

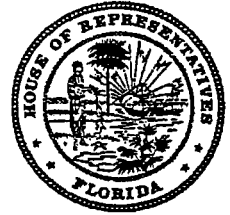
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President

ALLEN BENSE
Speaker



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Charles J. Beck
Deputy Public Counsel

September 22, 2006

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
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COMMISSION
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Re: Docket No. 060001-EI

Dear Ms. Bayo:

Enclosed for filing, on behalf of the Citizens of the State of Florida, is the original and 15 copies of the Direct Testimony of Patricia W. Merchant, C.P.A..

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

Sincerely,

Charles J. Beck
Deputy Public Counsel

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost)
Recovery Clause)
_____)

Docket No. 060001-EI
Dated: September 22, 2006

DIRECT TESTIMONY

OF

PATRICIA W. MERCHANT, C.P.A.

On Behalf of the Citizens of the State of Florida

Respectfully submitted,

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Attorney for the Citizens
of the State of Florida

DOCUMENT NUMBER-DATE

08782 SEP 22 06

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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Respectfully submitted,

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Attorney for the Citizens
of the State of Florida

1 to February, 2005 I was a regulatory supervisor in the Division of Water and
2 Wastewater which evolved into the Division of Economic Regulation.

3

4 Q. ARE YOU SPONSORING ANY EXHIBITS IN THIS CASE?

5 A. Yes. I am sponsoring 2 exhibits, which are attached to my testimony. Exhibit
6 PWM-1 is a summary of my regulatory experience and qualifications. Exhibit
7 PWM-2 is entitled Gulf Power Company Rate Case MFRs – Docket No.
8 010949-EI – Schedule of Fuel Inventory.

9

10 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA
11 PUBLIC SERVICE COMMISSION?

12 A. Yes. I have also testified before the Division of Administrative Hearings as
13 an expert witness.

14

15 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

16 A. The purpose of my testimony is to discuss the proper regulatory treatment of
17 the gas storage costs which Florida Power & Light Company (FPL) seeks to
18 recover through the fuel cost recovery clause (fuel clause). I recommend that
19 the fuel transportation costs (Monthly Storage Reservation, Incurred
20 Injection/Withdrawal and Monthly Insurance Charges) and one-fifteenth of
21 the base gas requirement are appropriate to be recovered through the fuel
22 clause. I also testify that the carrying costs associated any unamortized
23 balance of base gas and carrying costs for the gas inventory costs should be
24 recovered through base rates, not the fuel clause.

25

1 Q. HAVE YOU REVIEWED FPL'S PETITION TO RECOVER THE COSTS
2 OF THE GAS STORAGE COSTS THROUGH THE FUEL DOCKET?

3 A. Yes. FPL filed a petition for recovery of costs associated with its gas storage
4 project through the fuel clause. While Citizens agree that the gas storage
5 project is worthwhile, some of the requested costs are properly recovered
6 through base rates, not the fuel clause as proposed by FPL.

7

8 Q. PLEASE EXPLAIN THE DETAILS OF FPL'S REQUEST TO RECOVER
9 GAS STORAGE COSTS THROUGH THE FUEL COST RECOVERY
10 CLAUSE.

11 A. In its petition, FPL requested recovery of the following items as incremental
12 transportation or hedging costs associated with the gas storage project:

13 Monthly Storage Reservation Charge

14 Injection/Withdrawal Charges

15 Monthly Inventory Insurance Charge

16 Total Amount of Base Gas Injected into Storage Facility in year One

17 Carrying Costs of MoBay Gas Working Inventory

18 Carrying Costs of Existing Bay Gas Working Inventory

19

20 Monthly Storage Reservation, Injection/Withdrawal and

21 Monthly Insurance Charges

22 Q. PLEASE EXPLAIN THE COMPANY'S REQUESTED GAS STORAGE
23 CHARGES FOR RESERVATION, INJECTION, WITHDRAWAL AND
24 INSURANCE.

