

Susan D. Ritenour
Secretary and Treasurer
and Regulatory Manager

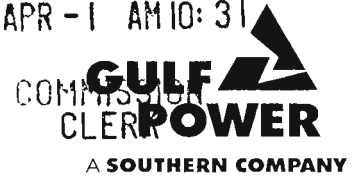
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March 31, 2004

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:

Enclosed for official filing in ~~Docket No. 040001-EI~~ are an original and ten copies of the following:

- 04148-04 1. Prepared direct testimony and exhibit of H. R. Ball.
- 04149-04 2. Prepared direct testimony of H. H. Bell, III.
- 04150-04 3. Prepared direct testimony and exhibits of L. S. Noack.
- 04151-04 4. Prepared direct testimony and exhibit of T. A. Davis.

Sincerely,

Susan D. Ritenour

lw

Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 040001-EI

**PREPARED DIRECT TESTIMONY AND
EXHIBIT OF
TERRY A. DAVIS**

FINAL TRUE-UP FOR THE PERIOD:

JANUARY – DECEMBER 2003 (Fuel)

JANUARY – DECEMBER 2003 (Capacity)

APRIL 1, 2004



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

04151 APR-18

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony and Exhibit of
4 Terry A. Davis
5 Docket No. 040001-EI
6 Fuel and Purchased Power Capacity Cost Recovery
7 Date of Filing: April 1, 2004

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

9 A. My name is Terry Davis. My business address is One
10 Energy Place, Pensacola, Florida 32520-0780. I am the
11 Regulatory Team Leader in the Rates and Regulatory
12 Matters Department of Gulf Power Company.

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

15 A. I graduated in 1979 from Mississippi College in Clinton,
16 Mississippi with a Bachelor of Science Degree in
17 Business Administration and a major in Accounting.
18 Prior to joining Gulf Power, I was an accountant for a
19 seismic survey firm, Geophysical Field Surveys in
20 Jackson, Mississippi. In that capacity, I was
21 responsible for accounts receivable, accounts payable,
22 sales, use, and fuel tax returns, and various other
23 accounting activities. In 1986, I joined Gulf Power as
24 an Associate Accountant in the Plant Accounting
25 Department. Since then, I have held various positions

1 of increasing responsibility with Gulf Power in Accounts
2 Payable, Financial Reporting, and Cost Accounting. In
3 1993, I joined the Rates and Regulatory Matters area,
4 where I have participated with increasing responsibility
5 in activities related to the cost recovery clauses, the
6 rate case, budgeting, and other regulatory functions.
7 In 2003, I was promoted to my current position, which
8 includes supervision of the Company's Fuel, Capacity and
9 Environmental Cost Recovery Clause filings,
10 administration of Gulf's retail electric tariff, and
11 review of other regulatory filings submitted by the
12 Company.

13

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

16 A. Yes, I have.

17 Counsel: We ask that Ms. Davis' Exhibit
18 consisting of four schedules be
19 marked as Exhibit No. _____ (TAD-1).

20

21 Q. Are you familiar with the Fuel and Purchased Power
22 (Energy) true-up calculations for the period of January
23 2003 through December 2003 and the Purchased Power
24 Capacity Cost true-up calculations for the period of

25

1 January 2003 through December 2003 set forth in your
2 exhibit?

3 A. Yes. These documents were prepared under my direction.

4

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

8 A. Yes, I have.

9

10 Q. What is the amount to be refunded or collected through
11 the fuel cost recovery factors in the period January
12 2005 through December 2005?

13 A. A net amount to be refunded of \$2,535,018 was calculated
14 as shown on Schedule 1 of my exhibit.

15

16 Q. How was this amount calculated?

17 A. The \$2,535,018 was calculated by taking the difference
18 in the estimated January 2003 through December 2003
19 under-recovery of \$23,923,505 and the actual under-
20 recovery of \$21,388,487, which is the sum of the Period-
21 to-Date amounts on lines 7 and 8 shown on Schedule A-2,
22 page 2, of the monthly filing for December 2003. The
23 estimated true-up amount for this period was approved in
24 Order No. PSC-03-1461-FOF-EI dated December 22, 2003.
25 Additional details supporting the approved estimated

1 true-up amount are included on Schedule E1-A filed
2 August 12, 2003.

3

4 Q. Ms. Davis has the estimated benchmark level for gains on
5 non-separated wholesale energy sales eligible for a
6 shareholder incentive been updated for 2004?

7 A. Yes, it has.

8

9 Q. What is the actual threshold for 2004?

10 A. Based on actual data for 2001, 2002, and now 2003, the
11 threshold is calculated to be \$2,415,211.

12

13 Q. The Commission approved Gulf's hedging program in
14 October 2002. What incremental hedging support costs
15 related to administering Gulf's approved hedging program
16 is Gulf seeking to recover for 2003?

17 A. Gulf has included \$14,809 as shown on the December 2003
18 Period-to-Date Schedule A-1 for incremental hedging
19 support costs related to administering the approved
20 hedging program during the 2003 recovery period.

