchange sales than projected; and 3) proceeds from the sale of allowances that occurred during the first half of the year were difficult to forecast accurately.
- **Big Bend Units 1 and 2 Flue Gas Desulfurization ("FGD"):** The Big Bend Units 1 and 2 FGD project variance is estimated to be $695,640 or 16.8 percent lower than originally projected due to a planned outage scheduled for the fourth quarter of 2002. This outage, coupled with unplanned outage time during the first half of the

year, will result in reduced reagent costs associated with lower SO_2 removal.

- **Big Bend FGD Optimization and Utilization:** The Big Bend FGD Optimization and Utilization project variance is estimated to be $69,665 or 15.9 percent greater than the original projection due to additional work for nozzle upgrades that was unforeseen at the time of the initial engineering estimate.
- **Big Bend Particulate Matter ("PM") Minimization and Monitoring:** The Big Bend PM Minimization and Monitoring project variance is estimated to be $759,011 or 55.8 percent lower than originally projected due to the delay in receiving the Florida Department of Environmental Protection ("FDEP") approval of the Best Operating Practice ("BOP") for electrostatic precipitator ("ESP") maintenance. Approval is expected later in the year and will be reflected in the projection for 2003.
- **National Pollutant Discharge Elimination System ("NPDES") Annual Surveillance Fees:** The NPDES Annual Surveillance Fees are estimated to be $3,833 or 7.9 percent greater than originally projected due to the assessment of 2001 fees associated with Gannon Station that were inadvertently omitted by FDEP from the 2001 NPDES invoice.
- **Gannon Thermal Discharge Study:** The Gannon Thermal

Discharge Study project variance is estimated to be $156,646 or 78.3 percent lower than originally projected due to a delayed project start date stemming from ongoing negotiations with the FDEP related to the extent of work necessary to develop the plan of study. The plan of study has now been completed and the FDEP recommendation for the plan is expected later this year. Once received, commencement of the plan is likely to occur in late 2002.

Capital Investment Project Variances

- **Big Bend FGD Optimization and Utilization:** The Big Bend FGD Optimization and Utilization project variance is estimated to be $133,265 or 4.2 percent lower than the original projection due to the actual plant-in-service dollar amount being less than originally anticipated.
- **Big Bend PM Minimization and Monitoring:** The Big Bend PM Minimization and Monitoring project variance is estimated to be $55,066 or 20.4 percent lower than the original projection due to a delay of expenditures on Big Bend Unit 2 activity until later in the year.
- **Big Bend NO_x Emissions Reduction:** The Big Bend NO_x Emissions Reduction project variance is estimated to be $168,113 or 40.7 percent lower than the original projection due to lower anticipated contractor costs for coal/air monitoring activity on Big Bend Unit 1 than

originally projected.

- **Gannon Ignition Oil Tank, Gannon Unit 5 Classifier Replacement, Gannon Unit 6 Classifier Replacement, Gannon Coal Crusher (NO_x Control):** In Docket No. 000007-EI, Order No. PSC-00-2391-FOF-EI, issued December 13, 2000, these four Gannon projects were approved to begin a five year accelerated depreciation schedule for their net book value effective January 1, 2000. This acceleration was to accommodate the repowering of Gannon Station. At the time of the initiation of that accelerated schedule, the new depreciation base did not exclude the accumulated depreciation from prior periods. Therefore, the modest variances for these Gannon projects listed on Form 42-6E represent the downward adjustments to the new depreciation base for each project with the resulting decreases in recoverable costs from the original projection.

Q. Does this conclude your testimony?

A. Yes, it does.

TAMPA ELECTRIC COMPANY
DOCKET NO. 020007-EI
FILED: September 9, 2002

BEFORE THE PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

HOWARD T. BRYANT

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

A. My name is Howard T. Bryant. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "the company") as Manager, Rates in the Regulatory Affairs Department.

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from the University of Florida in June 1973 with a Bachelor of Science degree in Business Administration. I have been employed at Tampa Electric since 1981. My work has included various positions in Customer Service, Energy Conservation Services, Demand Side Management ("DSM") Planning, Energy Management and Forecasting, and Regulatory Affairs. In my current position I am responsible for the company's Energy Conservation Cost Recovery ("ECCR") clause, the

Environmental Cost Recovery Clause ("ECRC"), and retail rate design.

Q. Have you previously testified before the Florida Public Service Commission ("Commission")?

A. Yes. I have testified before this Commission on conservation and load management activities, DSM goals setting and DSM plan approval dockets, and other ECCR dockets since 1993, and ECRC activities since 2001.

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

A. The purpose of my testimony is to present, for Commission review and approval, both the calculation of the revenue requirements and the projected ECRC factors for January 2003 through December 2003. In support of the projected ECRC factors, my testimony identifies the capital and operating and maintenance ("O&M") costs associated with environmental compliance activities for the year 2003.

Q. Have you prepared an exhibit that shows the determination of recoverable environmental costs for the period of January 1, 2003 through December 31, 2003?

A. Yes. Exhibit No. ___ (HTB-3), containing one document, was prepared under my direction and supervision. It includes Forms 42-1P through 42-7P that show the calculation and summary of O&M and capital expenditures that support the development of the environmental cost recovery factors for 2003.

Q. What has Tampa Electric calculated as the total true-up to be applied in the period January 2003 through December 2003?

A. The total true-up applicable for this period is an over-recovery of $2,456,125. This consists of the final true-up under-recovery of $1,001,138 for the period from January 2001 through December 2001 and an estimated true-up over-recovery of $3,457,263 for the current period of January 2002 through December 2002. The detailed calculation supporting the estimated true-up was provided on Forms 42-1E through 42-8E of Exhibit No. ___ (HTB-2) filed with the Commission on August 9, 2002.

Q. Has Tampa Electric proposed any new environmental compliance projects for ECRC cost recovery for the period from January 2003 through December 2003?

A. Yes. Tampa Electric filed a petition on July 15, 2002 seeking ECRC recovery for the Polk NO_x Emissions Reduction project. The project is designed to meet a lower NO_x emissions limit established by the Florida Department of Environmental Protection for Polk Unit 1 by July 1, 2003. In order to meet the new emissions limit in a timely manner, the work at the plant has commenced. In its petition, Tampa Electric stated, assuming Commission approval of the project, 1) any costs incurred on the project in 2002 would be handled in the 2002 ECRC True-up Filing, and 2) any costs anticipated on the project in 2003 would be included in the 2003 ECRC Projection Filing. Therefore, the O&M and capital costs anticipated for 2003 are included in this 2003 ECRC Projection Filing. Concerning project approval, the Commission is scheduled to consider the Polk NO_x Emissions Reduction project in Docket No. 020726-EI at the October 1, 2002 Agenda Conference.

Q. In addition to the Polk NO_x Emissions Reduction project described above, what are the capital projects included in the calculation of the ECRC factors for 2003?

A. Tampa Electric proposes to include for ECRC recovery the 18 previously approved capital projects and their projected costs in the calculation of the ECRC factors for 2003. These projects are Big Bend Unit 3 Flue Gas Desulfurization ("FGD") Integration, Big Bend Units 1 and 2 Flue Gas Conditioning, Big Bend Unit 4 Continuous Emissions Monitors, Big Bend Unit 1 Classifier Replacement, Big Bend Unit 2 Classifier Replacement, Gannon Unit 5 Classifier Replacement, Gannon Unit 6 Classifier Replacement, Gannon Coal Crusher, Big Bend Units 1 and 2 FGD, Big Bend Section 114 Mercury Testing Platform, Big Bend FGD Optimization and Utilization, Big Bend Particulate Matter ("PM") Minimization and Monitoring, Big Bend NO_x Emissions Reduction, Gannon Ignition Oil Tank, Big Bend Fuel Oil Tank No. 1 Upgrade, Big Bend Fuel Oil Tank No. 2 Upgrade, Phillips Tank No. 1 Upgrade, and Phillips Tank No. 4 Upgrade.

Q. Have you prepared schedules showing the calculation of the recoverable capital project costs for 2003?

A. Yes. Form 42-3P contained in Exhibit No. ___ (HTB-3) summarizes the cost estimates projected for these projects. Form 42-4P, pages 1 through 19, shows the calculations of these costs that result in recoverable jurisdictional capital costs of $20,172,250.

Q. In addition to the Polk NO_x Emissions Reduction project described above, what are the O&M projects included in the calculation of the ECRC factors for 2003?

A. Tampa Electric proposes to include the nine previously approved O&M projects and their projected costs in the calculation of the ECRC factors for 2003. These projects are Big Bend Unit 3 FGD Integration, Big Bend Units 1 and 2 Flue Gas Conditioning, Big Bend Units 1 and 2 FGD, Big Bend FGD Optimization and Utilization, Big Bend PM Minimization and Monitoring, Big Bend NO_x Emissions Reduction, SO_2 Emissions Allowances, NPDES Annual Surveillance Fees, and the Gannon Thermal Discharge Study.

Q. Have you prepared schedules showing the calculation of the recoverable O&M project costs for 2003?

A. Yes. Form 42-2P contained in Exhibit No. ___ (HTB-3) summarizes the recoverable jurisdictional O&M costs for these projects which totals $8,060,582 for 2003.

Q. Do you have a schedule providing the description and progress reports for all environmental compliance activities and projects?

A. Yes. Project descriptions as well as the projected recoverable cost estimates are provided in Form 42-5P, pages 1 through 22.

Q. What are the total projected jurisdictional costs for environmental compliance in the year 2003?

A. The total jurisdictional O&M and capital expenditures to be recovered through the ECRC are calculated on Form 42-1P. These expenditures total $28,232,832.

Q. How were environmental cost recovery factors calculated?

A. The environmental cost recovery factors were calculated as shown on Schedules 42-6P and 42-7P. The demand allocation factors were calculated by determining the percentage each rate class contributes to the monthly system peaks and then adjusted for losses for each rate class. The energy allocation factors were determined by calculating the percentage that each rate class contributes to total kilowatt hour ("kWh") sales and then adjusted for losses for each rate class. This information was obtained from Tampa Electric's 2001 load research study. Form 42-7P presents the calculation of the proposed ECRC factors by rate class.

Q. What are the 2003 ECRC billing factors by rate class for which Tampa Electric is seeking approval?

A. The computation of the billing factors is shown on Form 42-7P. In summary, the 2003 proposed ECRC billing factors are:

Rate Class	**Factor (¢/kWh)**
Average Factor	0.143
RS, RST	0.144
GS, GST, TS	0.144
GSD, GSDT	0.143
GSLD, GSLDT, SBF	0.142
IS1, IST1, SBI1, SBIT1, IS3, IST3, SBI3, SBIT3	0.137
SL, OL	0.142

Q. When does Tampa Electric propose to begin collection of these environmental cost recovery charges?

A. The environmental cost recovery charge will be effective concurrent with the first billing cycle for January 2003.

Q. Are the costs Tampa Electric is requesting for recovery through the ECRC for the period January 2003 through December 2003 consistent with criteria established for

ECRC recovery in Order No. PSC-94-0044-FOF-EI?

