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March 15, 2000

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

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RECORDS AND
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Dear Ms. Bayo:

Enclosed for official filing in Docket No. 000808-EI are an original and fifteen copies of the following:

1. Prepared direct testimony and exhibits of James O. Vick.
2. Prepared direct testimony of Susan D. Ritenour.

Sincerely,

Susan D. Ritenour (sw)

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

APP _____
 CAF _____
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Vick
DOCUMENT NUMBER-DATE
03363 MAR 16 2000
FPSC-RECORDS/REPORTING

Ritenour
DOCUMENT NUMBER-DATE
03364 MAR 16 2000
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Petition for approval of Consumptive)
Water Use Monitoring Activity and Smith)
Wetlands Mitigation Plan as New Programs)
for cost recovery through the Environmental)
Cost Recovery Clause by Gulf Power Company)
_____)

Docket No. 000808-EI

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 15th day of March 2001 on the following:

Marlene Stern, Esquire
FL Public Service Commission
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

SMITH WETLANDS MITIGATION PLAN

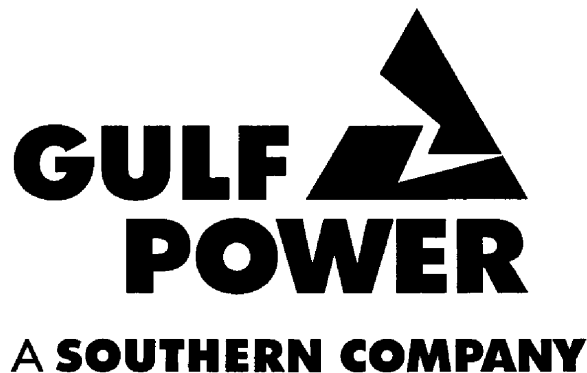
DOCKET NO. 000808-EI

PREPARED DIRECT TESTIMONY

OF

SUSAN D. RITENOUR

MARCH 16, 2001



DOCUMENT NUMBER-DATE

03364 MAR 16 2001

FPSC-RECORDS/REPORTING

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Direct Testimony of
4 Susan D. Ritenour
5 Docket No. 000808-EI
6 Date of Filing: March 16, 2001

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

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

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

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

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

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

8

9 Q. What is the purpose of your testimony?

10 A. The purpose of my testimony is to support Gulf Power's
11 request for recovery of costs associated with the
12 Company's Smith Wetlands Mitigation Plan through the
13 Environmental Cost Recovery Clause (ECRC).

14

15 Q. Please briefly describe the Smith Wetlands Mitigation
16 Plan.

17 A. As Mr. Vick discusses in more detail in his testimony,
18 the Smith Wetlands Mitigation Plan addresses a new
19 environmental requirement imposed by the Florida
20 Department of Environmental Protection (FDEP) and the
21 Army Corps of Engineers (USACE) in connection with the
22 permitting of Gulf's planned combined cycle unit,
23 Smith Unit 3. Because the construction of this new
24 unit results in the unavoidable loss of wetlands, the
25 FDEP and the USACE have required mitigation by

1 enhancing the quality of existing wetlands near the
2 site of Smith Unit 3.

3

4 Q. What costs does Gulf project related to this activity?

5 A. Gulf projects capital expenditures of \$648,766 to be
6 incurred for the purchase of land, site preparation
7 and tree planting. This aspect of the wetlands
8 mitigation activity began in 2000 after our initial
9 petition was filed and is projected to be completed
10 early in 2001. Beginning in 2001 and extending
11 through 2005, Gulf projects O&M costs of \$210,000
12 related to maintenance and replacement of trees, and
13 monitoring and reporting.

14

15 Q. Does the Smith Wetlands Mitigation Plan meet the
16 statutory test set forth in Section 366.8255 of the
17 Florida Statutes (the environmental cost recovery
18 statute)?

19 A. Yes. Section 366.8255(1)(d) defines environmental
20 compliance costs as "costs or expenses incurred by an
21 electric utility in complying with environmental laws
22 or regulations, including but not limited to:

23 1. Inservice capital investments... and 2. Operation
24 and maintenance expenses..." Environmental laws or
25 regulations are defined in Section 366.8255(1)(c) as

1 "all federal, state, or local statutes, administrative
2 regulations, orders, ordinances, resolutions, or other
3 requirements that apply to electric utilities and are
4 designed to protect the environment." As Mr. Vick
5 describes in more detail in his testimony, the Smith
6 Wetlands Mitigation Plan certainly meets these
7 definitions for recovery.

8
9 Q. What is the primary purpose behind legislative passage
10 of the environmental cost recovery statute in 1993?

11 A. In passing the environmental cost recovery statute,
12 the legislature recognized the potential adverse
13 effects companies like Gulf Power face in the capital
14 markets when confronted with the added costs of
15 environmental compliance activities and the limitation
16 of recovery through base rates. When it became law,
17 the new environmental cost recovery statute addressed
18 the need for timely recovery of environmental
19 compliance costs without the inherent regulatory lag
20 associated with a base rate case, and therefore
21 provided assurance to capital markets that such costs
22 would be fully recovered in a timely manner. In my
23 role as a manager over Gulf Power's treasury function,
24 I have first hand experience in dealing with financial
25 analysts from the investment community. Based on this

1 experience, I understand the important role this
2 aspect of the environmental cost recovery statute
3 plays for Gulf Power in the capital markets.

4

5 Q. Does the Smith Wetlands Mitigation Plan meet the
6 Commission's criteria for recovery through the ECRC as
7 set forth in its orders implementing the environmental
8 cost recovery statute?

