

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

**Docket No. 070001-EI**

**PREPARED DIRECT TESTIMONY AND  
EXHIBIT OF  
RHONDA J. MARTIN**

**FINAL TRUE-UP FOR THE PERIOD:**

**JANUARY – DECEMBER 2006 (Fuel)**

**JANUARY – DECEMBER 2006 (Capacity)**

**FILED MARCH 1, 2007**

CMP \_\_\_\_\_  
COM 5  
CTR Org  
ECR  
GCL 1  
OPC \_\_\_\_\_  
RCA 1  
SCR \_\_\_\_\_  
SGA \_\_\_\_\_  
SEC \_\_\_\_\_  
OTH \_\_\_\_\_



DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission  
3 Prepared Direct Testimony and Exhibit of  
4 Rhonda J. Martin  
5 Docket No. 070001-EI  
6 Date of Filing: March 1, 2007

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

8 A. My name is Rhonda Martin. My business address is One Energy Place,  
9 Pensacola, Florida 32520-0780. I am the Supervisor of Rates and  
10 Regulatory Matters at Gulf Power Company.

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

13 A. I graduated from the University of West Florida in Pensacola, Florida in  
14 1994 with a Bachelor of Arts Degree in Accounting. I am also a licensed  
15 Certified Public Accountant and a member of the Florida Institute of  
16 Certified Public Accountants. I joined Gulf Power in 1994 as an  
17 Accountant. Prior to assuming my current position, I have held various  
18 positions of increasing responsibility with Gulf as an accountant in the  
19 Accounting Services, Financial Reporting, and Corporate Accounting  
20 Departments and as Supervisor of Financial Planning. In April 2006, I  
21 joined the Rates and Regulatory Matters area.

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

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

3 A. Yes.

4 Counsel: We ask that Ms. Martin's Exhibit  
5 consisting of five schedules be  
6 marked as Exhibit No. \_\_\_\_\_ (RJM-1).

7

8 Q. Are you familiar with the Fuel and Purchased Power (Energy) true-up  
9 calculations for the period of January 2006 through December 2006 and  
10 the Purchased Power Capacity Cost true-up calculations for the period of  
11 January 2006 through December 2006 set forth in your exhibit?

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

13

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

16 A. Yes.

17

18 Q. What is the amount related to the period of January through December  
19 2006 to be refunded or collected through the fuel cost recovery factors in  
20 the period January 2008 through December 2008?

21 A. A net amount to be collected of \$30,800,849 was calculated as shown on  
22 Schedule 1 of my exhibit.

23

24

25

1 Q. How was this amount calculated?

2 A. The \$30,800,849 was calculated by taking the difference in the estimated  
3 January 2006 through December 2006 under-recovery of \$26,505,347 and  
4 the actual under-recovery of \$57,306,196, which is the sum of the Period-  
5 to-Date amounts on lines 7 and 8 shown on Schedule A-2, page 2, of the  
6 monthly filing for December 2006. The estimated true-up amount for this  
7 period was approved in FPSC Order No. PSC-06-1057-FOF-EI dated  
8 December 22, 2006. Additional details supporting the approved estimated  
9 true-up amount are included on revised Schedules E1-A and E1-B filed  
10 September 1, 2006.

11

12 Q. Ms. Martin, has the estimated benchmark level for gains on non-separated  
13 wholesale energy sales eligible for a shareholder incentive been updated  
14 for 2007?

15 A. Yes.

16

17 Q. What is the actual threshold for 2007?

18 A. Based on actual data for 2004, 2005, and now 2006, the threshold is  
19 calculated to be \$3,395,987.

20

21 Q. The Commission approved Gulf's hedging program in October 2002. What  
22 incremental hedging support costs related to administering Gulf's approved  
23 hedging program is Gulf seeking to recover for 2006?

24 A. Gulf has included \$105,754, as shown on Schedule A-1, Period-to-Date, of  
25 the monthly fuel filing, for incremental hedging support costs related to

1 administering the approved hedging program during the 2006 recovery  
2 period.

3 Q. Is Gulf seeking to recover any gains or losses from hedging settlements in  
4 the 2006 recovery period?

5 A. Yes. On Schedule A-1, Period to Date, of the December 2006 monthly fuel  
6 filing, Gulf has recorded a net loss of \$18,714,562 related to hedging  
7 activities in 2006. Mr. Ball will address the details of those hedging  
8 activities in his testimony.