A. Yes. The costs for which ECRC treatment is requested meet the following criteria:

1. such costs were prudently incurred after April 13, 1993;
2. the activities are legally required to comply with a governmentally imposed environmental regulation enacted, became effective or whose effect was triggered after the company's last test year upon which rates are based; and
3. such costs are not recovered through some other cost recovery mechanism or through base rates.

Q. Please summarize your testimony.

A. My testimony supports the approval of a final average environmental factor of 0.143 cents per kWh which includes projected capital and O&M revenue requirements of $28,232,832 associated with a total of 22 environmental projects and a true-up provision of $2,456,125 My testimony also demonstrates that the projected environmental expenditures for 2003 are appropriate for recovery through the ECRC.

Q. Does this conclude your testimony?

A. Yes, it does.

TAMPA ELECTRIC COMPANY
DOCKET NO. 020007-EI
FILED: SEPTEMBER 9, 2002

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

GREGORY M. NELSON

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

A. My name is Gregory M. Nelson. My mailing address is P.O. Box 111, Tampa, Florida 33601, and my business address is 6944 U.S. Highway 41 North, Apollo Beach, Florida 33572. I am employed by Tampa Electric Company ("Tampa Electric" or "the company") as Director, Environmental Affairs in the Energy Supply Trading and Services.

Q. Please provide a brief outline of your educational background and business experience.

A. I received a Bachelors Degree in Mechanical Engineering from the Georgia Institute of Technology in 1982 and a Masters of Business Administration from the University of South Florida in 1987. I am a registered Professional Engineer in the State of Florida. I began my engineering career in 1982 in Tampa Electric's Engineering Development Program. In 1983, I worked in the Production Department where I was responsible for power plant performance projects. Since 1986, I have held various environmental permitting and compliance positions. In 1997, I was promoted to Administrator - Air Programs in the Environmental Planning Department. In this position, I was responsible for all air permitting and compliance programs. In 1998, I was promoted to Manager, Environmental Planning and in 2000 I became Director, Environmental Affairs. My present responsibilities include the management of Tampa Electric's environmental permitting and compliance programs.

Q. Have you previously testified before the Florida Public Service Commission ("Commission")?

A. Yes, I have provided testimony regarding environmental projects and their associated environmental requirements in Environmental Cost Recovery Clause ("ECRC") proceedings before this Commission.

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

A. The purpose of my testimony is to demonstrate that the activities for which Tampa Electric seeks cost recovery through the ECRC for the 2003 projection period are activities necessary for the company to comply with environmental requirements. Specifically, I will describe the ongoing activities that are associated with the Consent Final Judgment ("CFJ") entered into with the Florida Department of Environmental Protection ("FDEP") and the Consent Decree ("CD") lodged with the U.S. Environmental Protection Agency ("EPA") and the Department of Justice. I will also discuss other programs previously approved by the Commission for recovery through the ECRC as well as the Polk Nitrogen Oxides ("NO_x") Emissions Reduction program that the company is currently seeking approval for recovery in Docket No. 020726-EI.

Q. Please provide an overview of the ongoing environmental compliance requirements that are the result of the CFJ and CD ("the Orders").

A. The general requirements of the Orders include repowering Gannon Station and further reductions of sulfur dioxide ("SO_2"), NO_x and particulate matter ("PM") emissions at Big Bend Station. The repowering of Gannon Station is well underway and the work necessary to reduce SO_2 emissions was largely completed by early 2002.

The NO_x reduction activity is ongoing. The Orders require

Tampa Electric to perform NO_x reduction projects on Big Bend Units 1 through 3, however, Big Bend Unit 4 may be substituted for Big Bend Unit 3. These early NO_x reductions use 1998 NO_x emissions as the baseline year for determining the level of reduction achieved. Tampa Electric must also demonstrate innovative NO_x technologies beyond these required by the early reduction activities.

Concerning the PM emissions reduction, the Orders require Tampa Electric to develop and implement a best operational practices (BOP) study to minimize PM emissions from each electrostatic precipitator, complete and implement a Best Available Control Technology ("BACT") analysis of the ESPs at Big Bend Station, demonstrate the operation of a PM Continuous Emissions Monitoring System ("CEM") and evaluate the possibility of installing a second PM CEM.

Q. Please describe the Big Bend NO_x Emissions Reduction program activities and provide the estimated O&M and capital expenditures for 2003.

A. The Big Bend NO_x Emissions Reduction program was approved by the Commission in Docket No. 001186-EI, Order No. PSC-00-2104-PAA-EI, issued November 6, 2000. In the order, the Commission found that the program met the requirements for recovery through the ECRC. For 2003, Tampa Electric has identified the projects that will reduce NO_x emissions as required under the Orders. These include performing the requisite maintenance on the NO_x reduction projects installed in prior years pursuant to the Orders, continuing the DOE neural network sootblowing project on Big Bend Unit 2, installing a coal/air monitoring system on Big Bend Unit 2 and finalizing the coal/air monitoring system on Big Bend Unit 1, installing water cannons on Big Bend Unit 3 and performing other work to support the innovative NO_x reduction requirements of the Orders. These projects are expected to result in approximately $250,000 of O&M expenses and $2,583,000 of capital expenditures.

Q. Please describe the Big Bend PM Minimization and Monitoring program activities and provide the estimated O&M and capital expenditures for 2003.

A. The Big Bend PM Minimization and Monitoring program was approved by the Commission in Docket No. 001186-EI, Order No. PSC-00-2104-PAA-EI, issued November 6, 2000. In the order, the Commission found that the program met the requirements for recovery through the ECRC. For 2003, Tampa Electric has identified various projects that will improve precipitator performance and reduce PM emissions as required under the Orders. These projects include the implementation of the BOP and BACT studies and activities associated with the installation and demonstration of a PM CEM system, the installation of flyash hopper level detectors and flyash controls on Big Bend Unit 1, flow corrections on Big Bend Unit 3 and the relocation of slag tank vent lines on Big Bend Units 1 and 3. These projects are expected to result in approximately $850,000 of O&M expenses and $750,000 of capital expenditures.

Q. Please identify the other Commission approved programs you will discuss.

A. The programs previously approved by the Commission that I will discuss include Big Bend Unit 3 Flue Gas Desulfurization Integration, Big Bend Units 1 and 2 Flue Gas Desulfurization and Gannon Thermal Discharge Study.

Q. Please describe the Big Bend Unit 3 Flue Gas Desulfurization Integration and Big Bend Units 1 and 2 Flue Gas Desulfurization activities and provide the estimated O&M and capital expenditures for 2003.

A. The Big Bend Unit 3 Flue Gas Desulfurization Integration program was approved by the Commission in Docket No. 960688-EI, Order No. PSC-96-1048-FOF-EI, issued August 14, 1996. The Big Bend Units 1 and 2 Flue Gas Desulfurization program was approved by the Commission in Docket No. 980693-EI, Order No. PSC-99-0075-FOF-EI, issued January 11, 1999. In those orders, the Commission found that the programs met the requirements for recovery through the ECRC. These programs were implemented to meet the SO_2 emissions requirements of the Phase I and II Clean Air Act Amendments of 1990.

For 2003, there will be no capital expenditures for these programs, however, Tampa Electric anticipates O&M expenses for the Big Bend Unit 3 Flue Gas Desulfurization Integration program and the Big Bend Units 1 and 2 Flue Gas Desulfurization program will be $2,524,200 and $4,448,600, respectively. The dominant component of these expenses is projected to be the reagents utilized in the flue gas desulfurization process with the balance of expenses targeted for maintenance.

Q. Please describe the Gannon Thermal Discharge Study program activities and provide the estimated O&M and capital expenditures for 2003.

A. The Gannon Thermal Discharge Study program was approved by the Commission in Docket No. 010593-EI, Order No. PSC-01-1847-PAA-EI, issued September 14, 201. In that order, the Commission found that the program met the requirements for recovery through the ECRC. The FDEP is currently reviewing the plan of study submitted by Tampa Electric. Approval is expected in late 2002 with commencement of the plan immediately thereafter. For 2003, there will be no capital expenditures for this program, however, Tampa Electric anticipates O&M expenses will be approximately $217,000.

Q. The Polk NO_x Emissions Reduction program is pending Commission approval for ECRC recovery in Docket No. 020726-EI. Please provide an overview of the environmental compliance requirements associated with the program.

A. In the initial air construction permit application for Polk Unit 1, a BACT analysis for NO_x emissions was included. However, due to the lack of commercial operation, the air construction and Title V permits also included the requirement of a 12 to 18 month demonstration period after which Tampa Electric was required to submit a new NO_x BACT analysis to the FDEP for approval. This resulted in a new NO_x BACT emissions limit of 15 parts per million by volume dry basis ("ppmvd") at 15 percent oxygen ("O_2") which was approved by the FDEP. On February 5, 2002 the FDEP issued a final permit under the provisions of Chapter 403, Florida Statutes, and applicable rules of the Florida Administrative Code which constituted authorization for the company's Polk Power Station to operate Polk Unit 1 with the aforementioned requirements. The compliance deadline for the new emission limit was set for July 1, 2003.

In order to ensure compliance with the newly established NO_x emissions requirement of 15 ppmvd at 15 percent O_2, Tampa Electric will undertake the Polk NO_x Emissions Reduction program in the following three phases:

(a) the humidification of the syngas through the installation of a syngas saturator;

(b) an increased airflow to the air separation unit by adding guide vanes to the main air compressor and upgrading the companders (which supply refrigeration to the plant) and the associated piping; and

(c) The modification of the controls and the installation of additional guide vanes to the diluent nitrogen compressor which will provide more diluent gaseous nitrogen to the turbine.

Q. What are the estimated capital and O&M expenditures for 2003 related to the Polk NO_x Emissions Reduction program?

A. Subsequent to filing the petition seeking approval for ECRC recovery, work on the program was initiated in order to meet the July 1, 2003 deadline for the new NO_x emissions requirement. Should the Commission approve the Polk NO_x Emissions Reduction program for ECRC recovery at the Agenda Conference scheduled on October 1, 2002, the expenditures incurred during 2002 will be included in the company's 2002 True-up Filing. This is consistent with the request in the program petition. For 2003, the Tampa Electric anticipates $62,500 of O&M expenses and $673,000 of capital expenditures necessary to ensure compliance with the new NO_x limitation.

Q. Please summarize your testimony.

A. Tampa Electric has entered into settlement agreements with FDEP and EPA which require significant reductions in emissions from Tampa Electric's Big Bend and Gannon Stations. The Orders establish definite requirements and time frames in which air quality improvements must be made and result in reasonable and fair outcomes for Tampa Electric, its community and customers, and the environmental agencies. My testimony identifies projects which are legally required by the Orders and describes the progress Tampa Electric plans to achieve during 2003 in order to meet the more stringent environmental standards. My testimony also identifies other projects which are required for Tampa Electric to meet environmental requirements and provides their 2003 activities and projected expenditures.

