



October 23, 2002

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 020001-EI

Enclosed are an original and ten copies of prepared rebuttal testimony of Susan D. Ritenour on behalf of Gulf Power Company to be filed in the above docket.

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Ritenour".

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER-DATE
11644 OCT 24 02
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clause with Generating)
Performance Incentive Factor)
_____)

Docket No. 020001-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 23rd day of October 2002 on the following:

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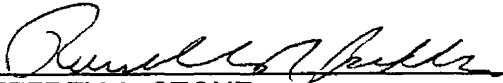
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**FUEL COST AND PURCHASED POWER COST
RECOVERY CLAUSE**

DOCKET NO. 020001-EI

PREPARED REBUTTAL TESTIMONY OF

SUSAN D. RITENOUR

OCTOBER 24, 2002



DOCUMENT NUMBER-DATE

11644 OCT 24 02

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Rebuttal Testimony of
4 Susan D. Ritenour
5 Docket No. 020001-EI
6 Fuel and Purchased Power Cost Recovery
7 Date of Filing: October 23, 2002

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

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

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

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

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

1 Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to address the direct testimony of Staff's
3 witness Matthew Brinkley as it relates to the determination of the
4 appropriate amount of "incremental" expenses to be recovered through
5 the fuel clause.

6
7 Q. What is your understanding of the nature of the "incremental" expenses
8 referred to in Mr. Brinkley's testimony?

9 A. As a matter of sound policy, the Commission has allowed certain fuel-
10 related costs that are normally recovered in base rates to be recovered
11 through the fuel clause. These costs have been incurred in order to
12 provide a fuel-related benefit to customers, usually in the form of a savings
13 in fuel costs. Because the customer realizes the fuel benefits derived from
14 incurring the cost through the fuel clause, the Commission has allowed the
15 recovery through the fuel clause of these "incremental" costs incurred to
16 achieve the fuel benefits.

17
18 Q. In certain circumstances, "incremental" costs incurred to achieve fuel
19 benefits may also result in base rate benefits as well. How should this be
20 considered in determining the amount of "incremental" costs to be
21 recovered through the fuel clause?

22 A. In addition to fuel benefits, the incurrence of an "incremental" cost as
23 defined earlier in my testimony may sometimes directly result in the
24 reduction of an expense that was considered in the test year upon which
25 the Company's current base rates were set. Under this circumstance, the

1 amount of "incremental" expense allowed for recovery through the fuel
2 clause should be reduced, or offset, by the amount of the reduction in the
3 related expense included in base rates. This offset should only be
4 considered in calculating recoverable "incremental" expense if the base
5 rate expense reduction directly resulted from the incurrence of the
6 "incremental" expense.

7 In other situations, the "incremental" expense incurred to achieve
8 fuel benefits may be the result of a higher level of spending on an expense
9 item currently reflected in base rates. In that case, the "incremental"
10 expense to be recovered through the fuel clause would be the difference
11 between the higher expense level incurred to achieve fuel benefits and the
12 amount already reflected in the test year upon which current base rates
13 were set.

14
15 Q. Please give an example of how the concepts described above would be
16 applied.

17 A. In Docket No. 011605-EI, the Commission voted to allow Gulf and the
18 other electric utilities to engage in gas hedging activities in order to
19 achieve fuel-related benefits for our customers. Gulf is requesting the
20 recovery of the incremental costs of implementing a hedging program
21 through the fuel clause. In calculating the amount of such expenses
22 appropriate for fuel cost recovery, Gulf has evaluated whether there will be
23 any offsetting base rate expense reductions and whether there are any
24 such costs already reflected in its base rates. Gulf's projected test year
25 upon which its new base rates were recently set included no hedging

1 activities; therefore the amount included in the projected test year related
2 to hedging activities is \$0. In addition, Gulf does not anticipate any
3 reductions in base rate expenses as a result of engaging in hedging
4 activities. However, if there were any such expense reductions, they
5 would be offset against the amount of "incremental" hedging expenses to
6 be recovered through the fuel clause, consistent with the concepts
7 described above.

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9 Q. Ms. Ritenour, does this complete your testimony?

10 A. Yes, it does.

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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 020001-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 23rd day of October,
2002.

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



LINDA C. WEBB
Notary Public-State of FL
Comm. Exp: May 31, 2006
Comm. No: DD 110088