25 A. FPL witness K. M. Dubin, in her testimony filed on September 1, 2006,

1 testified that the monthly storage reservation charge, the injection/withdrawal
2 charges, and the insurance charges are gas transportation charges and
3 appropriately included in the fuel clause. (Page 13, line 2-7). In its
4 recommendation filed on August 3, 2006, in Docket No. 060362-EI,
5 Commission staff recommended that FPL be allowed to recover the monthly
6 storage reservation, the injection/withdrawal, and the monthly insurance
7 charges through the fuel clause.

8
9 Q. WHAT WAS STAFF'S RATIONALE FOR RECOVERY OF THE ITEMS
10 THROUGH THE FUEL CLAUSE?

11 A. Staff stated that these charges are directly related to the volume of gas
12 available to be consumed for the purpose of generating electricity and should
13 be considered as a cost of gas recovered through the fuel clause. Further,
14 these types of charges currently flow through the fuel clause for the electric
15 utilities that currently have natural gas storage. I agree with the company and
16 staff that these types of costs should be included for recovery in the fuel
17 clause.

18
19 Base Gas Injected Into the Storage Facility

20 Q. PLEASE EXPLAIN THE BAS GAS REQUIREMENT IN THE MOBAY
21 PRECEDENT AGREEMENT.

22 A. Ms. Dubin states that the base gas is required to maintain sufficient pressure in
23 the Gas Storage Facility to permit gas withdrawals as needed. FPL is required
24 by its Precedent Agreement to either provide or lease from MoBay for 50

1 percent of the amount of FPL's gas storage capability (3 million dekatherms¹)
2 as an anchor tenant. FPL's petition states that based on MoBay's pricing
3 information, it is less expensive for FPL to provide its own base gas than to
4 lease it from MoBay.

5

6 Q. WHAT REGULATORY TREATMENT HAS FPL REQUESTED FOR THE
7 BASE GAS REQUIREMENT?

8 A. Ms. Dubin has testified that the total amount of base gas injected should be
9 expensed in the fuel clause in year one of the contract and reversed in year
10 fifteen at the conclusion of the contract. She states that the base gas is similar
11 to the "non-recoverable oil" that sits at the bottom of oil storage tanks, and
12 should be accounted for similarly through the fuel clause. Pursuant to PSC
13 Order No. 12645, issued November 3, 1983, in Docket No. 830001-EU, "non-
14 recoverable oil" should be charged to the fuel clause when the tanks are filled
15 and removed from the clause when the oil is removed and burned.

16

17 Q. WHAT IS THE POSSIBLE PRICE IMPACT OF FPL'S REQUEST TO
18 RECOVER THE COST OF THE BASE GAS IN THE FIRST YEAR OF
19 THE MOBAY CONTRACT?

20 A. Using a price of \$7 per MMBtu, the cost of 3,000,000 dekatherms of gas
21 would cost \$21 million. If FPL were to lease the base gas from MoBay, the
22 monthly lease cost would be approximately \$120,000, or \$1.44 million
23 annually, using the example provided in the Precedent Agreement (FPL's

¹ 1 dekatherm = 1 MMBtu = 1,000,000 Btu. The Precedent Agreement states the firm storage capacity in dekatherms. Natural gas prices are typically stated as dollars per MMBtu.

1 Petition, Attachment 2, page 22 of 23).²

2

3 Q. DID COMMISSION STAFF AGREE WITH FPL'S PROPOSED
4 TREATMENT TO EXPENSE THE BASE GAS REQUIREMENT IN YEAR
5 ONE THROUGH THE FUEL CLAUSE?

6 A. No. In its recommendation filed in Docket No. 060362-EI, at page 5, staff
7 stated:

8 Staff does not believe that this is an appropriate treatment for
9 the cost of base gas. This treatment ignores the fact that the
10 purpose, use, benefit and cost of base gas is applicable to the
11 entire 15 year term of the storage agreement, not just the day
12 that it is injected into storage. There is also the issue of
13 possible intergenerational inequity. Today's ratepayers would
14 be required to pay for the total cost of base gas that will benefit
15 current and future ratepayers over the next 15 years. It is also
16 possible that many of today's ratepayers will not be the
17 ratepayers that benefit from the reduction in expense when FPL
18 is compensated for the base gas at the end of the storage
19 agreement.