21

22 Q. Is Gulf seeking to recover any gains or losses from
23 hedging settlements in the 2003 recovery period?

24 A. Yes. On the December 2003 Fuel Schedule A-1, Period to
25 Date, Gulf has recorded a net gain of \$4,862,077 related

1 to hedging activities in 2003. Mr. Ball will address
2 the details of those hedging activities in his
3 testimony.

4

5 Q. Ms. Davis, you stated earlier that you are responsible
6 for the Purchased Power Capacity Cost true-up
7 calculation. Which schedules of your exhibit relate to
8 the calculation of these factors?

9 A. Schedules CCA-1, CCA-2, and CCA-3 of my exhibit relate
10 to the Purchased Power Capacity Cost true-up calculation
11 for the period January 2003 through December 2003.

12

13 Q. What is the amount to be refunded or collected in the
14 period January 2005 through December 2005?

15 A. An amount to be refunded of \$1,053,779 was calculated as
16 shown in Schedule CCA-1, of my exhibit.

17

18 Q. How was this amount calculated?

19 A. The \$1,053,779 was calculated by taking the difference
20 in the estimated January 2003 through December 2003
21 over-recovery of \$1,058,876 and the actual over-recovery
22 of \$2,112,655, which is the sum of lines 10 and 11 under
23 the total column of Schedule CCA-2. The estimated true-
24 up amount for this period was approved in Order No. PSC-
25 03-1461-FOF-EI dated December 22, 2003. Additional

1 details supporting the approved estimated true-up amount
2 are included on Schedule CCE-1A filed August 12, 2003.

3

4 Q. Please describe Schedules CCA-2 and CCA-3 of your
5 exhibit.

6 A. Schedule CCA-2 shows the calculation of the actual over-
7 recovery of purchased power capacity costs for the
8 period January 2003 through December 2003. Schedule
9 CCA-3 of my exhibit is the calculation of the interest
10 provision on the over-recovery for the period January
11 2003 through December 2003. This is the same method of
12 calculating interest that is used in the Fuel and
13 Purchased Power (Energy) Cost Recovery Clause and the
14 Environmental Cost Recovery Clause.

15

16 Q. Ms. Davis, does this complete your testimony?

17 A. Yes, it does.

18

19

20

21

22

23

24


25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)


Docket No. 040001-EI

Before me the undersigned authority, personally appeared Terry A. Davis, who being first duly sworn, deposes, and says that she is the Regulatory Team Leader in the Rates and Regulatory Matters Department 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.



Terry A. Davis
Regulatory Team Leader

Sworn to and subscribed before me this 31st day of March, 2004.



Notary Public, State of Florida at Large



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

Florida Public Service Commission
Docket No. 040001-EI
GULF POWER COMPANY
Witness: T. A. Davis
Exhibit No. _____ (TAD-1)
Schedule 1

**GULF POWER COMPANY
FUEL COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP
January 2003 - December 2003**

1. Estimated over/(under) - recovery for the period
January 2003 - December 2003
(Schedule E1-A approved in Order No.
PSC-03-1461-FOF-EI dated December 22, 2003) \$ (23,923,505)

2. Actual over/(under)-recovery for the period
January 2003 - December 2003
(DECEMBER 2003 Schedule A-2, Pg. 2 of 3,
"Period-to-Date", Lines 7 and 8) (21,388,487)

3. Amount to be refunded/(recovered) in the
JANUARY 2005 - DECEMBER 2005
projection period (Line 2 - Line 1) \$ 2,535,018

Florida Public Service Commission
Docket No. 040001-EI
GULF POWER COMPANY
Witness: T. A. Davis
Exhibit No. _____ (TAD -1)
SCHEDULE CCA-1
Revised 4/1/04

**GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
JANUARY 2003 - DECEMBER 2003**

- | | |
|--|---------------------|
| 1. Estimated over/(under)-recovery for the period
JANUARY 2003 - DECEMBER 2003
(Schedule CCE-1a approved in Order No.
PSC-03-1461-FOF-EI dated December 22, 2003) | \$ 1,058,876 |
| 2. Actual over/(under)-recovery for the period
JANUARY 2003 - DECEMBER 2003
(Schedule CCA-2 Line 10+11 in the Total column) | <u>2,112,655</u> |
| 3. Amount to be refunded/(recovered) in the
JANUARY 2005 - DECEMBER 2005 projection period
(Line 2 - Line 1) | <u>\$ 1,053,779</u> |

GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR THE PERIOD JANUARY 2003 - DECEMBER 2003