Q. Does this conclude your testimony?

A. Yes it does.

Revised 10/23/02

FLORIDA POWER CORPORATION

DOCKET NO. 020007-EI

Levelized Environmental Cost Recovery Factors
January through December 2003

DIRECT TESTIMONY OF
JAVIER PORTUONDO

Q. Please state your name and business address.

A. My name is Javier Portuondo. My business address is Post Office Box 14042, St. Petersburg, Florida 33733.

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

A. I am employed by Progress Energy Service Company, LLC, as Manager of Regulatory Services - Florida.

Q. What are the duties and responsibilities of your position as Manager of Regulatory Services - Florida?

A. My duties and responsibilities include management of the regulatory accounting, fuel accounting, and pricing functions and activities for Florida Power Corporation ("Florida Power" or "the Company").

Q. Please describe your educational background and professional experience.

A. I received a Bachelors of Science degree in Accounting from the University of South Florida. I have held my current position as Manger of Florida Power's Regulatory Services department since 1996. Before then, I held a number of financial and accounting positions within the Controller's department of the Company.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present for Commission review and approval Florida Power's calculation of its Environmental Cost Recovery (ECR) factors for application on customer billings during the period of January through December 2003. My testimony addresses the operating and maintenance ("O&M") expenses associated with Florida Power's environmental compliance activities for the period from October 2002 through December 2003.

Q. Are you sponsoring an exhibit in support of your testimony?

A. Yes. I am sponsoring Exhibit No. ___ (JP-1), consisting of Forms 42-1A through 42-5A, which shows Florida Power's projected environmental compliance costs from October 2002 through December 2002, and Exhibit No. ___ (JP-2), consisting of Forms 42-1P through 42-7P, which shows Florida Power's projected environmental compliance costs from January 2003 through December 2003 and the calculation of the ECR factors that the Company proposes to apply on customer bills in 2003 for the recovery of these costs.

Q. What are the projected costs of the environmental compliance activities for which Florida Power is seeking recovery?

A. The projected retail costs for environmental compliance which Florida Power is seeking to recover for 2002 are $ 10,713 and $3,996,901 for 2003, as shown in Forms 42-1A and 42-1P of my exhibits. These costs and the environmental compliance activities to which they relate are described in the testimony of Florida Power witness Silar.

Q. Is Florida Power requesting recovery of any environmental compliance costs that the Company has already incurred?

A. No. Florida Power is requesting recovery of only the prospective environmental compliance costs it will incur beginning in October 2002.

Q. What are the environmental compliance activities for which costs have been included in calculating Florida Power's ECR factors for 2003?

A. As described in the testimony of Mr. Silar, the environmental compliance activities whose costs have been included in calculating Florida Power's proposed ECR factors are transmission and distribution facility pollutant discharge investigation and remediation activities.

Q. Are any of these environmental compliance costs currently being recovered through Florida Power's base rates or its other cost recovery clauses?

A. Yes. $25,000 of the environmental costs in question were included in the 2002 budget used to calculate the 2002 MFR's. None of these environmental compliance costs were included in any of Florida Power's cost recovery clauses.

Q. What are Florida Power's proposed ECR factors for the various rate groups and delivery voltages?

A. The computation of Florida Power's proposed ECR factors for customer billings in 2003 is shown on Form 42-7P of my exhibit JP-2. In summary, these factors are as follows:

Rate Class	ECR Factor
Residential	0.11 cents/kWh
General Service Non-Demand	
@ Secondary Voltage	0.11 cents/kWh
@ Primary Voltage	0.10 cents/kWh
@ Transmission Voltage	0.10 cents/kWh
General Service 100% Load Factor	0.11 cents/kWh
General Service Demand	
@ Secondary Voltage	0.11 cents/kWh
@ Primary Voltage	0.10 cents/kWh
@ Transmission Voltage	0.10 cents/kWh

Curtailable	
@ Secondary Voltage	0.11 cents/kWh
@ Primary Voltage	0.10 cents/kWh
Interruptible	
@ Secondary Voltage	0.11 cents/kWh
@ Primary Voltage	0.10 cents/kWh
@ Transmission Voltage	0.10 cents/kWh
Lighting	0.11 cents/kWh

Q. Please describe how the proposed ECR factors were developed.

A. The ECR factors were calculated as shown on Forms 42-6P and 42-7P of my exhibit JP2. The energy allocation factors were calculated by determining the percentage each rate class contributes to total kilowatt-hour sales and then adjusted for losses for each rate class. This information was obtained from Florida Power's March 2001 load research study. Form 42-7P presents the calculation of the proposed ECR factors by rate class.

Q. When is Florida Power requesting that the proposed ECR factors be made effective?

A. Florida Power is requesting that its proposed ECR factors be made effective beginning with cycle 1 billings for the month of January 2003.

Q. Does this conclude your testimony?

A. Yes.

GULF POWER COMPANY

Before the Florida Public Service Commission
Direct Testimony and Exhibit of
Susan D. Ritenour
Docket No. 020007-EI
Date of Filing: April 1, 2002

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

A. My name is Susan Ritenour. My business address is One Energy Place, Pensacola, Florida 32520. I hold the position of Assistant Secretary and Assistant Treasurer for Gulf Power Company. In this position, I am responsible for supervising the Rates and Regulatory Matters Department.

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

A. I graduated from Wake Forest University in Winston-Salem, North Carolina in 1981 with a Bachelor of Science Degree in Business and from the University of West Florida in 1982 with a Bachelor of Arts Degree in Accounting. I am also a Certified Public Accountant licensed in the State of Florida. I joined Gulf Power Company in 1983 as a Financial Analyst. Prior to assuming my current position, I have held various positions with Gulf including Computer

Modeling Analyst, Senior Financial Analyst, and Supervisor of Rate Services.

My responsibilities include supervision of: tariff administration, cost of service activities, calculation of cost recovery factors, the regulatory filing function of the Rates and Regulatory Matters Department and various treasury activities.

Q. Have you prepared an exhibit that contains information to which you will refer in your testimony?
A. Yes, I have.

Counsel: We ask that Ms. Ritenour's Exhibit consisting of 8 schedules be marked as Exhibit No. _____(SDR-1).

Q. Are you familiar with the Environmental Cost Recovery Clause (ECRC) True-up Calculation for the period of January through December 2001 set forth in your exhibit?
A. Yes. These documents were prepared under my supervision.

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

A. Yes, I have.

Q. What is the amount to be refunded or collected in the recovery period beginning January 2003?

A. An amount to be refunded of $187,480 was calculated which is reflected on Line 3 of Schedule 1A of my exhibit.

Q. How was this amount calculated?

A. The $187,480 to be refunded was calculated by taking the difference between the estimated January 2001 through December 2001 over-recovery of $684,892 as approved in Order No. PSC-01-2463-FOF-EI, dated December 18, 2001 and the actual over-recovery of $872,372 which is the sum of lines 5, 6, and 10 on Schedule 2A.

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

A. Schedule 2A shows the calculation of the actual over-recovery of environmental costs for the period January 2001 through December 2001. Schedule 3A of my exhibit is the calculation of the interest provision on the over-recovery. This is the same method of calculating interest that is used in the Fuel Cost Recovery (FCR) and Purchased Power Capacity Cost (PPCC) Recovery clauses.

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

A. Schedule 4A compares the actual O & M expenses for the period January 2001 through December 2001 with the estimated/actual O & M expenses included in the approved estimated true-up filed in conjunction with the November 2001 hearing. Schedule 5A shows the monthly O & M expenses by activity, along with the calculation of jurisdictional O & M expenses for the recovery period. Emission allowance expenses and the amortization of gains on emission allowances are included with O & M expenses. Mr. Vick describes the main reasons for the variances in O & M expenses in his true-up testimony.

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

A. Schedule 6A for the period January 2001 through December 2001 compares the actual carrying costs related to investment with the estimated/actual amount included in the approved estimated true-up filed in conjunction with the November 2001 hearing. The recoverable costs include the return on investment, depreciation expense, dismantlement accrual, and property tax associated with each environmental capital project for the recovery period. Recoverable costs also include a return on working capital associated with emission allowances. Schedule 7A provides the monthly carrying costs associated with each project, along with the calculation of the jurisdictional carrying costs. Mr. Vick describes any major variances in recoverable costs related to environmental investment for this true-up period.

Q. Please describe Schedule 8A of your exhibit.

A. Schedule 8A provides the monthly calculation of the recoverable costs associated with each capital project for the recovery period. As I stated earlier, these costs include return on investment, depreciation expense, dismantlement accrual, property tax, and the cost of emission allowances. Pages 1 through 17 of Schedule 8A show the investment and associated costs related to capital projects, while page 18 shows the investment and costs related to emission allowances.

Q. Ms. Ritenour, does this conclude your testimony?

A. Yes, it does.

GULF POWER COMPANY

Before the Florida Public Service Commission
Direct Testimony of
Susan D. Ritenour
Docket No. 020007-EI
Date of Filing: August 9, 2002

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

A. My name is Susan Ritenour. My business address is One Energy Place, Pensacola, Florida 32520-0780. I hold the position of Assistant Secretary and Assistant Treasurer for Gulf Power Company.

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

A. I graduated from Wake Forest University in Winston-Salem, North Carolina in 1981 with a Bachelor of Science Degree in Business and from the University of West Florida in 1982 with a Bachelor of Arts Degree in Accounting. I am also a Certified Public Accountant licensed in the State of Florida. I joined Gulf Power Company in 1983 as a Financial Analyst. Prior to assuming my current position, I have held various positions with Gulf including Computer Modeling Analyst, Senior Financial Analyst, and Supervisor of Rate Services.

My responsibilities include supervision of: tariff administration, cost of service activities, calculation of cost recovery factors, the regulatory filing function of the Rates and Regulatory Matters Department, and various treasury activities.

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

A. Yes, I have.

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

A. Yes, I have. My exhibit consists of 8 schedules, each of which were prepared under my direction, supervision, or review.

Counsel: We ask that Ms. Ritenour's Exhibit consisting of 8 schedules be marked as Exhibit No. _____(SDR-2).

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

A. Yes, I have.

Q. What has Gulf calculated as the estimated true-up for the January 2002 through December 2002 period to be refunded or collected in the period January 2003 through December 2003?

A. The estimated true-up for the current period is an over-recovery of $445,767 as shown on Schedule 1E. This is based on six months of actual data and six months of estimated data. This amount will be added to the final true-up over-recovery amount of $187,480 for January 2001 through December 2001 (see Schedule 1A to my testimony filed April 1, 2002) and refunded to the customers during the January 2003 through December 2003 period. The detailed calculations supporting the estimated true-up for 2002 are contained in Schedules 1E through 8E.

Q. Please describe Schedules 2E and 3E of your exhibit.

A. Schedule 2E shows the calculation of the estimated over-recovery of environmental costs for the period January 2002 through December 2002. Schedule 3E of my exhibit is the calculation of the interest provision on the over-recovery. This is the same method of calculating interest that is used in the Fuel Cost Recovery (FCR) and Purchased Power Capacity Cost (PPCC) Recovery clauses.

Q. Please describe Schedules 4E and 5E of your exhibit.

A. Schedule 4E compares the estimated/actual O & M expenses for the period January 2002 through December 2002 with the projected O & M expenses approved by the Commission in conjunction with the November 2001 hearing. Schedule 5E shows the monthly O & M expenses by activity, along with the calculation of jurisdictional O & M expenses for the current recovery period. Per the Staff's request, emission allowance expenses and the amortization of gains on emission allowances are included with O & M expenses. Mr. Vick describes the main reasons for the expected variances in O & M expenses in his true-up testimony.