20 Staff instead recommended that the base gas be deferred and amortized over
21 the 15-year life of the contract, with the annual amortization flowing through
22 the fuel docket. The staff also added that base gas is similar to base coal
23 instead of non-recoverable oil. Base coal is capitalized and amortized over a
24 set period, whereas, non-recoverable oil is expensed when the tank is cleaned

² The Base gas requirement of 3 million dekatherms is multiplied by the price of gas (\$7.00 per Dth) and the Monthly Base Gas Interest Rate (Prime Rate of 5% + 2%)/12).

1 and refilled.³

2

3 Q. WHAT WAS STAFF'S RECOMMENDED TREATMENT FOR THE
4 UNAMORTIZED BALANCE OF THE REGULATORY ASSET FOR THE
5 BASE GAS?

6 A. Staff recommended that the rate of return on the unamortized balance of the
7 base gas should be recovered on a temporary basis through the fuel clause
8 until the current base rate settlement period expires. After that, the return on
9 the unamortized balance of the base gas would be considered a base rate item
10 and would no longer be eligible for recovery through the fuel clause.

11

12 Q. DO YOU AGREE WITH STAFF'S RECOMMENDED TREATMENT FOR
13 THE BASE GAS?

14 A. Yes and no. I fully support staff's recommendation that the base gas should
15 be recovered over the life of the contract and amortized through the fuel
16 clause over a 15-year period. The decision to expense or capitalize an item
17 should be directly matched with the period in which the cost incurred provides
18 a benefit. Because the gas has to remain in storage for the full length of the
19 contract and cannot be burned it should be capitalized and amortized over that
20 same time period.

21

22 I also agree with staff that the base gas correlates closer with base coal than
23 non-recoverable oil. Base coal is used to support the coal pile and is not
24 burned. Non-recoverable oil is removed as often as the storage tank is

³ Order No. 12645, issued November 3, 1983 in Docket No. 830002-EU.

1 cleaned, and represents a minimal amount of the total capacity of the storage
2 tank. Because base gas represents 50% of the storage capacity, it contrasts
3 with the minimal percentage of the oil under the intake pipe of a ground
4 storage tank.

5
6 Q. DO YOU AGREE WITH STAFF'S RECOMMENDATION TO INCLUDE
7 THE RATE OF RETURN OF THE UNAMORTIZED BASE GAS IN THE
8 FUEL CLAUSE?

9 A. No, I do not. I believe that purchasing this base gas is a capital asset similar
10 to gas inventory, and the unamortized balance is not a regulatory asset as staff
11 proposed in its recommendation. Inventory costs (coal, oil, gas, meters, etc.)
12 are normally included in base rates as a component of the working capital
13 calculation and included in rate base to which the company's rate of return is
14 applied. Regardless of what the assets are labeled, regulatory assets or
15 inventory, those amounts are normal base rate recovery items and as such do
16 not belong in the fuel clause. I will address this issue further in the next
17 section of my testimony when I address why it is inappropriate to include
18 inventory carrying costs in the fuel clause.

19

20 Carrying Costs of Gas Inventory

21 Q. PLEASE EXPLAIN FPL'S REQUEST TO RECOVER THE CARRYING
22 COSTS OF GAS INVENTORY COSTS THROUGH THE FUEL DOCKET?

23 A. FPL has requested that the carrying costs (rate of return) of the MoBay and
24 Bay Gas inventory balances be recovered through the fuel clause as an
25 increase to the weighted average cost of gas burned. Ms. Dubin states that

1 because the gas storage projects are physical hedges, these carrying costs
2 qualify as hedging costs pursuant to the Hedging Order, and, as such, should
3 be recovered through the fuel clause. She states that stored gas is not “fuel
4 inventory” in the conventional sense because this gas is used for hedging
5 rather than ordinary operational needs of FPL’s plants. (Direct testimony
6 page 14, lines 11-20). Ms. Dubin also testifies that recovery of hedging costs
7 through the fuel docket is consistent with the 2005 rate case settlement to
8 which all parties in the rate case agreed.

9
10 Q. HOW DID STAFF TREAT THE CARRYING COSTS FOR THE GAS
11 INVENTORY IN ITS RECOMMENDATION?