9 A. Yes. In Order No. PSC-94-0044-FOF-EI, the Commission
10 implemented the new environmental cost recovery
11 statute. This order established three criteria to
12 determine if costs should be recovered through the
13 ECRC. Gulf's Smith Wetlands Mitigation Plan meets all
14 three of these criteria and should therefore be
15 recovered through the ECRC.

16

17 Q. What is the first criteria set forth in Order No. PSC-
18 94-0044-FOF-EI and how does the Smith Wetlands
19 Mitigation Plan meet this criteria?

20 A. The Commission's first criteria is that the costs must
21 be prudently incurred after April 13, 1993. The costs
22 associated with the Smith Wetlands Mitigation Plan
23 meet this criteria, since we did not begin incurring
24 them until the last half of 2000.

25

1 Q. What is the second criteria set forth in Order No.
2 PSC-94-0044-FOF-EI and how does the Smith Wetlands
3 Mitigation Plan meet this criteria?

4 A. The Commission's second criteria for ECRC recovery is
5 that the activity must be legally required to comply
6 with a governmentally imposed environmental regulation
7 that was enacted, became effective, or whose effect
8 was triggered after the company's last test year upon
9 which base rates were set. As Mr. Vick discusses in
10 more detail in his testimony, this criteria is met
11 since the wetlands mitigation is required by an order
12 issued in 1999.

13
14 Q. What is the third criteria set forth in Order No.
15 PSC-94-0044-FOF-EI and how does the Smith Wetlands
16 Mitigation Plan meet this criteria?

17 A. The third criteria specified by the Commission for
18 ECRC recovery is that the costs associated with the
19 activity are not being recovered through another cost
20 recovery mechanism or through base rates. The Smith
21 Wetlands Mitigation costs meet these criteria also.
22 They are not being recovered through another cost
23 recovery clause, and they were not included in the
24 1990 test year upon which Gulf's current base rates
25 were set.

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Q. Are there any other criteria specified by Commission orders implementing the environmental cost recovery statute?

A. Yes. In Order No. PSC-94-1207-FOF-EI, the Commission established a fourth criteria for ECRC recovery which requires that the utility's petition for cost recovery must describe a proposed activity and projected costs, not costs that have already been incurred. The Smith Wetlands Mitigation Plan also meets this last criteria, since no costs were incurred prior to Gulf's petition for cost recovery filed June 30, 2000.

Q. Is it appropriate to recover environmental compliance costs associated with new power plants through the ECRC?

A. Yes. Section 366.8255, F.S. provides for recovery of "all costs or expenses incurred by an electric utility in complying with environmental laws or regulations." The plain statutory language itself includes no restriction that would limit such costs to relate only to environmental activities at existing plants. It is important to note what is not being requested in this case. Gulf is not seeking to recover the entire cost of a new generating plant through the ECRC. Gulf's

1 petition in this case is for a discrete project remote
2 from the plant itself. This discrete project is
3 required under environmental permits. As a matter of
4 policy, the Commission should not preclude the
5 recovery of environmental compliance costs through the
6 ECRC simply because the compliance activity is
7 associated with a new power plant. In fact, pursuant
8 to a discussion reported in the Journal of the House
9 of Representatives on March 24, 1993 between
10 Representatives Tobin and Davis at the time the
11 statute was being considered by the legislature, the
12 Commission may elect to exclude compliance costs from
13 ECRC recovery if the proposed capital investment is so
14 large that it is material to the overall costs of the
15 utility or if the Commission finds that the primary
16 purpose of the investment is to generate electricity
17 rather than to comply with environmental standards.

18

19 Q. How does this apply to the Smith Wetlands Mitigation
20 Plan?

21 A. The total capital and O&M costs associated with the
22 Smith Wetlands Mitigation Plan are projected to be
23 less than \$900,000 over the 2000 to 2005 time frame.
24 This is certainly not material to the overall costs of
25 the Smith Unit 3 addition, let alone to the overall

1 costs of Gulf Power. In addition, the mitigation of
2 wetlands is required solely for environmental
3 compliance, and does not directly contribute to the
4 generation of electricity. In fact, the wetlands
5 involved in the mitigation are not physically located
6 at the site of Smith Unit 3; the additional wetlands
7 are located approximately a mile away from the actual
8 site of the new unit.

9

10 Q. Should the Commission approve the recovery of the
11 Smith Wetlands Mitigation Plan through the ECRC?

12 A. Yes. As stated above, this activity meets the
13 criteria for recovery through the ECRC as contained in
14 the statute and in Commission orders.

15

16 Q. How should the costs associated with the Smith
17 Wetlands Mitigation Plan be allocated to the rate
18 classes?

19 A. The capital costs associated with this activity should
20 be allocated using the 12/13th demand and 1/13th energy
21 allocator. The O&M expenses related to this activity
22 should be allocated based on the demand allocator.
23 This is consistent with the methodology approved in
24 Gulf's last rate case.

25

1 Q. What is the expected impact on ECRC factors from
2 allowing the Smith Wetlands Mitigation Plan to be
3 recovered through the ECRC?

4 A. The impact to the overall factor in 2001 would have
5 been \$.01/1000 KWHs. The impact each year through
6 2005 is expected to be similar.

7

8 Q. Does this conclude your testimony?

9 A. Yes, it does.

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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 000808-EI

Before me the undersigned authority, personally appeared Susan D. Ritenour, who being first duly sworn, deposes, and says that she is the Assistant Secretary and Assistant Treasurer of Gulf Power Company, a Maine corporation, that the foregoing is true and correct to the best of her knowledge, information, and belief. She is personally known to me.

Susan D. Ritenour
Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

Sworn to and subscribed before me this 15th day of March,
2001.

Linda C. Webb
Notary Public, State of Florida at Large



LINDA C. WEBB
Notary Public-State of FL
Comm. Exp: May 31, 2002
Comm. No: CC 725969