Q. Please describe Schedules 6E and 7E of your exhibit.

A. Schedule 6E for the period January 2002 through December 2002 compares the estimated/actual carrying costs related to investment with the projected amount approved in conjunction with the November 2001 hearing. The recoverable costs include the return on investment, depreciation expense, dismantlement accrual, and property tax associated with each environmental capital project for the current recovery period. Recoverable costs also include a return on working capital associated with emission allowances.

Schedule 7E provides the monthly carrying costs associated with each project, along with the calculation of the jurisdictional carrying costs. Mr. Vick describes the major variances in recoverable costs related to environmental investment for this estimated true-up in his testimony.

Q. Please describe Schedule 8E of your exhibit.

A. Schedule 8E includes 19 pages that provide the monthly calculations of recoverable costs associated with each capital project for the current recovery period. As I stated earlier, these costs include return on investment, depreciation expense, dismantlement accrual, property tax, and the return on working capital associated with emission allowances. Pages 1 through 18 of Schedule 8E show the investment and associated costs related to capital projects, while page 19 shows the investment and return related to emission allowances.

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

A. Consistent with Commission policy, the capital structure used in calculating the rate of return for recovery clause purposes is based on the capital structure approved in Gulf's last completed rate case. For the period January 2002 through June 6, 2002, the rate of return is based on the capital structure approved in Docket No. 891345-EI, Order No. 23573 dated October 3, 1990. Gulf's new base rates resulting from its recent rate case were effective on June 7, 2002. Therefore, beginning on June 7, 2002, the rate of return for ECRC is based on the capital structure approved in that case in Docket No. 010949-EI, Order No. PSC-02-0787-FOF-EI dated June 10, 2002. The rate of return used to calculate ECRC revenue requirements includes a jurisdictional return on equity of 11.5% for the period January 2002 through April 21, 2002 as approved by the Commission in Order No PSC-99-1970-PAA-EI in Docket No. 991487-EI dated October 8, 1999. The reduction in ROE approved in that order ended on April 21, 2002 as a result of Smith Unit 3 commencing commercial operation. On April 22, Gulf's authorized ROE reverted back to the 12.0% that was in place prior to the voluntary reduction established in Docket No. 991487-EI. Further, the authorized ROE approved in Gulf's recent rate case in Docket No. 010949-EI is 12.0%. Therefore, the jurisdictional ROE of 12.0% is used in the ECRC rate of return beginning April 22, 2002 and continuing through December 2002 in the estimated/ actual calculation.

Q. Are there any other changes resulting from Gulf's recently-completed rate case in Docket No. 010949-EI?
A. Yes. The revenue requirements associated with recoverable capital projects includes the impact of new depreciation rates which were effective as of January 1, 2002. Also, as part of Gulf's rate case, gross receipts taxes are now being shown separately on customers' bills rather than being included in the cost recovery factors. Therefore, the revenue tax factor used in cost recovery clause calculations has been revised to include only FPSC assessment fees. Finally, the line loss multiplier was also updated as a result of the rate case.

Q. Ms. Ritenour, does this conclude your testimony?
A. Yes, it does.

GULF POWER COMPANY

Before the Florida Public Service Commission
Direct Testimony and Exhibit of
Susan D. Ritenour
Docket No. 020007-EI
Date of Filing: September 9, 2002

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

A. My name is Susan Ritenour. My business address is One Energy Place, Pensacola, Florida 32520-0780. I hold the position of Assistant Secretary and Assistant Treasurer for Gulf Power Company.

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

A. I graduated from Wake Forest University in Winston-Salem, North Carolina in 1981 with a Bachelor of Science Degree in Business and from the University of West Florida in 1982 with a Bachelor of Arts Degree in Accounting. I am also a Certified Public Accountant licensed in the State of Florida. I joined Gulf Power Company in 1983 as a Financial Analyst. Prior to assuming my current position, I have held various positions with Gulf including Computer Modeling Analyst, Senior Financial Analyst, and Supervisor of Rate Services.

My responsibilities include supervision of: tariff administration, cost of service activities, calculation of cost recovery factors, the regulatory filing function of the Rates and Regulatory Matters Department, and various treasury activities.

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

A. Yes, I have.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present both the calculation of the revenue requirements and the development of the environmental cost recovery factors for the period of January 2003 through December 2003.

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

A. Yes, I have. My exhibit consists of 7 schedules, each of which were prepared under my direction, supervision, or review.

Counsel: We ask that Ms. Ritenour's Exhibit consisting of 7 schedules be marked as Exhibit No. _____ (SDR-3).

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

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

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

A. Mr. Vick has provided me with projected recoverable O & M expenses for January 2003 through December 2003. Schedule 2P of my exhibit shows the calculation of the recoverable O & M expenses broken down between the demand-related and energy-related expenses. Also, Schedule 2P provides the appropriate jurisdictional factors and amounts related to these expenses. All O & M expenses associated with compliance with the Clean Air Act Amendments of 1990 were considered to be energy-related, consistent with Commission Order No. PSC-94-0044-FOF-EI. The remaining expenses were broken down between demand and energy consistent with Gulf's last approved cost-of-service methodology in Docket No. 010949-EI.

Q. Please describe Schedules 3P and 4P of your exhibit.

A. Schedule 3P summarizes the monthly recoverable revenue requirements associated with each capital investment for the recovery period. Schedule 4P shows the detailed calculation of the revenue requirements associated with each investment. These schedules also include the calculation of the jurisdictional amount of recoverable revenue requirements. Mr. Vick has provided me with the expenditures, clearings, retirements, salvage, and cost of removal related to each capital project and the monthly costs for emission allowances. From that information, I calculated Plant-in-Service and Construction Work In Progress-Non Interest Bearing (CWIP-NIB). Depreciation and dismantlement expense and the associated accumulated depreciation balances were calculated based on Gulf's approved depreciation rates and dismantlement accruals. The capital projects identified for recovery through the ECRC are those environmental projects which are not included in the approved projected June 2002 through May 2003 test year on which present base rates were set.

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

A. Property taxes were calculated by applying the applicable tax rate to taxable investment. In Florida, pollution control facilities are taxed based only on their salvage value. For the recoverable environmental investment located in Florida, the amount of property taxes is estimated to be $0. In Mississippi, there is no such reduction in property taxes for pollution control facilities. Therefore, property taxes related to recoverable environmental investment at Plant Daniel are calculated by applying the applicable millage rate to the assessed value of the property.

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

A. The rate of return used is based on Gulf's capital structure as approved in Gulf's last rate case, Docket No. 010949-EI, Order No. PSC-02-0787-FOF-EI, dated June 10, 2002. This rate of return incorporates a return on equity of 12.0 percent.

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

A. The investment-related costs associated with compliance with the Clean Air Act Amendments of 1990 (CAAA) were considered to be energy-related, consistent with Commission Order No. PSC-94-0044-FOF-EI, dated January 12, 1994 in Docket No. 930613-EI. The remaining investment-related costs of environmental compliance not associated with the CAAA were allocated 12/13th based on demand and 1/13th based on energy, consistent with Gulf's last cost-of-service study. The calculation of this breakdown is shown on Schedule 4P and summarized on Schedule 3P.

Q. What is the total amount of projected recoverable costs related to the period January 2003 through December 2003?

A. The total projected jurisdictional recoverable costs for the period January 2003 through December 2003 are $10,863,256 as shown on line 1c of Schedule 1P. This includes costs related to O & M activities of $2,645,132 and costs related to capital projects of $8,218,124 as shown on lines 1a and 1b of Schedule 1P.

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

A. The total recoverable revenue requirement including revenue taxes is $10,237,375 for the period January 2003 through December 2003 as shown on line 5 of Schedule 1P. This amount includes the recoverable costs related to the projection period and the total true-up cost of $633,247 to be refunded. Schedule 1P also summarizes the energy and demand components of the requested revenue requirement. I allocated these amounts to rate class using the appropriate energy and demand allocators as shown on Schedules 6P and 7P.

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

A. The demand allocation factors used in the ECRC were calculated using the 2001 load data filed with the Commission in accordance with FPSC Rule 25-6.0437. The energy allocation factors were calculated based on projected KWH sales for the period adjusted for losses. The calculation of the allocation factors for the period is shown in columns 1 through 9 on Schedule 6P.

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

A. As I described earlier in my testimony, Schedule 1P summarizes the energy and demand portions of the total requested revenue requirement. The energy-related recoverable revenue requirement of $7,020,017 for the period January 2003 through December 2003 was allocated using the energy allocator, as shown in column 3 on Schedule 7P. The demand-related recoverable revenue requirement of $3,217,358 for the period January 2003 through December 2003 was allocated using the demand allocator, as shown in column 4 on Schedule 7P. The energy-related and demand-related recoverable revenue requirements are added together to derive the total amount assigned to each rate class, as shown in column 5.

Q. What is the monthly amount related to environmental costs recovered through this factor that will be included on a residential customer's bill for 1,000 kwh?
A. The environmental costs recovered through the clause from the residential customer who uses 1,000 kwh will be $1.05 monthly for the period January 2003 through December 2003.

Q. When does Gulf propose to collect its environmental cost recovery charges?
A. The factors will be effective beginning with the first Bill Group for January 2003 and continuing through the last Bill Group for December 2003.

Q. Ms. Ritenour, does this conclude your testimony?
A. Yes, it does.

GULF POWER COMPANY

Before the Florida Public Service Commission
Supplemental Direct Testimony and Exhibit of
Susan D. Ritenour
Docket No. 020007-EI
Date of Filing: November 8, 2002

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

A. My name is Susan Ritenour. My business address is One Energy Place, Pensacola, Florida 32520-0780. I hold the position of Assistant Secretary and Assistant Treasurer for Gulf Power Company.

Q. What is the purpose of your supplemental testimony?

A. The purpose of this testimony is to supplement my direct testimony filed on September 9, 2002 in this docket with information needed by the Commission in order to implement the decision set forth in Commission Order No. PSC-02-1396-PAA-EI. That order was issued on October 9, 2002 in Docket No. 020943-EI and effectively became final agency action after the close of business on October 30, 2002.