12 A. Staff recommended that the carrying costs on the annual gas inventory
13 balances should temporarily be included in the fuel clause. Staff stated that
14 fuel inventory is a traditionally and historically included in base rates and also
15 addressed the language in FPL’s rate case settlement that would preclude
16 inclusion of these costs in the fuel clause. Regardless, staff recommended that
17 given the beneficial purpose and unique nature, the inventory carrying costs
18 should be recovered as fuel costs until the end of the current base rate
19 settlement period of December 31, 2009. At that time, the carrying costs
20 should be moved out of the fuel clause and recovered through base rates.

21
22 Q. HOW ARE CARRYING COSTS ASSOCIATED WITH INVENTORY
23 TREATED FOR RATE SETTING PURPOSES?

24 A. Fuel inventory historically is recovered through base rates and is included as a
25 component of working capital. Gas is no different than any other fuel

1 inventory in which a utility invests. By its very nature, all inventory
2 purchased is a physical hedge for supply as well as cost. Accordingly, I
3 disagree with Ms. Dubin's testimony that storing gas is solely for hedging not
4 ordinary operating purposes, and as such separates the gas from the other fuel
5 inventory balances. Even FPL's petition on page 4, paragraph 8, states that
6 "gas storage also allows FPL to better manage and respond to intra-day
7 changes in its natural gas requirements due to load variance, unit outages,
8 etc." Thus, FPL's petition regarding these "ordinary operational needs" for
9 gas storage contradicts Ms. Dubin's testimony on page 14, lines 15-17.

10

11 Q. HAS GAS INVENTORY PREVIOUSLY BEEN INCLUDED IN WORKING
12 CAPITAL AS PART OF RATE BASE FOR FPL OR OTHER ELECTRIC
13 UTILITIES IN FLORIDA?

14 A. Yes. The Commission approved Gulf Power's inclusion of gas inventory in
15 working capital in Gulf's last base rate case, Docket No. 010949-EI. The gas
16 inventory was related to Gulf's gas storage agreement with Bay Gas. Exhibit
17 PWM-2, attached to my testimony, is a copy of the Gulf minimum filing
18 requirements from that rate case showing the Bay Gas storage in fuel
19 inventory for the projected test year. The final order in that docket made no
20 comment about the gas inventory and thus approved Gulf's request as filed.

21

22 Q. CAN YOU ADDRESS WHAT TYPES OF COSTS THE COMMISSION
23 ALLOWS RECOVERY OF THROUGH THE FUEL CLAUSE?

24 A. PSC Order No. 14546, from the 1985 fuel clause docket, addresses the cost
25 recovery method for fuel-related expenses. Prudently incurred fossil fuel-

1 related expenses subject to volatile changes are recovered through the fuel
2 clause, specifically; those incurred prior to the delivery of fuel to the utility's
3 dedicated storage facilities. The order states that all other fossil fuel-related
4 costs should be recovered through base rates. Inventory costs were to be
5 considered in the fuel clause only to the extent the amounts related to volume
6 and/or price adjustments. Further, other fossil fuel-related costs normally
7 recovered through base rates could be considered in the fuel clause only to the
8 extent that that those costs resulted in fuel savings to the customers. FPL has
9 not alleged any fuel savings related to the gas storage project in its petition.

10

11 Q. ARE THE GAS STORAGE CARRYING COSTS VOLATILE?

12 A. No. Carrying costs for a stable amount of fuel contained in a storage facility
13 are not "volatile" and therefore should be recovered through base rates.
14 Carrying costs are simply the rate of return earned on the utility's investment,
15 which in this case is the investment in fuel contained in a storage facility.

16

17 Q. DID THE HEDGING ORDER ALLOW ADDITIONAL TYPES OF COSTS
18 TO BE INCLUDED IN THE FUEL CLAUSE?

19 A. Yes. In Order No. PSC-02-1484-FOF-EI ("Hedging Order"), the Commission
20 accepted the parties' proposed settlement regarding the implementation of
21 financial hedging transactions and electric utilities' risk management policies
22 and procedures. On page 2 of the Hedging Order, the Commission stated:

23 Further, the Proposed Resolution of Issues appears to remove
24 disincentives that may currently exist for IOUs to engage in
25 hedging transactions that may create customer benefits by

1 providing a cost recovery mechanism for prudently incurred
2 hedging transaction costs, gains and losses, and incremental
3 operating and maintenance expenses associated with new and
4 expanded hedging programs.

