


ORIGINAL

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 010949-EI

TESTIMONY AND EXHIBIT
OF
T. J. BOWDEN

GULF 
POWER
A **SOUTHERN COMPANY**

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GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony of
Travis J. Bowden
Docket No. 010949-EI
In Support of Rate Relief
Date of Filing: September 10, 2001

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

7 A. My name is Travis J. Bowden. My business address is One Energy Place,
8 Pensacola, Florida, 32520. I am President and Chief Executive Officer of
9 Gulf Power Company.

10
11 Q. Please summarize your educational and professional background.

12 A. I graduated from the University of Alabama in 1960 with a BS in
13 Accounting. After several years in public accounting with Arthur Andersen
14 and Company, I joined Alabama Power Company in November 1975
15 where in 1978 I was named Vice President Finance and Treasurer,
16 progressing to Executive Vice President in 1992 before becoming
17 President of Gulf Power Company in 1994.

18
19 Q. What is the purpose of your testimony?

20 A. The primary purpose of my testimony is to emphasize Gulf's need for
21 adequate and timely rate relief, and I will provide an overview of Gulf's
22 filing in this case. I will identify the major factors causing the need for
23 adequate and timely rate relief and the impact these factors have on Gulf's
24 return in the test year. I will also review our efforts to control costs and
25 discuss the innovative programs we have put into place that have resulted

1 in high customer satisfaction ratings and low rates.

2

3 Q. Please give an overview of each witness and the topics they will address
4 in this case?

5 A. Mr. Labrato addresses the overall need for rate relief, financial forecast
6 data, development of the rate base, net operating income, capital structure
7 and revenue deficiency, and other accounting issues.

8 Mr. Moore addresses construction and completion of the
9 Company's new combined cycle generating unit known as Smith Unit 3,
10 the change in production maintenance philosophy, the production O & M
11 expense budget, the production construction expenditures, the production
12 Benchmark, and the fuel inventories.

13 Mr. Fisher addresses the distribution O & M budget and
14 construction expenditures, distribution Benchmark, and distribution
15 productivity improvements.

16 Mr. McMillan addresses the A & G budget, A & G Benchmark, total
17 company Benchmark, and taxes.

18 Mr. Saxon addresses the planning and budgeting process,
19 assumptions for the forecast, salary increases, general plant construction
20 expenditures, and customer accounting expenses.

21 Mr. Benore addresses Gulf's cost of common equity.

22 Mr. Howell addresses the transmission O & M budget and
23 construction expenditures, transmission Benchmark, intercompany
24 interchange, off-system sales, and transmission line rentals.

25 Ms. Neyman addresses the purpose of marketing functions, the

1 justification of individual program costs, customer service and information,
2 sales expenses, and conservation.

3 Mr. McGee addresses the forecasts of customers, energy, demand
4 and base rate revenues; and the load research function.

5 Mr. Thompson addresses rate design and other tariff issues.

6 Mr. O'Sheasy addresses the cost of service study.

7
8 Q. How long has it been since Gulf last filed for an increase to base rates?

9 A. Gulf's last case was Docket No. 891345-EI filed in 1989 based on a 1990
10 projected test year.

11
12 Q. What are the factors that cause the need for rate relief?

13 A. The Company's test year for this case reflects one major factor and a
14 number of other conditions that have caused the cost of providing electric
15 service to increase in the twelve and one-half years since the Company's
16 last rate filing in 1989 that makes filing this case necessary. The major
17 factor is the completion and placing into service of Smith Unit 3, a
18 574 megawatt ("mW") combined cycle generating unit with a budgeted
19 investment of \$220.5 million. Other factors contributing to increased costs
20 are: the cumulative effect of inflation, the addition of over 100,000 new
21 customers, the addition of over 1400 miles of new distribution lines and 90
22 miles of new transmission lines, an increase in customer requirements
23 and expectations primarily caused by the widespread use of computers
24 and other technologies, and the replacement and repair of the aging
25 electrical infrastructure associated with the double-digit customer growth

1 that occurred in the mid 1980's.

2

3 Q. Has Smith Unit 3 been permitted pursuant to the Florida Electrical Power
4 Plant Siting Act?

5 A. Yes. Pre-filed testimony by Gulf's witnesses Mr. Moore and Mr. Howell
6 address in detail this process and the results.

7

8 Q. What actions has Gulf taken since its last retail rate case in 1989, Docket
9 No. 891345-EI, to control costs?

10 A. As discussed in the pre-filed testimony of Gulf's witness, Mr. Saxon, Gulf
11 updates and prepares an annual budget for capital expenditures and
12 O & M expenses. Actual costs are compared to these budgets on a
13 continual basis to ensure that they are consistent with plans and are
14 reasonable. Even though our customer base has grown substantially
15 since 1990, we have fewer employees today than in 1990. We have taken
16 advantage of new technology and have consolidated functions across
17 Southern Company to increase efficiencies at almost every level of the
18 Company.

19

20 Q. Are Gulf's test year O & M expenses reasonable?

21 A. Yes. Since the 1990 test year used in the last case, Gulf's customer base
22 has increased by approximately 32 percent and the Consumer Price Index
23 by approximately 39 percent resulting in a compound growth rate for
24 customers and inflation of 83 percent. The growth of Gulf's O & M over
25 that same period is well below 83 percent. This has resulted in Gulf being

1 under the Commission's Benchmark by \$3.7 million. The resulting
2 difference is a strong indicator of the success Gulf has achieved in
3 controlling expenses. Gulf's witness Mr. McMillan discusses this further in
4 his pre-filed testimony.

5
6 Q. How has Gulf's emphasis on controlling costs affected the size of Gulf's
7 workforce?