9

10 Q. Ms. Martin, you stated earlier that you are responsible for the Purchased  
11 Power Capacity Cost Recovery true-up calculation. Which schedules of  
12 your exhibit relate to the calculation of these factors?

13 A. Schedules CCA-1, CCA-2, CCA-3 and CCA-4 of my exhibit relate to the  
14 Purchased Power Capacity Cost Recovery true-up calculation for the period  
15 January 2006 through December 2006.

16

17 Q. What is the amount related to the period of January through December  
18 2006 to be refunded or collected in the period January 2008 through  
19 December 2008?

20 A. An amount to be refunded of \$458,084 was calculated as shown on  
21 Schedule CCA-1 of my exhibit.

22

23 Q. How was this amount calculated?

24 A. The \$458,084 was calculated by taking the difference in the estimated  
25 January 2006 through December 2006 under-recovery of \$223,116 and the

1 actual over-recovery of \$234,968, which is the sum of lines 9 and 10 under  
2 the total column of Schedule CCA-2. The estimated true-up amount for this  
3 period was approved in FPSC Order No. PSC-06-1057-FOF-EI dated  
4 December 22, 2006. Additional details supporting the approved estimated  
5 true-up amount are included on revised Schedules CCE-1A and CCE-1B  
6 filed September 1, 2006.

7

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

9 A. Schedule CCA-2 shows the calculation of the actual over-recovery of  
10 purchased power capacity costs for the period January 2006 through  
11 December 2006. Schedule CCA-3 of my exhibit is the calculation of the  
12 interest provision on the over-recovery for the period January  
13 2006 through December 2006. This is the same method of calculating  
14 interest that is used in the Fuel and Purchased Power (Energy) Cost  
15 Recovery Clause and the Environmental Cost Recovery Clause.

16

17 Q. Please describe Schedule CCA-4 of your exhibit.

18 A. Schedule CCA-4 provides additional details related to Line 1 of Schedule  
19 CCA-2.

20

21 Q. Ms. Martin, does this complete your testimony?

22 A. Yes.

23

24

25

AFFIDAVIT


STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA )

Docket No. 070001-EI

Before me the undersigned authority, personally appeared Rhonda J. Martin, who being first duly sworn, deposes, and says that she is the Supervisor of Rates and Regulatory Matters of Gulf Power Company, a Florida corporation, that the foregoing is true and correct to the best of her knowledge, information and belief. She is personally known to me.

  
Rhonda J. Martin  
Supervisor of Rates and Regulatory Matters

Sworn to and subscribed before me this 28<sup>TH</sup> day of FEBRUARY, 2007.

  
Notary Public, State of Florida at Large



**GULF POWER COMPANY  
FUEL COST RECOVERY CLAUSE  
CALCULATION OF FINAL TRUE-UP  
January 2006 - December 2006**

1. Estimated over/(under) - recovery for the period  
January 2006 - December 2006  
(Schedule E-1A approved in FPSC Order No.  
PSC-06-1057-FOF-EI dated December 22, 2006) \$ (26,505,347)
  
2. Actual over/(under)-recovery for the period  
January 2006 - December 2006  
(DECEMBER 2006 Schedule A-2, Pg. 2 of 3,  
"Period-to-Date", Lines 7 + 8) (57,306,196)
  
3. Amount to be refunded/(recovered) in the  
JANUARY 2008 - DECEMBER 2008  
projection period (Line 2 - Line 1) \$ (30,800,849)



**GULF POWER COMPANY  
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF FINAL TRUE-UP AMOUNT  
JANUARY 2006 - DECEMBER 2006**

1. Estimated over/(under)-recovery for the period  
JANUARY 2006 - DECEMBER 2006  
(Schedule CCE-1a approved in FPSC Order No.  
PSC-06-1057-FOF-EI dated December 22, 2006) \$ (223,116)
  
2. Actual over/(under)-recovery for the period  
JANUARY 2006 - DECEMBER 2006  
(Schedule CCA-2 Line 9 + 10 in the Total column) 234,968
  
3. Amount to be refunded/(recovered) in the  
JANUARY 2008 - DECEMBER 2008 projection period  
(Line 2 - Line 1) \$ 458,084