5

6 The hedging settlement agreement refers to both financial and physical
7 hedging transactions, however, the examples cited refer to the hedging costs
8 related to financial hedging transaction, as follows:

9 3. Each investor-owned electric utility shall be authorized
10 to charge/credit to the fuel and purchased power cost recovery
11 clause its non-speculative, prudently-incurred commodity costs
12 and gains and losses associated with financial and/or physical
13 hedging transactions for natural gas, residual oil, and purchased
14 power contracts tied to the price of natural gas. Examples of
15 such items include transaction costs associated with derivatives
16 (e.g., fees and commissions), gains and losses on futures
17 contracts, premiums on options contracts, and net settlements
18 from swaps transactions....

19 4. Each investor-owned electric utility may recover
20 through the fuel and purchased power cost recovery clause
21 prudently-incurred incremental operating and maintenance
22 expenses incurred for the purpose of initiating and/or
23 maintaining a new or expanded non-speculative financial
24 and/or physical hedging program designed to mitigate fuel and
25 purchased power price volatility for its retail customers....

1 (Emphasis added)

2

3 Q. MS. DUBIN TESTIFIES THAT THE HEDGING ORDER REFERS TO
4 BOTH PHYSICAL AND FINANCIAL HEDGING TRANSACTIONS AND
5 AS SUCH, THE CARRYING COSTS ARE APPROVED FUEL COSTS.
6 DO YOU AGREE?

7 A. No, I do not. The Hedging Order addresses non-speculative commodity costs
8 and gains and losses associated with financial and/or physical hedging
9 transactions. It gives specific examples of types of hedging transaction costs
10 and specifically mentions incremental operating and maintenance costs
11 incurred to initiate or maintain a hedging program. In the past fuel dockets,
12 these incremental hedging operating and maintenance expenses have been for
13 labor costs for employees engaged in trading activities that were not included
14 in base rates. The Hedging Order does not address any other incremental
15 costs, such as interest, profit, depreciation, or income taxes.

16

17 Q. MS. DUBIN STATES THAT AS PART OF THE 2005 RATE CASE
18 SETTLEMENT AND THE 2005 FUEL DOCKET STIPULATION, THE
19 CONSUMER PARTIES AGREED THAT INCREMENTAL HEDGING
20 COSTS WOULD CONTINUE TO BE RECOVERED THROUGH THE
21 FUEL CLAUSE. IS THIS CORRECT?

22 A. In part, this is correct, but the costs that the parties were agreeing to be
23 included were the same types of costs that were allowed by the Hedging
24 Order. I believe that it is important to look back at both of those agreements
25 and compare the language to that agreed to by the parties in the Hedging

1 Order. On page 16 of her testimony, Ms. Dubin states that when the rate case
2 settlement was signed, the parties inadvertently did not address the recovery
3 of hedging costs. This is true. In Order No. PSC-05-902-S-EI (Rate Case
4 Settlement Order), the Commission stated that: FPL currently recovers
5 incremental hedging costs through the Fuel Clause; the parties intended to
6 maintain the status quo; and the parties would memorialize this in the
7 upcoming 2005 fuel docket. Thus, rate case settlement was consistent with
8 the Hedging Order language.

9
10 Q. WHY WAS IT NECESSARY TO ADDRESS THE INCREMENTAL
11 HEDGING COSTS IN THE FUEL DOCKET?

12 A. In the Hedging Order, the inclusion of incremental hedging operating and
13 maintenance expenses through the fuel clause was set to expire as of
14 December 31, 2006, or the date of utility's next rate case, whichever came
15 first. Because the 2005 rate case settlement did not address this issue, the
16 parties agreed in the 2005 fuel docket⁴, to continue this treatment until the
17 expiration of the base rate settlement in 2009. The "incremental hedging
18 costs" referred to in the Fuel Order are only those incremental hedging costs
19 allowed by the Hedging Order. It did not expand on or change the types of
20 costs that were allowed by the Hedging Order.

21
22 Q. DO YOU BELIEVE INCLUDING THE INVENTORY CARRYING COSTS
23 IN THE FUEL CLAUSE WOULD VIOLATE THE 2005 RATE CASE
24 SETTLEMENT?