	ACTUAL JANUARY	ACTUAL FEBRUARY	ACTUAL MARCH	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	ACTUAL SEPTEMBER	ACTUAL OCTOBER	ACTUAL NOVEMBER	ACTUAL DECEMBER	ACTUAL TOTAL
1. IIC Payments / (Receipts) (\$)	576,317	4,193	192,099	(9,415)	(102,417)	374,563	1,404,921	2,183,978	1,936,562	34,769	(48,418)	32,057	6,579,209
2. Transmission Revenue (\$)	(51,592)	(78,086)	(31,701)	(44,371)	(39,430)	(22,413)	(31,968)	(36,890)	(16,169)	(17,100)	(8,525)	(28,942)	(407,187)
3. Capacity Payments to Solutia (\$)	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	746,424
4. Total Capacity Payments/(Receipts) (Line 1 + 2 + 3) (\$)	586,927	(11,691)	222,600	8,416	(79,645)	414,352	1,435,155	2,209,290	1,982,595	79,871	5,259	65,317	6,918,446
5. Jurisdictional %	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187
6. Jurisdictional Capacity Payments / (Receipts) (Line 4 x 5) (\$)	566,395	(11,282)	214,813	8,122	(76,858)	399,857	1,384,952	2,132,006	1,913,241	77,077	5,075	63,033	6,676,429
7. Jurisdictional Capacity Cost Recovery Revenue Net of Taxes (\$)	832,066	588,475	600,711	633,690	804,474	850,248	896,302	909,151	797,922	656,741	618,482	1,052,895	9,241,177
8. True-Up Provision (\$)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(466,176)
9. Jurisdictional Capacity Cost Recovery Revenue (Line 7 + 8) (\$)	793,238	549,627	561,863	594,842	765,626	811,400	857,454	870,303	759,074	617,893	579,634	1,014,047	8,775,001
10. Over/(Under) Recovery (Line 9 - 6) (\$)	226,843	560,909	347,050	586,720	842,485	411,543	(527,497)	(1,261,703)	(1,154,167)	540,816	574,559	951,015	2,098,574
11. Interest Provision (\$)	(149)	308	796	1,277	2,047	2,500	2,305	1,622	599	361	861	1,554	14,081
12. Beginning Balance True-Up & Interest Provision (\$)	(272,479)	(6,937)	593,129	979,823	1,606,668	2,490,048	2,942,939	2,456,595	1,235,362	120,642	700,667	1,314,935	(272,479)
13. True-Up Collected/(Refunded) (\$)	38,848	38,848	38,848	38,848	38,848	38,848	38,848	38,848	38,848	38,848	38,848	38,848	466,176
14. End Of Period Total Net True-Up (Lines 10 + 11 + 12 + 13) (\$)	(6,937)	593,129	979,823	1,606,668	2,490,048	2,942,939	2,456,595	1,235,362	120,642	700,667	1,314,935	2,306,352	

GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD JANUARY 2003 - DECEMBER 2003

	ACTUAL JANUARY	ACTUAL FEBRUARY	ACTUAL MARCH	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	ACTUAL SEPTEMBER	ACTUAL OCTOBER	ACTUAL NOVEMBER	ACTUAL DECEMBER	TOTAL
1. Beginning True-Up Amount (\$)	(272,479)	(6,906)	593,188	979,882	1,606,727	2,490,107	2,942,998	2,456,654	1,235,421	120,701	700,726	1,314,994	
3. Ending True-Up Amount Before Interest (\$)	(6,757)	592,880	979,086	1,605,450	2,488,059	2,940,496	2,454,349	1,233,799	120,103	700,365	1,314,135	2,304,857	
4. Total Beginning & Ending True-Up Amount (\$) (Lines 1 + 2)	(279,236)	585,974	1,572,274	2,585,332	4,094,786	5,430,603	5,397,347	3,690,453	1,355,524	821,066	2,014,861	3,619,851	
5. Average True-Up Amount (\$)	(139,618)	292,987	786,137	1,292,666	2,047,393	2,715,302	2,698,674	1,845,227	677,762	410,533	1,007,431	1,809,926	
6. Interest Rate - First Day of Reporting Business Month	0.012900	0.012700	0.012500	0.011800	0.011900	0.012100	0.010000	0.010500	0.010600	0.010600	0.010500	0.010000	
7. Interest Rate - First Day of Subsequent Business Month	0.012700	0.012500	0.011800	0.011900	0.012100	0.010000	0.010500	0.010600	0.010600	0.010500	0.010000	0.010600	
8. Total Interest Rate (Lines 5 + 6)	0.025600	0.025200	0.024300	0.023700	0.024000	0.022100	0.020500	0.021100	0.021200	0.021100	0.020500	0.020600	
9. Average Interest Rate	0.012800	0.012600	0.012150	0.011850	0.012000	0.011050	0.010250	0.010550	0.010600	0.010550	0.010250	0.010300	
10. Monthly Average Interest Rate (1/12 Of Line 8)	0.001067	0.001050	0.001013	0.000988	0.001000	0.000921	0.000854	0.000879	0.000883	0.000879	0.000854	0.000858	
11. Interest Provision For the Month (Lines 4 X 9) (\$)	(149)	308	796	1,277	2,048	2,502	2,305	1,622	598	361	859	1,554	14,081