Q. What effect does Order No. PSC-02-1396-PAA-EI have on this proceeding in Docket No. 020007-EI?

A. As noted earlier, Order No. PSC-02-1396-PAA-EI was issued in Docket No. 020943-EI, which was opened to address Gulf's petition for approval of an Agreement between Gulf and the Florida Department of Environment Protection (DEP) and the cost recovery of related expenditures and expenses through the environmental cost recovery clause (ECRC). As noted in the Order, as part of the agreement between Gulf and DEP, Plant Crist Units 1-3 will be retired early. As part of the Company's response to an informal data request in Docket No. 020943-EI, Gulf presented two alternatives to the Commission with regard to the treatment of the remaining undepreciated balances for these three units. One method would allow Gulf to continue to depreciate/amortize the remaining undepreciated balance over the period through 2011, which is when the units were otherwise scheduled to be retired. Under this method there would be no incremental amount of depreciation/amortization expense beyond that already reflected in the Company's base rates and consequently there would be no incremental costs associated with the early retirement to be recovered through the ECRC. The other method was to accelerate the depreciation/ amortization of the units so that there would be no undepreciated balance remaining at the beginning of 2006 when the Company's next scheduled depreciation study and associated depreciation rates would take effect. This method, which was adopted by the Commission in Order No. PSC-02-1396-PAA-EI, will result in an incremental increase to the Company's depreciation/amortization amounts for these units during 2003, 2004, and 2005. In Order No. PSC-02-1396-PAA-EI, the Commission approved recovery through the ECRC of "the incremental costs associated with the new retirement schedule."

Q. Have you prepared an exhibit that contains information about the incremental costs associated with the early retirement of Crist Units 1-3?

A. Yes, I have. My exhibit consists of 9 schedules, all of which were prepared under my direction, supervision, or review. Schedules 1 through 8 have previously been filed in this docket in response to Staff's Interrogatory No. 3. Schedule 9 was provided to Staff in Docket No. 020943-EI in response to Staff's request for information in that docket.

Counsel: We ask that Ms. Ritenour's Exhibit consisting of 9 schedules be marked as Exhibit No. _____ (SDR-4).

Q. Please explain Schedule 9 of your exhibit.

A. Schedule 9 of my exhibit outlines the incremental changes in depreciation/amortization expense and carrying costs for 2003 through 2005 that result from the early retirement of Crist Units 1-3. As reflected in the column for 2003, these incremental costs are estimated to be $466,751 for the 2003 projection period.

Q. Please describe Schedule 8P of your exhibit.

A. Lines 1 through 8 of Schedule 8P show the detailed calculations for 2003 of the revenue requirements (both accelerated depreciation and return on investment) associated with the early retirement of Crist Units 1-3. Lines 9 through 12 of Schedule 8P show the amounts currently being recovered through base rates associated with Crist Units 1-3. The net difference between these amounts is shown on Line 13. This schedule also includes the calculation of the jurisdictional amount to be recovered through the ECRC.

Q. How does Gulf propose to allocate the incremental costs associated with the early retirement of Crist Units 1-3 to the rate classes?

A. As shown on Schedule 8P, Gulf proposes to allocate these costs to the rate classes using the 12 CP demand, 1/13 energy methodology. These costs are production-related, and this methodology is consistent with the allocation of these costs in the Company's cost of service study approved in Gulf's recently-completed base rate proceeding. The incremental costs associated with the early retirement of Crist Units 1-3 should be recovered through the ECRC based on the same allocation methodology that is used for costs associated with Crist Units 1-3 that are recovered through base rates.

Q. Please describe Schedules 1P – 7P of your Exhibit.

A. Schedules 1P – 7P are the revised 2003 projection schedules for the ECRC reflecting the incremental increase related to the accelerated depreciation schedule for Crist Units 1-3. As shown on Schedule 7P, the ECRC factor for a residential customer in 2003 would be .110 cents/kwh including the impact of the incremental depreciation/amortization expense and carrying costs associated with the early retirement of Crist Units 1-3.

Q. Should there be any impact to the ECRC after 2005 for the early retirement of Crist Units 1-3?

A. No. Once these units are fully depreciated (by the end of 2005), there should be no additional impact on the ECRC. It is not appropriate to continue to credit the ECRC for the amount of Crist Units 1-3 depreciation/amortization expense included in Gulf's current base rates after these units are fully depreciated. Gulf will be required to file a new depreciation study in 2005, to be effective January 1, 2006. The change to Crist Units 1-3 depreciation/amortization expense will be only one of many increases and decreases to depreciation and amortization that will be effective in 2006 as a result of changed conditions reflected in the new depreciation study. None of these increases or decreases will be reflected in Gulf's base rates until Gulf's next base rate case. It would be inappropriate to treat the decrease in depreciation/amortization expense related to Crist 1-3 in 2006 in a manner different from the other increases or decreases in depreciation/amortization expense resulting from the new depreciation study effective that year.

Q. Is there an alternative treatment for the depreciation/amortization costs associated with the early retirement of Crist Units 1-3 that would not impact the level of costs recovered through the ECRC?

A. Yes. Although the early retirement of Crist Units 1-3 is required under the agreement between DEP and Gulf that led to Order No. PSC-02-1396-PAA-EI, the only reason there is an incremental depreciation/ amortization expense to be addressed through the ECRC is due to the acceleration of the depreciation/amortization to coincide with the new retirement dates. The alternative treatment proposed by Gulf in Docket No. 020943-EI related to the Crist 1-3 retirement, which I described earlier in my testimony, would be acceptable to Gulf as a compromise on this issue. Implementation of this alternative would result in no incremental increase in depreciation/amortization expense and consequently would have no impact on the ECRC. Under this alternative, the Commission would establish by order that the proper period over which to depreciate/amortize the remaining undepreciated balance for Crist Units 1-3 is through the otherwise scheduled retirement date for these units in 2011. This would result in no impact on the ECRC related to the retirement of Crist Units 1-3. The new depreciation study effective January 1, 2006 would reflect a retirement date of 2011 for Crist Units 1-3 for the purpose of calculating depreciation/amortization expense. The net effect of this alternative approach is equivalent to leaving the retirement date the same as was anticipated in the Company's most recent depreciation study on which base rates were set earlier this year.

Q. Are there any other benefits that would result from allowing Gulf to depreciate/amortize the remaining balance over the otherwise applicable expected life of the units?

A. Yes. Implementation of this alternative approach would eliminate the need for and therefore allow Gulf to avoid the incremental cost associated with submitting a new depreciation study for the entire Crist Plant within 90 days of the Consummating Order in Docket No. 020943-EI. Regardless of whether Crist Units 1-3 are fully depreciated in 2005 or 2011, it makes no sense to then credit the ECRC for the amount of depreciation related to these units that is reflected in base rates.

Q. Ms. Ritenour, does this conclude your testimony?
A. Yes, it does.

Revised 10/23/02

FLORIDA POWER CORPORATION

DOCKET NO. 020007-EI

Environmental Compliance Activities and Costs October 2002 through December 2003

DIRECT TESTIMONY OF JAMES TIMOTHY SILAR

Q. Please state your name and business address.

A. My name is James Timothy Silar. My business address is P.O. Box 1551, Raleigh, North Carolina, 27602-1551.

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

A. I am employed by Carolina Power & Light Company ("CP&L") as Manager of the Environmental Remediation Unit for all subsidiaries of Progress Energy, Inc., including Florida Power Corporation ("Florida Power" or "the Company").

Q. What is the scope of your duties?

A. I am responsible for providing scientific, technical, and project management oversight services for environmental due-diligence, investigation, and remediation matters for Florida Power and the other subsidiaries of Progress Energy.

Q. Please describe your professional qualifications and experience.

A. I have a Bachelor of Science degree in Geology and Biology from the University of Delaware and a Masters Degree in Business from Temple University. I am a licensed Professional Geologist in the states of Delaware and Pennsylvania. Prior to my employment as CP&L's Manager of the Environmental Remediation Unit, I held a number of positions in the fields of geology and hydrogeology, including scientific, technical, and project management responsibilities related to investigation and remediation of contaminated sites. One example includes my employment by NUS Corporation, a company that worked as a contractor to the Region III office of the U. S. Environmental Protection Agency ("EPA"). With that company, I worked as a hydrogeologist, Project Manager, and Manager of the Geosciences Section. I was also responsible for all the EPA Hazard Ranking System scoring packages developed for Region III's Superfund Program. Another example is my employment for more than a decade, with Foster Wheeler Corporation, where I served as program director for a number of hazardous waste site programs as well as the company's national Manufactured Gas Plant (MGP) program. Finally, immediately prior to my position with CP&L, I was employed by Jacques Whitford Company, Inc. where I was responsible for creating and implementing a similar national MGP program.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present a description of Florida Power's environmental compliance activities, which fall into the general category of environmental investigation, remediation, and pollution prevention efforts, and the costs associated with these compliance activities for which the Company seeks recovery under the Environmental Cost Recovery Clause (ECRC).

Q. Are you sponsoring any exhibits in support of your testimony?

A. Yes. I am sponsoring Exhibit No. ___ (JTS-1), Parts A and B, which consists of pertinent statutes referenced in my testimony that require Florida Power to perform the environmental investigation, remediation, and pollution prevention activities for which it is seeking cost recovery.

Q. What are the environmental compliance activities for which Florida Power is seeking cost recovery?

A. Generally, Florida Power is seeking cost recovery for environmental investigation, remediation, and pollution prevention activities that it is required to undertake pursuant to specific environmental laws and/or regulations. These activities are to be conducted at Florida Power substation and distribution system facilities.

Q. Please describe the specific compliance activities for which Florida Power seeks ECRC recovery.

A. The environmental investigation, remediation, and pollution prevention activities are conducted to ensure that Florida Power's substation and distribution system, throughout its service area, continues to comply with applicable environmental laws and regulations. The substation and distribution system is evaluated to determine the existence of pollutant (e.g., mineral oil) discharges, and, if present, their removal and remediation. Activities will also include the development and implementation of best management practices at these facilities. An example of these measures includes the purchase of spill trailers where needed. These activities are undertaken to protect the environment and, where necessary, restore to an acceptable environmental quality.

Q. What are the specific environmental laws or regulations that require Florida Power to perform the environmental compliance activities you have described?

A. Florida Power has determined that the substation and distribution system investigation, remediation, and pollution prevention activities are required for Florida Power to continue to be in compliance with Chapters 376 (Pollutant Discharge Prevention and Removal) and 403 (Environmental Control), Florida Statutes. Chapter 376, Florida Statutes, requires that any person discharging a prohibited pollutant shall immediately undertake to contain, remove and abate the discharge to the satisfaction of the Department of Environmental Protection. Chapter 403, Florida Statutes, provides that it is prohibited to cause pollution so as to harm or injure human health or welfare, animal, plant, or aquatic life or property.

Q. Is there any precedent in the Commission's prior orders for approval of ECRC recovery for the types of environmental compliance activities for which Florida Power is seeking cost recovery?

A. The Commission previously approved recovery of costs associated with similar environmental investigation, remediation, and pollution prevention activities conducted by two other regulated electric utilities. See, Order No. PSC-97-1047-FOF-EI (approving ECRC recovery of projected costs for Florida Power and Light's (FPL's) Substation Pollutant Discharge and Removal Project); Order No. PSC-94-0044-FOF-EI (approving ECRC recovery of projected costs for Gulf Power's investigation of possible environmental impacts from historical substation herbicide treatment programs under the general heading "Water Quality"); Order No. PSC-93-1580-FOF-EI (approving ECRC recovery of projected costs for FPL's Clean Closure Equivalency Project); and Order No. PSC-95-0384-FOF-EI (approving ECRC recovery of projected costs for FPL's RCRA Corrective Action Project addressing hazardous waste contamination).