⁴Order No. PSC-05-1252-FOF-EI, Docket No. 050001-EI

1 A. Yes, I believe that it would. As I previously testified, inventory carrying costs
2 are traditionally and historically included in base rates as part of working
3 capital. The 2005 rate case settlement order stated the following:

4 During the term of this Stipulation and Settlement ... FPL will
5 not petition for any new surcharges ... to recover costs that are
6 of a type that traditionally and historically would be, or are
7 presently, recovered through base rates. (Paragraph 3)

8 Thus it is clear to me that including inventory carrying costs or the carrying
9 costs associated with the unamortized balance of bas gas would violate the
10 terms of FPL's rate case settlement.

11

12 Q. WHAT IS THE DOLLAR IMPACT OF YOUR RECOMMENDATION?

13 A. My recommendation to amortize the estimated \$21 million base gas cost over
14 15 years results in an annual cost of \$1.4 million with a reduction to the first
15 year fuel cost of \$19.6 million. The carrying costs on the unamortized
16 balance of base gas for the first year would be about \$3.8 million and would
17 gradually decrease as the amount of base gas is amortized.⁵ FPL has
18 estimated that the annual carrying costs for the MoBay working gas inventory
19 would be \$5.9 million with an additional \$1 million in carrying costs for the
20 Bay Gas inventory⁶. In total, the annual carrying costs at issue in this docket
21 are approximately \$11 million per year.

⁵ See FPL response to late filed data request 8.

⁶ Staff Recommendation at page 4, paragraph e.

1 Summary

2 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

3 A. I agree that FPL's gas storage contract appears reasonable based on the
4 information presented by FPL in its petition and that the charges for monthly
5 storage reservation, injection/withdrawal and insurance should be included in
6 the fuel clause. I agree also with staff that the base gas should be amortized
7 over the life of the 15-year contract with the annual amortization expensed
8 through the fuel docket.

9
10 Further, the estimated \$11 million in annual carrying charges are not
11 appropriate to be recovered through the fuel clause for several reasons. First,
12 these costs are carrying costs on fuel inventory, which are typically and
13 historically base rate items and, as such, inappropriate to include in the fuel
14 clause. Second, these costs do not result in any fuel savings, nor are they
15 volatile or related to inventory adjustments, as required by Order No. 14546.
16 Third, the physical hedging costs allowed by the Hedging Order were hedging
17 transaction costs or incremental operating and maintenance expenses. The
18 Hedging Order did not provide for rate of return components on fuel inventory
19 to be recovered through the fuel docket. Finally, requesting recovery of costs
20 which would typically and historically be recovered in base rates violates the
21 2005 Rate Case Settlement approved by the Commission.

22
23 Q. DOES THIS COMPLETE YOUR TESTIMONY?

24 A. Yes, it does.

DOCKET NO. 060001-EI
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail and U.S. Mail on this 22nd day of September, 2006, to the following:

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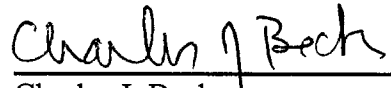
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Curriculum Vitae

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Office of Public Counsel – Senior Legislative Analyst

In my current position, I perform financial and accounting analysis and reviews, and provide testimony, as required, involving utility filings before the Florida Public Service Commission (or other jurisdictions) as an advocate for the Citizens of the State of Florida.

1981 to February, 2005 - Florida Public Service Commission

2000 to February, 2005

Public Utilities Supervisor – File and Suspend Rate Case Section, Bureau of Rate Filings, Division of Economic Regulation

In this capacity I was responsible for the supervision of 5 to 8 regulatory professionals. This section was responsible for the financial, accounting, engineering and rate review and evaluation of rate proceedings for Class A and B water and wastewater utilities, as well as electric and gas utilities regulated by the Commission. The types of cases included file and suspend rate cases, limited proceedings, overearning investigations, annual report reviews, service availability and tariff filings, rulemaking, and customer complaints. The analysts in this section reviewed utility filings, requested and reviewed Commission staff audits, and generated and analyzed discovery requests. Each analyst coordinated and prepared staff recommendations to the Commission for agenda conferences. As a supervisor, I reviewed the analytical work and edited the written documents of all analysts in this section for proper regulatory theory, grammar and accuracy. I also made presentations to customer groups at Commission staff customer meetings for the rate proceedings to which I was assigned. Staff recommendations were presented at agenda conferences with an introduction of each item, providing a response to comments raised by other parties and addressing the questions of Commissioners. The section also prepared and presented testimony, and assisted in the preparation of cross-examination questions for depositions and formal hearings. In addition to other duties, I provided training in regulatory accounting for new staff in my section as well as training on regulatory and accounting issues for other analysts at the Commission.