8 A. At the end of 1990, Gulf had 1626 employees. For the test year, Gulf is
9 budgeting 1382 Gulf employees and 85 Southern Company Services
10 employees on site for a total of 1467, or 159 fewer employees. This is
11 nearly a 10 percent reduction.

12
13 Q. With an increase in customers and infrastructure during this time, how was
14 the Company able to operate with a reduced workforce?

15 A. This reduction in workforce was accomplished through new programs and
16 technologies that have resulted in numerous efficiencies and allowed the
17 continuous improvement in our service levels and customer satisfaction.

18
19 Q. Would you please expand further on some of the major programs that
20 have made the Company more efficient.

21 A. In the Distribution function, the major new programs are the Trouble Call
22 Management System (TCMS), Earned Progression, the Customer Service
23 System (CSS), and more recently the Automated Resource Management
24 System (ARMS). Collectively, these new programs serve to automate the
25 analysis and scheduling of the distribution outage and service response.

1 Gulf's witness Mr. Fisher has pre-filed testimony with further details on
2 each of these innovations.

3
4 Q. You have described the major new programs for the Distribution function.
5 What are the major new programs in the Power Generation function?

6 A. The major new programs in the Power Generation function are the Plant
7 Reliability Optimization program (PRO), the Generation Availability Data
8 System (GADS), and the Project Evaluation and Priority System (PREPS).
9 Collectively, these systems automate an extremely complex job of
10 optimizing the impact of the Southern system's maintenance dollars and
11 minimizing outages. Gulf's witness Mr. Moore has pre-filed testimony
12 providing additional detail on these programs.

13
14 Q. Are there other economies and efficiencies of a more general nature?

15 A. Yes. During the 36-month long Y2K effort at Gulf, numerous opportunities
16 to apply new technology and increase efficiencies arose. We were able to
17 consolidate many company specific applications into Southern system-
18 wide applications. One of the most notable improvements was the
19 consolidation of the Southern system's purchasing/inventory applications.
20 Another notable accomplishment from our Y2K efforts was the
21 replacement of the 20-plus year old customer accounting system with the
22 new Customer Service System (CSS). Gulf's witness, Mr. Fisher,
23 addresses CSS in his pre-filed testimony.

24
25

1 Q. Are there any other major economies and efficiencies of a general nature
2 that have affected Gulf's workforce?

3 A. Yes. Adopting new technologies has had a very positive effect. The
4 personal computer (PC) has had a significant impact on Gulf's efficiency
5 and has helped in the reduction of our workforce. Although no specific
6 analysis has been made to determine the impact of personal computers
7 on the size of the workforce reduction, the PC has affected virtually every
8 job in the Company. We've also installed an 800 megahertz radio system
9 that has revolutionized our abilities to communicate individually and in talk
10 groups across Northwest Florida and the entire Southeast. We now have
11 computers in our line service trucks to speed work orders and material
12 deliveries to work sites. We have computer systems that can track power
13 outages to improve restoration times. And, we are using digital cameras
14 and intranet applications to do engineering work in the field. All of these
15 new technologies have had a positive impact on our workforce.

16

17 Q. What has been the effect of these new programs and other innovations?

18 A. First, Gulf's rates are among the lowest in the state of Florida and the
19 nation. This distinction will also continue to exist after granting this rate
20 increase. Gulf's witness Mr. Labrato's pre-filed testimony provides
21 additional detail on this rate comparison. Second, in a National Customer
22 Value Survey, Gulf has ranked at the top of the comparison group in
23 overall satisfaction. Gulf's witness, Mr. Fisher, in his pre-filed testimony
24 offers more information on the Customer Value Survey. Again, these are
25 two significant indicators that show strong evidence that Gulf's innovative

1 approach is working.

2

3 Q. Given the impact of the new programs, innovations, and the cost of the
4 new capacity described above, and all the other test year expenses filed in
5 this case, what is Gulf's projected earnings for the test year without rate
6 relief?

7 A. Gulf's return on average common equity at present rates for the
8 12 months ending May 2003 is projected to be 4.43 percent. This is not
9 adequate when compared to the 13.0 percent level Gulf's witness
10 Mr. Benore has determined in his pre-filed testimony to be appropriate for
11 Gulf and will lead to a weakened financial condition and adversely affect
12 our ability to provide reliable electric service to customers.

13

14 Q. You mentioned earlier that Gulf needed adequate and timely rate relief,
15 how does the timing affect Gulf's test year return?

16 A. Because of the magnitude of the investment in Smith Unit 3, the negative
17 effect on Gulf's earnings is material and immediate, as shown by the
18 above-mentioned projected 4.43 percent return on common equity. This
19 issue of timing and adequacy of the test year earnings is supported more
20 fully by Gulf's witness, Mr. Labrato, in his pre-filed testimony.

21

22 Q. Does this conclude your testimony?

23 A. Yes. This concludes my testimony.

24

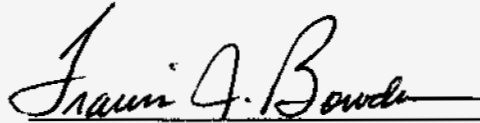
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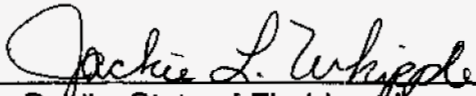
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Before the undersigned authority, personally appeared
Travis J. Bowden, who being first duly sworn, deposes, and says that he is the
President and Chief Executive Officer of Gulf Power Company, a Maine
corporation, and that the foregoing is true and correct to the best of his
knowledge, information, and belief.



Travis J. Bowden
President and Chief Executive Officer

Sworn to and subscribed before me by Travis J. Bowden who is
personally known to me this 7th day of September, 2001.



Notary Public, State of Florida at Large



Jackie L. Whipple
My Commission DD0411508
Expires August 23, 2006