Q. What are the projected costs of the environmental compliance activities that you have described?

A. Florida Power is requesting to recover $4,010,499 for environmental investigation, remediation, and pollution prevention activities at its substation and distribution system facilities for the period from October 1, 2002 through December 31, 2003. This figure represents $10,713 for the period October through December 2002, and $3,996,901 for the period January through December 2003, adjusted for taxes. These amounts include the investigation and remediation of soil and, where necessary, ground water, as well as implementation of best management and pollution prevention measures. A breakdown of these projected costs in greater detail is included in the Commission's standard form schedules attached as exhibits to the testimony of Mr. Javier Portuondo.

The total cost of activities over the life of this effort cannot be estimated at this time since the presence, magnitude, and extent of contamination and the scope of pollution prevention measures at these facilities is unknown.

Q. Does this conclude your testimony?

A. Yes.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony of
James O. Vick
Docket No. 020007-EI
April 1, 2002

Q. Please state your name and business address.

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

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

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

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

A. I graduated from Florida State University, Tallahassee, Florida, in 1975 with a Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's Degree in Civil Engineering from the University of South Florida in Tampa, Florida. In addition, I have a Masters of Science Degree in Management from Troy State University, Pensacola, Florida. I joined Gulf Power Company in August 1978 as an Associate Engineer. I have since held various engineering positions such as Air Quality Engineer and Senior Environmental Licensing Engineer. In 1996, I assumed my present position as Manager of Environmental Affairs.

Q. What are your responsibilities with Gulf Power Company?
A. As Manager of Environmental Affairs, my primary responsibility is overseeing the activities of the Environmental Affairs section to ensure the Company is, and remains, in compliance with environmental laws and regulations, i.e., both existing laws and such laws and regulations that may be enacted or amended in the future. In performing this function, I have the responsibility for numerous environmental activities.

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

Q. Mr. Vick, what is the purpose of your testimony?
A. The purpose of my testimony is to support Gulf Power Company's true-up filing for the period from January 2001 through December 2001 and to explain any significant variances in Gulf's recoverable environmental projects.

Q. Mr. Vick, please compare Gulf's recoverable environmental capital costs included in the final true-up calculation for the period January 1, 2001 through December 31, 2001 with approved estimated true-up amounts.
A. As reflected in Ms. Ritenour's Schedule 6A, the actual recoverable

capital costs total $8,141,208, as compared to the estimated true-up amount of $8,152,424. This results in a variance of ($11,216). I will discuss the major variances below.

Q. Please explain the variance in recoverable costs for the CEMS project (Line Item 1.5).

A. The CEMS project reflects a variance of ($9,760) for the year. Upgrades are taking place at Plants Crist, Smith, and Scholz. Some of these projects are running behind schedule.

Q. Please explain the variance of ($1,518) in the capital category entitled Substation Contamination Mobile Groundwater Treatment System (Line Item 1.6).

A. The variance in the Mobile Groundwater Treatment system project is due to expenditures occuring one month later than expected.

Q. How do the actual O&M expenses for the period January 1, 2001 to December 31, 2001 compare to the estimated true-up?

A. Ms. Ritenour's Schedule 4A reflects that Gulf's actual recoverable environmental O&M expenses 2001 were $2,169,025, as compared to the estimated true-up amount of $2,428,250. This results in a year-end variance of ($259,225). I will address eleven O&M projects and programs that contribute to this variance.

Q. Please explain the $2,497 variance in the activity entitled Sulfur (Line Item 1.1).

A. The amount of sulfur used at Plant Crist is based on the available coal supply. The necessity for sulfur was more than what was anticipated for the recovery period.

Q. Please explain the $103,157 variance in the Air Emission Fees category (Line Item 1.2).

A. 2001 was the first year for Gulf Power to pay emission fees for several sources previously exempt from these fees. Fee projections are based on generation projections for future years using projected fuel quality while the actual fees are calculated based upon emissions from the previous year. Variances between projected and actual fees can be attributed to electricity demand and fuel quality.

Q. Please explain the variance of ($2,742) in Asbestos Fees (Line Item 1.4).

A. This variance is explained by the fact that Gulf's generating plants had less asbestos abatement in 2001 than was anticipated. The projected expenses for this project were based on Gulf's history of abatement in previous years.

Q Please explain the variance of ($31,592) in Emission Monitoring (Line Item 1.5).

A. Some of the projected expenses have not been incurred due to Compliance Assurance Monitoring (CAM) testing being cancelled as a result of equipment failure at Plant Crist. Until the equipment needed for the test is replaced, the results of the CAM tests would not produce meaningful information. The testing will be rescheduled pending equipment replacement and availability of the equipment contractor.

Q. Please explain the variance of ($87,295) in General Water Quality (Line Item 1.6).

A. The variance of ($87,295) is related to three projects consisting of the Soil Contamination Studies, Groundwater Monitoring, and Surface Water Studies. The Soil Contamination Studies were under budget this year due to the Florida Department of Environmental Protection (FDEP) continuing to review our request for "No Further Action with Restrictions". In the event that this request is approved, then Gulf will have expenses for the removal of equipment and abandonment of wells. These activities did not occur during 2001.

The Groundwater Monitoring activity was reduced slightly due to resampling activities not being required during NPDES sampling events. For groundwater purposes, we only had one re-sampling event for confirmation purposes.

Surface Water Studies were under budget for 2001. This was a result of cost saving measures which were implemented by Gulf Power Company. The cost saving measures included utilization of new technology. In addition, weather delays were not a problem during the year 2001.

Q. Please explain the variance of ($54,763) in Groundwater Monitoring Investigation (Line Item 1.7).

A. The (6.3%) variance in this project was due to delays in gaining approval of the Remedial Action Plan for the Beach Haven Substation site from the FDEP.

Q. Please explain the variance of $34,585 in State NPDES Administration (Line Item 1.8).

A. The 2002 NPDES administration fees for Gulf's facilities were paid during the 2001 projection period.

Q. Please explain the variance of ($6,390) in Line Item 1.9, Lead and Copper Rule.

A. This variance is due to chemical usage at Plants Crist and Scholz that was much less than what was anticipated. In addition, Plant Smith inadvertently charged their year 2000 expenses for this program to a non-ECRC account. This error was detected after the books were closed for 2000. The expenses were recovered during 2001, partially offsetting the under-recovery described above.

Q. Please explain the variance of ($2,607) in Environmental Auditing/ Assessment (Line Item 1.10)

A. This variance is due to the the fact that the scope of audits conducted during the period focused less on environmental activities than what was originally anticipated.

Q. Please explain the variance of ($73,230) in Line Item 1.11, General Solid & Hazardous Waste.

A. This variance is due to the fact that less waste was generated at Gulf's facilities than was originally anticipated. Each of the Company's four locations that generate solid and hazardous waste were under budget for the recovery period, which cumulatively reflect the ($73,230) variance.

Q. Please explain the variance of ($140,055) in Line Item 1.17, Gulf Coast Ozone Study (GCOS).

A. The expected completion date for the GCOS project was extended due to a delay in the final rule development by EPA. At the time of the estimated true-up Gulf anticipated spending $185,145 for the ongoing modeling and analysis associated with this project in 2001, but only a portion of the modeling has been completed.

Q. Does this conclude your testimony?

A. Yes.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony of
James O. Vick
Docket No. 020007-EI
August 9, 2002

Q. Please state your name and business address.

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

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

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

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

A. I graduated from Florida State University, Tallahassee, Florida, in 1975 with a Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's Degree in Civil Engineering from the University of South Florida in Tampa, Florida. In addition, I have a Masters of Science Degree in Management from Troy State University, Pensacola, Florida. I joined Gulf Power Company in August 1978 as an Associate Engineer. I have since held various engineering positions such as Air Quality Engineer and Senior Environmental Licensing Engineer. In 1996, I assumed my present position as Manager of Environmental Affairs.

Q. What are your responsibilities with Gulf Power Company?

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

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

A. Yes.

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

A. The purpose of my testimony is to support Gulf Power Company's estimated true-up for the period from January 1, 2002 through December 31, 2002. This true-up is based on six months of actual and six months of projected expenses.

Q. Mr. Vick, please compare Gulf's recoverable environmental capital costs included in the estimated true-up calculation for the period January 1, 2002 through December 31, 2002 with approved projected amounts.

A. As reflected in Ms. Ritenour's Schedule 6E, the recoverable capital costs approved in the original projection total $8,068,016, as compared to the estimated true-up amount of $8,540,399. This results in a projected variance of $472,383. I will discuss the major variances below.

Q. Are there any factors that have had an effect on all capital projects?

A. Yes. First, the company is required to file a depreciation study with the Commission every four years. New depreciation rates were approved by the Florida Public Service Commission (FPSC) as part of the company's rate case in Docket No. 010949-EI. These depreciation rates were effective January 1, 2002 and resulted in a variance for each project. Additionally, the company's allowed rate of return was changed in the recently completed rate case, which resulted in an increase in the estimated/actual amounts being over the original projections. Ms. Ritenour will discuss both of these issues in more detail in her testimony.

Q. Please explain the variance of ($28,187) in the capital category entitled CEMS (Line Item 1.5).

A. The CEMS flow monitor replacement project at Plant Scholz has been postponed until 2003. This delay will allow Gulf Power Company time to review the performance of similar monitors installed in 2001 at Plant Smith.

Q. Please explain the variance of $30,100 in the capital category entitled Substation Contamination Mobile Groundwater Treatment System (Line Item 1.6).

A. Gulf's original projection of costs for the mobile groundwater system was based on our experience in 1998 with the purchase of similar equipment. After the projection was filed, Gulf learned that more sophisicated equipment was available than previously used by the company. Actual expenditures for this equipment and the resulting revenue requirements are over budget as a result of purchasing a better product.

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

A. Ms. Ritenour's Schedule 4E reflects that Gulf's recoverable environmental O&M expenses for the current period are now estimated to be $2,609,850, as compared to the original projection of $3,250,696. This results in a year-end variance of ($640,846). I will address nine O&M projects and programs that contribute to this variance.

Q. Please explain the ($70,900) variance in the Air Emission Fees category (Line Item 1.2).

A. Fee projections are based on generation projections for future years using projected fuel quality while the actual fees are calculated based upon emissions from the previous year. Variances between projected and actual fees can be attributed to electricity demand, fuel quality, and unexpected unit outages.

Q. Please explain the variance of ($2,980) in Asbestos Fees (Line Item 1.4)

A. Gulf expects fewer renovations at its generating plants than originally predicted, and less asbestos containing material has been encountered so far this year than was anticipated.

Q. Please explain the ($57,909) variance in the Emission Monitoring (Line Item 1.5).

A. This variance is primarily due to the fact that Plant Smith has postponed Continuous Assurance Monitoring (CAM) testing until after precipitator maintenance is performed. The CAM test is an evaluation of the precipitator performance. Precipitator maintenance will be performed later this year. Gulf anticipates that CAM testing will be performed in 2003.

Q. Please explain the variance of ($172,015) in General Water Quality (Line Item 1.6).

A. The surface water studies budget was inadvertently over stated in our projection.

Q. Please explain the ($34,487) variance in State NPDES Administration (Line Item 1.8).

A. The 2002 NPDES administration fees for Gulf's facilities were paid in December 2001. This variance was partially offset by the addition of the NPDES permit renewal fee for Plant Smith.