**GULF POWER COMPANY**  
**PURCHASED POWER CAPACITY COST RECOVERY CLAUSE**  
**CALCULATION OF TRUE-UP AND INTEREST PROVISION**  
**FOR THE PERIOD JANUARY 2006 - DECEMBER 2006**

	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. IIC Payments / (Receipts) (\$)	1,688,635	445,165	602,636	104,416	662,264	3,759,953	8,534,480	9,620,041	3,685,764	343,426	216,275	224,324	29,887,379
2. Transmission Revenue (\$)	(9,032)	(10,499)	(11,348)	(4,830)	(5,550)	(9,921)	(15,453)	(10,415)	(3,622)	(9,032)	(43,601)	(20,340)	(153,643)
3. Total Capacity Payments/(Receipts) (Line 1 + 2) (\$)	1,679,603	434,666	591,288	99,586	656,714	3,750,032	8,519,027	9,609,626	3,682,142	334,394	172,674	203,984	29,733,736
4. Jurisdictional %	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872
5. Total Jurisdictional Recovery Amount (Line 3 * 4) (\$)	1,623,315	420,099	571,472	96,249	634,706	3,624,358	8,233,531	9,287,581	3,558,743	323,188	166,887	197,148	28,737,277
6. Jurisdictional Capacity Cost Recovery Revenues Net of Taxes (\$)	1,970,172	1,882,492	1,782,785	1,993,570	2,432,521	2,867,009	2,951,164	3,027,806	2,506,993	2,083,653	1,904,149	2,144,929	27,547,243
7. True-Up Provision (\$)	111,821	111,821	111,821	111,821	111,821	111,821	111,821	111,821	111,821	111,821	111,821	111,820	1,341,851
8. Jurisdictional Capacity Cost Recovery Revenue (Line 6 + 7) (\$)	2,081,993	1,994,313	1,894,606	2,105,391	2,544,342	2,978,830	3,062,985	3,139,627	2,618,814	2,195,474	2,015,970	2,256,749	28,889,094
9. Over/(Under) Recovery (Line 8 - 5) (\$)	458,678	1,574,214	1,323,134	2,009,142	1,909,636	(645,528)	(5,170,546)	(6,147,954)	(939,929)	1,872,286	1,849,083	2,059,601	151,817
10. Interest Provision (\$)	5,976	9,562	15,070	22,134	30,424	33,798	21,696	(3,812)	(19,835)	(18,367)	(10,762)	(2,733)	83,151
11. Beginning Balance True-Up & Interest Provision (\$)	1,454,484	1,807,317	3,279,272	4,505,655	6,425,110	8,253,349	7,529,798	2,269,127	(3,994,460)	(5,066,045)	(3,323,947)	(1,597,447)	1,454,484
12. True-Up Collected/(Refunded) (\$)	(111,821)	(111,821)	(111,821)	(111,821)	(111,821)	(111,821)	(111,821)	(111,821)	(111,821)	(111,821)	(111,821)	(111,820)	(1,341,851)
13. End of Period Total Net True-Up (Lines 9 + 10 + 11 + 12) (\$)	1,807,317	3,279,272	4,505,655	6,425,110	8,253,349	7,529,798	2,269,127	(3,994,460)	(5,066,045)	(3,323,947)	(1,597,447)	347,601	347,601
Average Monthly Interest Rate	0.3671	0.3767	0.3879	0.4058	0.4154	0.4292	0.4438	0.4429	0.4388	0.4388	0.4383	0.4383	
Wall Street Annual Rate	4.30	4.51	4.53	4.78	4.96	5.01	5.29	5.36	5.27	5.26	5.27	5.25	5.27
Average Annual Rate	4.405	4.520	4.655	4.870	4.985	5.150	5.325	5.315	5.265	5.265	5.260	5.260	

**GULF POWER COMPANY**  
**PURCHASED POWER CAPACITY COST RECOVERY CLAUSE**  
**CALCULATION OF INTEREST PROVISION**  
**FOR THE PERIOD JANUARY 2006 - DECEMBER 2006**