1989 – 2000

Regulatory Analyst Supervisor, Accounting Section, Bureau of Economic Regulation, Division of Water and Wastewater

I supervised 5-7 regulatory accounting analysts. This section performed the same job activities as above specifically for the larger Commission regulated Class A and B water and wastewater companies.

1983 - 1989

Regulatory Analyst – Accounting Bureau, Division of Water and Wastewater

As an accounting analyst, I performed the same job activities as described above for water and wastewater companies in a non-supervisory role.

1981 – 1983

Public Utilities Auditor, Division of Auditing and Financial Analysis

As an auditor in the Tallahassee district of the Commission, I performed financial and accounting audits of electric, gas, telephone, water and wastewater utilities under the Commission's jurisdiction.

Education and Professional Licenses

1981 Bachelor of Science with a major in accounting from Florida State University

1983 Received a Certified Public Accountant license in Florida

Attachments

- 1 List of Cases in which Testimony was Submitted
- 2 List of Analytical and Supervisory Rate Case Work Performed at the Public Service Commission

Patricia W. Merchant
Submitted Testimony in the Following Cases:

Dockets Before the Florida Public Service Commission:

- 991643-SU Application for Increase in Wastewater Rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.
- 971663-WS Application of Florida Cities Water Company, Inc. for a limited proceeding to recover environmental litigation costs.
- 940847-WS Application of Ortega Utility Company for increased water and wastewater rates.
- 911082-WS Water and Wastewater Rule Revisions to Chapter 25-30, Florida Administrative Code.
- 881030-WU Investigation of Sunshine Utilities of Central Florida rates for possible over earnings.
- 850151-WS Application of Marco Island Utilities, Inc. for increased water and wastewater rates.
- 850031-WS Application of Orange/Osceola Utilities, Inc. for increased water and wastewater rates in Osceola County
- 840047-WS Application of Poinciana Utilities, Inc. for increased water and wastewater rates

Cases Before the Division of Administrative Hearings:

- 97-2485RU Aloha Utilities, Inc., and Florida Waterworks Association, Inc., Petitioners, vs. Public Service Commission, Respondents, and Citizens of the State of Florida, Office of Public Counsel, Intervenors

Gulf Power Company Rate Case MFRs – Docket No.
010949-EI – Schedule of Fuel Inventory

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: Provide conventional fuel account balances in dollars and quantities for each fuel type by month for the test year, and the prior year if the test year is projected. Include Natural Gas even though no inventory is carried. (Give Units in Barrels, Tons, or MMCF.)

Type of Data Shown:

Projected Test Year Ended 05/31/03

Prior Year Ended 05/31/02

Historical Year Ended 12/31/00

Witness: R. G. Moore, R. R. Labrato

COMPANY: GULF POWER COMPANY

DOCKET NO.: 010949-EI

Fuel Type	Month	Beginning Balance			Receipts			Fuel Issued to Generation		
		Units	(\$000)	\$/Unit	Units	(\$000)	\$/Unit	Units	(\$000)	\$/Unit
<u>Plants: Crist, Smith CC, Bay Gas Storage</u>										
<u>Natural Gas (Mmcf)</u>										
1	May 02	0	0	0.000	34	120	3,529.412	34	120	3,529.412
2	Jun 02	0	0	0.000	3,482	13,023	3,740.092	2,654	10,949	4,125.471
3	Jul 02	828	2,074	2,504.831	2,751	15,836	5,756.452	2,751	15,836	5,756.452
4	Aug 02	828	2,582	3,118.357	2,992	17,110	5,718.583	2,992	17,110	5,718.583
5	Sep 02	828	3,094	3,736.715	2,099	8,981	4,278.704	2,099	8,981	4,278.704
6	Oct 02	828	2,069	2,498.792	1,369	6,329	4,623.083	1,369	6,329	4,623.083
7	Nov 02	828	1,809	2,184.783	935	5,388	5,762.567	935	5,388	5,762.567
8	Dec 02	828	2,397	2,894.928	432	3,480	8,055.556	432	3,480	8,055.556
9	Jan 03	828	2,456	2,966.184	877	5,614	6,401.368	877	5,614	6,401.368
10	Feb 03	828	2,813	3,397.343	1,365	7,177	5,257.875	1,365	7,177	5,257.875
11	Mar 03	828	2,567	3,100.242	1,287	6,853	5,324.786	1,287	6,853	5,324.786
12	Apr 03	828	2,069	2,498.792	1,660	7,409	4,463.253	1,660	7,409	4,463.253
13	May 03	828	1,987	2,399.759	1,316	6,192	4,705.167	1,316	6,192	4,705.167
14	Total	9,112	25,917		20,599	103,512		19,771	101,438	
15	13 Month Average	701	1,994	2845.738	1,585	7,962	5,023.344	1,521	7,803	5,130.178

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** NOTE: The monthly value of gas inventory is the mathematic product of a desired fixed volume (60% of capacity) times the projected forecast price of gas for a given month. Hence, the monthly inventory adjustment simply accounts for the assumed change in the monthly price projection.

Supporting Schedules: B-17b

Recap Schedules:

Docket No. 060001-EI
 Patricia W. Merchant
 Exhibit (P/W/M-2)
 Page 2 of 3

SYSTEM FUEL INVENTORY

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: Provide conventional fuel account balances in dollars and quantities for each fuel type by month for the test year, and the prior year if the test year is projected. Include Natural Gas even though no inventory is carried. (Give Units in Barrels, Tons, or MMCF.)

Type of Data Shown:

Projected Test Year Ended 05/31/03

Prior Year Ended 05/31/02

Historical Year Ended 12/31/00

Witness: R. G. Moore, R. R. Labrato

COMPANY: GULF POWER COMPANY

DOCKET NO.: 010949-EI

	Fuel Issued (Other)			Inventory Adjustments			Ending Balance			***In-Transit	End. Bal.	
	Units	(\$000)	\$/Unit	Units	(\$000)	\$/Unit	Units	(\$000)	\$/Unit	(\$000)	(\$000)	
<u>Plants: Crist, Smith, Smith CC, Bay Gas Storage</u>												
<u>Natural Gas (MmcF)</u>												
1	May 02	0	0	0.000	0	0	0.000	0	0	0.000	0	0
2	Jun 02	0	0	0.000	0	0	0.000	828	2,074	2,504.831	0	2,074
3	Jul 02	0	0	0.000	0	508	0.000	828	2,582	3,118.357	0	2,582
4	Aug 02	0	0	0.000	0	512	0.000	828	3,094	3,736.715	0	3,094
5	Sep 02	0	0	0.000	0	(1,025)	0.000	828	2,069	2,498.792	0	2,069
6	Oct 02	0	0	0.000	0	(260)	0.000	828	1,809	2,184.783	0	1,809
7	Nov 02	0	0	0.000	0	588	0.000	828	2,397	2,894.928	0	2,397
8	Dec 02	0	0	0.000	0	59	0.000	828	2,456	2,966.184	0	2,456
9	Jan 03	0	0	0.000	0	357	0.000	828	2,813	3,397.343	0	2,813
10	Feb 03	0	0	0.000	0	(246)	0.000	828	2,567	3,100.242	0	2,567
11	Mar 03	0	0	0.000	0	(498)	0.000	828	2,069	2,498.792	0	2,069
12	Apr 03	0	0	0.000	0	(82)	0.000	828	1,987	2,399.759	0	1,987
13	May 03	0	0	0.000	0	(69)	0.000	828	1,918	2,316.425	0	1,918
14	Total	0	0		0	(156)		9,936	27,835		0	27,835
15	13 Month Average	0	0	0.000	0	(18)	0.000	764	2,141	2,802.356	0	2,141

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