Q. Please explain the ($32,604) variance in Above Ground Storage Tanks (Line Item 1.12).

A. Anticipated tank maintenance at Plant Crist was postponed after an inspection of the tank system revealed that routine maintenance is not necessary at this time.

Q. Please explain the variance of $11,586 in Sodium Injection (Line Item 1.16).

A. Colombian coal was burned during January and February of this year. This coal has a lower sodium content which required that more sodium be injected.

Q. Please explain the variance of ($213,395) in Line Item 1.17, Gulf Coast Ozone Study (GCOS).

A. The expected completion date for the GCOS project has been extended due to a delay in the final 8 hour ozone standard rule development by Environmental Protection Agency (EPA). Gulf expects to spend $21,605 for the ongoing project in 2002. Gulf expects this project to fully resume in 2003 once EPA finalizes the rule.

Q. What has contributed to the ($67,304) variance in SO_2 allowances in Line Item 1.18?

A. The Company's proceeds from the spring allowance auction are unpredictable from year to year and were unbudgeted for the current period.

Q. Does this conclude your testimony?

A. Yes.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony of
James O. Vick
Docket No. 020007-EI
September 9, 2002

Q. Please state your name and business address.

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

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

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

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

A. I graduated from Florida State University, Tallahassee, Florida, in 1975 with a Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's Degree in Civil Engineering from the University of South Florida in Tampa, Florida. In addition, I have a Masters of Science Degree in Management from Troy State University, Pensacola, Florida. I joined Gulf Power Company in August 1978 as an Associate Engineer. I have since held various engineering positions such as Air Quality Engineer and Senior Environmental Licensing Engineer. In 1996, I assumed my present position as Manager of Environmental Affairs.

Q. What are your responsibilities with Gulf Power Company?

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

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

Q. Mr. Vick, what is the purpose of your testimony?
A. The purpose of my testimony is to support Gulf Power Company's projection of environmental compliance costs recoverable through the Environmental Cost Recovery Clause (ECRC) for the period from January 2003 through December 2003.

Q. Mr. Vick, please identify the capital projects included in Gulf's ECRC calculations.
A. A listing of the environmental capital projects, which have been included in Gulf's ECRC calculations, has been provided to Ms. Ritenour and is included in Schedules 3P and 4P of her testimony. Schedule 4P reflects the expenditures, clearings, retirements, salvage and cost of removal currently projected by month for each of these projects. These amounts were provided to Ms. Ritenour, who has compiled the schedules and calculated the associated revenue requirements for Gulf's requested

recovery. All of the listed projects are associated with environmental compliance activities which have been previously approved for recovery through the ECRC by this Commission in Docket No. 930613-EI and past proceedings of this ongoing recovery docket or one of several spin-off dockets from the ECRC.

Q. Mr. Vick, please identify any expansions of previously approved capital projects for the projection period that are required for environmental compliance.

A. There are two previously approved capital projects that will be expanded. These include Continuous Emission Monitoring (CEMs) and Low Nox Burners. During the 2003 recovery period the CEMs project includes the replacement of gas analyzers at Plant Crist (PE 1154) and the replacement of flow monitors at Plant Scholz (PE 1324 and PE 1325). The gas analyzers and flow monitors are necessary in order to provide Gulf with the accuracy and reliability needed to measure SO2, NOx, CO2, opacity, and gas flow and further maintain compliance with the Clean Air Act Amendment (CAAA) requirements. Expenditures for this project are expected to be $360,000 and will be allocated on an energy basis, as is all other equipment associated with emission monitoring. All of the existing analyzers are approaching the end of their useful life, and will be retired upon replacement.

Gulf anticipates spending $1,300,000 on the Low Nox Burner for Unit 7 at Plant Crist. The existing burners are approaching the end of their useful life and must be replaced in order to maintain compliance with the Clean

Air Act Acid Rain Program requirements.

Q. Please compare the Environmental Operation and Maintenance (O & M) activities listed on Schedule 2P of Exhibit SDR-3 to the O & M activities approved for cost recovery in past ECRC dockets.

A. All of the O & M activities listed on Schedule 2P have been approved for recovery through the ECRC in past proceedings. These O & M activities are all on-going compliance activities and are grouped into four major categories-Air Quality, Water Quality, Environmental Affairs Administration, and Solid and Hazardous Waste.

Q. What O & M activities are included in the Air Quality category?

A. There are five O & M activities included in this category:

The first, Sulfur (Line Item 1.1) reflects operational expenses associated with the burning of low sulfur coal. This item refers to the flue gas sulfur injection system needed to improve the collection efficiency of the Crist Unit 7 electrostatic precipitator. This system is required due to the burning of low sulfur coal at this unit pursuant to the sulfur dioxide requirements of the CAAA. Expenses during the projected recovery period total $30,000.

The second activity listed on Schedule 2P, Air Emission Fees (Line Item 1.2) represents the expenses projected for the annual fees required by the CAAA that are payable to DEP. The expenses projected for the recovery period total $759,817.

The third activity listed on Schedule 2P, Title V Permits (Line Item 1.3), represents projected expenses associated with the implementation of theTitle V permits. The total estimated expense for the Title V Program during 2003 is $76,810.

The fourth activity listed on Schedule 2P, Asbestos Fees (Line Item 1.4), consists of the fees required to be paid to the Florida Department of Environmental Protection (FDEP) for the purpose of funding the State's asbestos abatement program. The expenses projected for the recovery period total $4,500.

The fifth activity listed on Schedule 2P, Emission Monitoring (Line Item 1.5), reflects an ongoing O & M expense associated with the Continuous Emission Monitoring equipment (CEM) as required by the CAAA. These expenses are incurred in response to the federal Environmental Protection Agency's (EPA) requirements that the Company perform Quality Assurance/Quality Control (QA/QC) testing for the CEMs, including Relative Accuracy Test Audits (RATA) and Linearity Tests. Other activities within this category include the testing, development, and implementation of new Periodic Monitoring and Compliance Assurance Monitoring (CAM) associated with the Clean Air Act Amendment.
The expenses expected to occur during the 2003 recovery period for these activities total $577,779.

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

A. General Water Quality (Line Item 1.6), identified in Schedule 2P, includes Soil Contamination Studies, Dechlorination, Groundwater Monitoring Plan Revisions and Surface Water Studies. All of the programs included in Line Item 1.6, General Water Quality, have been approved in past proceedings. The expenses expected to be incurred during the projection recovery period for these activities total $379,118.

The second activity listed in the Water Quality Category, Groundwater Contamination Investigation (Line Item 1.7), was previously approved for environmental cost recovery in Docket No. 930613-EI. This activity is projected to incur incremental expenses totaling $394,797.

Line Item 1.8, State NPDES Administration, was previously approved for recovery in the ECRC and reflects expenses associated with annual fees for Gulf's three generating facilities in Florida. These expenses are expected to be $49,500 during the projected recovery period.

Finally, Line Item 1.9, Lead and Copper Rule, was also previously approved for ECRC recovery and reflects sampling, analytical and chemical costs related to lead and copper in drinking water. These expenses are expected to total $16,500 during 2003.

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

A. Only one O & M activity is included in this category on Schedule 2P (Line Item 1.10) of Ms. Ritenour's exhibit. This Line Item refers to the Company's Environmental Audit/Assessment function. This program is an on-going compliance activity previously approved and is expected to incur $1,000 of expenses during the recovery period.

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

A. Only one program, General Solid and Hazardous Waste (Line Item 1.11) is included in the Solid and Hazardous Waste category on Schedule 2P. This activity involves the proper identification, handling, storage, transportation and disposal of solid and hazardous wastes as required by federal and state regulations. This program is an on-going compliance activity previously approved and is projected to incur incremental expenses totaling $190,208.

Q. In addition to the four major O & M categories listed above, are there any other O & M activities which have been approved for recovery?

A. Yes. There are five other O & M categories which have been approved in past proceedings. They are Above Ground Storage Tanks, Low NOx, Ash Pond Diversion Curtains, Mercury Emissions, Sodium Injection System, and Gulf Coast Ozone Study (GCOS).

Q. What O & M activities are included in the Above Ground Storage Tanks?

A. Only one program, Above Ground Storage Tanks (Line Item 1.12), is included in this category. This program is expected to incur $25,000 of expenses during 2003.

Q. Please identify the activities included in the Low NOx (Line Item 1.3) category.

A. This project was for the purchase and installation of Low NOx burner tips at Plant Crist on Units 4 & 5 and at Plant Smith on Unit 1 to comply with Phase II requirements of the CAAA. There are no expenses projected for this project during the 2003 recovery period.

Q. Please identify the activity included in the Mercury Emissions (Line Item 1.15) category.

A. This program, approved by the Commission for recovery in Docket No. 981973-EI, pertains to requirements for Gulf to periodically analyze coal shipments for mercury and chlorine content. There are no expected expenses during the 2003 recovery period. The EPA only mandated that shipments of coal would be analyzed for mercury and chlorine during 1999. No further notices of continued sampling requirements of coal shipments beyond 1999 have been issued by EPA, therefore no expenses have been planned for this activity.

Q. What activity is included in the Sodium Injection (Line Item 1.16) category?

A. The sodium injection system, approved in Docket Number No. 990667-EI for inclusion in the ECRC, involves sodium injection to the coal supply at

Plant Smith to enhance precipitator efficiencies when burning low sulfur coal. Projected expenses for the purchase of sodium bicarbonate are expected to be $49,000 in 2003.

Q. Please identify the activity included in the Gulf Coast Ozone Study (Line Item 1.17) category.

A. This program, approved for recovery in Docket No. 991834-EI for inclusion in the ECRC involves a joint modeling analysis between Gulf Power and the State of Florida to provide an improved basis for assessment of eight-hour ozone air quality for Northwest Florida. The project models past episodes of high ozone levels in Northwest Florida and will be used in developing potential control strategies for both stationary and mobile sources to provide a comprehensive evaluation of the area as required under Title I of the Clean Air Act. This will support FDEP's State Implementation Plan (SIP) revisions, which are required by July 2003. This evaluation is considered pre-engineering work necessary to evaluate the most viable, low cost emission control technologies available that may be required to meet the new eight-hour ambient air ozone standard. Expenses for this project during the 2003 recovery period are anticipated to be $235,000. Consistent with Order No. PSC-00-1167-PAA-EI, all of these expenses are projected as recoverable through the ECRC because the amount of expenditures on non-ECRC environmental studies during 2003 is projected to exceed the amount included in the last approved rate case budget.

Q. Please describe the activity included in the SO2 allowances (Line Item 1.18)

A. This program includes expenses for SO2 allowances for Gulf's plants. The expenses are offset by gains realized from the sale of SO2 allowances.

Q. Are there any project or program expenses resulting from either new or more stringent environmental regulations which may significantly increase O & M costs for the recovery period January 2003 through December 2003?

A. Gulf Power is not aware of any at this time.

Q. Mr. Vick, does this conclude your testimony?

A. Yes.

CHAIRMAN JABER: Are there any other exhibits, parties? Staff?