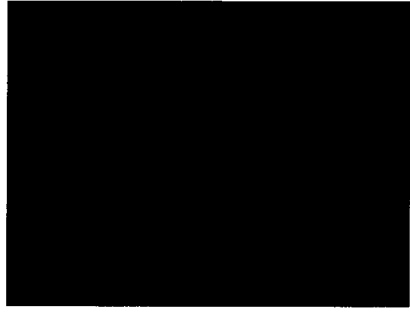
	ACTUAL JANUARY	ACTUAL FEBRUARY	ACTUAL MARCH	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	ACTUAL SEPTEMBER	ACTUAL OCTOBER	ACTUAL NOVEMBER	ACTUAL DECEMBER	TOTAL
1. Beginning True-Up Amount (\$)	1,454,484	1,807,317	3,279,272	4,505,655	6,425,110	8,253,349	7,529,798	2,269,127	(3,994,460)	(5,066,045)	(3,323,947)	(1,597,447)	
2. Ending True-Up Amount Before Interest (\$)	1,801,341	3,269,710	4,490,585	6,402,976	8,222,925	7,496,000	2,247,431	(3,990,648)	(5,046,210)	(3,305,580)	(1,586,685)	350,334	
3. Total Beginning & Ending True-Up Amount (\$) (Lines 1 + 2)	3,255,825	5,077,027	7,769,857	10,908,631	14,648,035	15,749,349	9,777,229	(1,721,521)	(9,040,670)	(8,371,625)	(4,910,632)	(1,247,113)	
4. Average True-Up Amount (\$)	1,627,913	2,538,514	3,884,929	5,454,316	7,324,018	7,874,675	4,888,615	(860,761)	(4,520,335)	(4,185,813)	(2,455,316)	(623,557)	
5. Interest Rate - First Day of Reporting Business Month	0.043000	0.045100	0.045300	0.047800	0.049600	0.050100	0.052900	0.053600	0.052700	0.052600	0.052700	0.052500	
6. Interest Rate - First Day of Subsequent Business Month	0.045100	0.045300	0.047800	0.049600	0.050100	0.052900	0.053600	0.052700	0.052600	0.052700	0.052500	0.052700	
7. Total Interest Rate (Lines 5 + 6)	0.088100	0.090400	0.093100	0.097400	0.099700	0.103000	0.106500	0.106300	0.105300	0.105300	0.105200	0.105200	
8. Average Interest Rate	0.044050	0.045200	0.046550	0.048700	0.049850	0.051500	0.053250	0.053150	0.052650	0.052650	0.052600	0.052600	
9. Monthly Average Interest Rate (1/12 Of Line 8)	0.003671	0.003767	0.003879	0.004058	0.004154	0.004292	0.004438	0.004429	0.004388	0.004388	0.004383	0.004383	
10. Interest Provision For the Month (Lines 4 X 9) (\$)	5,976	9,562	15,070	22,134	30,424	33,798	21,696	(3,812)	(19,835)	(18,367)	(10,762)	(2,733)	83,151

GULF POWER COMPANY  
2006 CAPACITY CONTRACTS

1 A B C D E F G H I J K L M N O P Q R S T U V W X Y Z AA BB CC

2 Gulf Power Company  
3 2006 Capacity Contracts

Contract/Counterparty	Term		Contract Type
	Start	End (1)	
Southern Intercompany Interchange	2/18/2000	5 Yr Notice	SES Opco



(1) Unless otherwise noted, contract remains effective unless terminated upon 30 days prior written notice.

Capacity Costs

Contract	January		February		March		April		May		June		July		August		September		October		November		December		Total \$
	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	
Southern Intercompany Interchange	610.0	1,720,415	482.1	468,836	542.5	627,491	246.2	115,987	223.2	670,755	613.5	3,764,146	484.9	8,538,689	570.1	9,624,303	490.5	3,689,926	684.4	363,621	493.6	249,838	521.1	264,020	30,099,927
																									(109,045)
																									(8,596)
																									(438)
																									(41,856)
																									(1,762)
																									(4,679)
																									(415)
																									(37,125)
																									(1,256)
																									(628)
																									(628)
																									(628)
																									(628)
																									(2,300)
																									(1,308)
																									(628)
																									(628)
<b>Total</b>		1,688,635		445,165		602,636		104,416		662,264		3,759,953		8,534,480		9,620,041		3,685,764		343,426		216,275		224,324	29,887,379

(1) Put options sold to counterparty  
(2) Generator Balancing Service provides no capacity scheduling entitlements.