MS. STERN: No.

CHAIRMAN JABER: Okay. I think we are at the point now where we can take opening statements, then. My reading of the prehearing order is that opening statements are limited to ten minutes, is that correct? Ms. Stern, is that correct, ten minutes?

MS. STERN: That is correct.

CHAIRMAN JABER: Great. Mr. Butler, do you want to start?

MR. BUTLER: Madam Chairman, we would only have an opening statement in response to whatever other parties might have as concerns or criticisms of our program. So if I may, I would like to defer until I see if others have positions.

CHAIRMAN JABER: I will do it if you do it, you do it if -- anyone have an opening statement?

MR. MELSON: Commissioner Jaber, I understand that Ms. Kaufman does, and Florida Power Corp agreed with her that she is willing to go first and let us respond, essentially, if need be.

CHAIRMAN JABER: It's all on you. You're on.

MS. KAUFMAN: Thank you, Chairman Jaber and Commissioners. I did discuss this with Mr. Melson. I know sometimes we don't do opening statements, but this is a policy matter that FIPUG thought was better handled through an opening statement rather than cross-examination of witnesses.

As you know, I am here on behalf of the Florida Industrial Power Users Group. I believe we told the Staff that we did not have any questions for the utility witnesses in this matter, in the environmental case. But what we wanted to say in our opening statement is that we are very concerned with the types of expenses that we continue to see being requested for recovery through the clause. I think some of the programs that you are seeing in this docket sort of highlight our concern, and I just wanted to take a moment to discuss those.

I won't talk about each program, but just some of the examples. Florida Power and Light has asked, as I understand it, to recover through the clause costs for what it calls spill prevention control and countermeasures project. As I understand this program, just at a high level, it is intended to prevent oil spills and requires that equipment that has the potential to discharge oil, you know, be appropriately contained or have appropriate diversionary structures around it so that there is not a spill. That seems very reasonable to us and that seems like action that any prudent utility ought to take and ought to be engaged in.

Similarly, the pipeline integrity program as I understand it, again at a high level, is to maintain the integrity of pipelines in the event of a leak or to try to prevent leaks. Again, something I think we would expect the utilities to be engaged in.

In a similar vein, I understand Florida Power Corporation to be seeking recovery for two programs that are remedial in nature. One, as I understand it relates to substations, one relates to distribution facilities. And I understand these programs to be used to determine whether pollutants exist, and if they do to take whatever action is necessary to remove them. Again, activities I think we would all expect the utility to be engaged in.

And our reason for expressing these concerns or comments today is that it seems to us that these are the sort of activities that are covered and ought to be covered in base rates. They are activities that one would expect, I'm sure you would expect the utilities to be engaged in. We don't think that they are appropriate for recovery through the environmental cost-recovery clause because they are the sort of day-to-day activities that one would expect the utility to engage in. And so when you look at our positions in the prehearing statement on these issues, you will see that our position is that these activities, not that there is a problem with them, but that they ought to be recovered through base rates.

And that concludes my opening statement.

CHAIRMAN JABER: Thank you, Ms. Kaufman. Mr. Butler and then Mr. Melson. Are you the only two that would like to make an opening statement. Mr. Badders?

MR. BADDERS: All our issues are stipulated.

CHAIRMAN JABER: Okay. Great.

MR. BEASLEY: Same thing.

CHAIRMAN JABER: Go ahead.

MR. BUTLER: Chairman Jaber, I would just respond that this docket is governed particularly by a statute that provides a specific mechanism for cost-recovery when programs meet a particular standard of being a response that is required by an environmental rule, order, or other mandatory prescription. All of FPL's programs fit that category. Mr. LaBauve would be happy to discuss with you or any of the parties how they do respond to specific requirements.

And I think that Ms. Kaufman's suggested threshold of whether the programs would be prudent anyway, it proves way too much. I mean, I think that could be said of most environmental programs, that they are pretty good ideas. You look at them and say, yes, this helps protect the environment. And if a company is doing that without having any direction from an environmental mandate to do so, then I don't think cost-recovery would be appropriate.

But where it can be shown that these actions weren't taken, there isn't money in base rates for them and they are now being taken because there is an environmental requirement that they are responding to, I think they are appropriately recovered through this docket. That's what we believe is the case with all of FPL's programs.

CHAIRMAN JABER: Mr. LaBauve is one of the witnesses that will be testifying, correct?

MR. BUTLER: That is correct.

CHAIRMAN JABER: Mr. Melson.

MR. MELSON: Just briefly. I would endorse what Mr. Butler said. Maybe two additional points. It sounds as though FIPUG is essentially requesting a policy change. And it may be a policy change that if it is addressed should be addressed to the Legislature. Because as Mr. Butler says, the statute does create a very specific cost-recovery mechanism for prudent expenses that are incurred to respond to specific environmental requirements. And as is the situation with FPL, the undisputed testimony and exhibits of FPC that have been admitted demonstrate that the programs we are seeking recovery for meet the statutory requirements.

Even if it was not a legislative matter, in order for the Commission to change policy the courts have said you have to have a basis in the record, and FIPUG has not put forward any witnesses, they have chosen not to cross-examine any of FPC's witnesses, so at least as to our programs there is no record basis for any prospective change in Commission policy. Thank you.

CHAIRMAN JABER: Thank you. Okay. Ms. Stern, it occurs to me that there are some issues that have been stipulated, and perhaps some of the attorneys are only here for the stipulations, so why don't we go ahead and address those stipulations before we actually go on to cross-examination.

MS. STERN: Okay. The stipulated issues start on Page 18 of the prehearing order. And Issue 1 is stipulated and all parties agree.

CHAIRMAN JABER: Commissioners, let's have a motion on Issue 1.

COMMISSIONER PALECKI: I would move for acceptance of Issue 1.

COMMISSIONER BAEZ: Second.

CHAIRMAN JABER: All those in favor say aye.

(Unanimous affirmative vote.)

CHAIRMAN JABER: Issue 1 is approved. The stipulation for Issue 1 is approved. Next. Speed it up, Ms. Stern. Speed it up.

MS. STERN: Okay. I'm sorry. Issues 2 and 3 are shown as stipulated, but they are actually conditionally stipulated with respect FPL. So if we are trying to get the other lawyers to give them the opportunity to leave, it might be advisable to show that Issues 2 and 3, the stipulations between Staff, Gulf, FPC, and TECO --

CHAIRMAN JABER: Let's move on to the next issue. I just want the ones that are --

MS. STERN: Okay. We are going to skip 2 and 3.

CHAIRMAN JABER: We will come back to them.

MS. STERN: Issues 5, 6, and 8 are stipulated. Those are the last of the generic issues.

CHAIRMAN JABER: Commissioners, I need a motion to accept stipulations on 5, 6, and 8.

COMMISSIONER PALECKI: So moved.

COMMISSIONER BAEZ: Second.

CHAIRMAN JABER: There has been a motion and a second to accept the stipulations on Issues 5, 6, and 8. All those in favor say aye.

(Unanimous affirmative vote.)

MS. STERN: All right. FPL Issues 9A, 9B, 9D, 9F, and 9H have been stipulated.

CHAIRMAN JABER: I need a motion on 9A, 9B, 9D, 9F, and 9H.

COMMISSIONER PALECKI: So moved.

COMMISSIONER DEASON: Second.

CHAIRMAN JABER: There has been motion and a second to accept the stipulations on Issues 9A, 9B, 9D, 9F, 9H. All those in favor say aye.

(Unanimous affirmative vote.)

MS. STERN: Gulf Issues 10A and 10B.

CHAIRMAN JABER: I need a motion to --

COMMISSIONER PALECKI: Move acceptance.

COMMISSIONER DEASON: Second.

CHAIRMAN JABER: All those in favor of accepting the stipulations on 10A and 10B indicate by saying aye.

(Unanimous affirmative vote.)

CHAIRMAN JABER: 10A and 10B are accepted.

MS. STERN: That means that Gulf's motion then would be moot.

CHAIRMAN JABER: And that was a motion to --

MS. STERN: File supplemental testimony. But no testimony is needed since the issues have been stipulated.

CHAIRMAN JABER: Commissioners, can I have a motion to find that motion moot.

COMMISSIONER PALECKI: I would move that we find that motion moot and not be required to rule on the motion.

COMMISSIONER DEASON: Second.

CHAIRMAN JABER: There has been a motion and a second to find Gulf's motion for leave to file supplemental testimony moot. All those in favor say aye.

(Unanimous affirmative vote.)

MS. STERN: Okay. And TECO's Issue 11A is stipulated.

CHAIRMAN JABER: Motion to accept the stipulation?

COMMISSIONER PALECKI: I would move to accept the stipulation. And a second. All those in favor say aye.

(Unanimous affirmative vote.)

CHAIRMAN JABER: Show 11A is resolved. And parties need to correct me if I'm wrong, I think it is cleaner to not do anything with Issues 2 and 3 until we address the cross-examination and the pipeline integrity management plan, is that correct?

MR. BUTLER: That's fine with me, but we also wouldn't object if you wanted to go ahead and stipulate as to the other parties so they could leave.

CHAIRMAN JABER: No objection there?

COMMISSIONER DEASON: Madam Chairman, then if that is the desire, I can move approval of Issues -- proposed stipulation on Issues 2 and 3 for all parties with the exception of FPL.

COMMISSIONER BAEZ: Second.

CHAIRMAN JABER: There has been a motion and a second to accept the stipulations on Issues 2 and 3 as it relates to all parties except FPL. All those in favor say aye.

(Unanimous affirmative vote.)

CHAIRMAN JABER: That resolves Issues 2 and 3 for the time being. And what is next?

MS. STERN: I think we can just start with cross-examination.

CHAIRMAN JABER: Great. We should have two witnesses for this proceeding left, and if those two witnesses will stand to be sworn. And it should be Mr. LaBauve and Ms. Dubin.

(Witnesses sworn.)

CHAIRMAN JABER: Mr. LaBauve, please take the stand.

Ms. Stern, for the sake of sanity, would you please tell us what issues are remaining.

MS. STERN: Yes. With respect to FPL, Issues 9C, that is pipeline integrity management program, 9E, oil spill protection program, and 9G, the ozone agreement. With respect to FPC, there are no witnesses, but Issues 12A through D have not been stipulated.

CHAIRMAN JABER: Okay. Thank you. And the parties --

COMMISSIONER BRADLEY: 12A through D?

MS. STERN: A through D.

CHAIRMAN JABER: 12A through 12D.

Parties, is that your assessment, too? Great.

MS. STERN: In addition, there are some fallout issues, Issues 4 and 7 that depend on a resolution of the company-specific issues.

CHAIRMAN JABER: Thank you. Mr. Butler.

MR. BUTLER: Thank you.

(Transcript continues in sequence in Volume 2.)

STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter Services, FPSC Division of Commission Clerk and Administrative Services, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 26TH DAY OF NOVEMBER, 2002.

Jane Faurot

JANE FAUROT, RPR
Chief, Office of Hearing Reporter Services
FPSC Division of Commission Clerk and
Administrative Services
(850) 413-6732