GULF POWER COMPANY

Before the Florida Public Service Commission

Supplemental Direct Testimony of

Richard J. McMillan

In Support of Interim Rate Relief

Docket No. 110138-EI

Date of Filing: July 8, 2011

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

A. My name is Richard J. McMillan, and my business address is One Energy Place, Pensacola, Florida 32520. I am employed by Gulf Power Company (Gulf, or the Company) as Corporate Planning Manager.

Q. Are you the same Richard McMillan who has prefiled direct testimony in this docket in connection with Gulf Power Company’s request for rate relief?

A. Yes.

Q. What is the purpose of this supplemental direct testimony?

A. The purpose of this supplemental direct testimony is to support the Company’s request for interim rate relief.

Q. Are you sponsoring any Minimum Filing Requirements (MFRs) related to the request for interim rate relief?

A. Yes. These are listed in Schedule 1 of my Exhibit RJM-2. The information contained in these MFRs in true and correct to the best of my knowledge and belief.

Q. What interim relief is Gulf requesting in this case?

A. Gulf is requesting an interim rate increase of $38,549,000 calculated in accordance with Section 366.071(5), Florida Statutes. The calculation of interim relief shown on MFR G-1 was based upon the historic twelve-month period ending March 31, 2011, and represents the additional revenues Gulf needs to achieve a 10.75 percent return on equity (the earnings floor approved in the Company’s last rate case in Docket No. 010949-EI). Gulf’s jurisdictional adjusted return on equity for the twelve months ended March 31, 2011 was 6.82 percent, and is projected to continue to decline without immediate rate relief.

Q. In calculating the interim rate request, did Gulf apply appropriate adjustments consistent with those used in the last rate case?

A. Yes. Those adjustments are shown on MFR Schedules G-3, G-5, and

G-9. The adjustments are discussed in more detail in my direct testimony.

Q. Did Gulf annualize any rate changes that occurred during the 12-month period used for calculating the interim rate request?

A. No. There were no such base rate changes during that period.

Q. How does Gulf propose to secure any potential refund of interim rates?

A. Gulf requests that the Commission authorize Gulf to use a corporate undertaking to secure any potential refund obligation. This is a lower cost option than posting a bond, and Gulf has the financial resources to support such an undertaking.

Q. Does this conclude your supplemental direct testimony?

A. Yes.

AFFIDAVIT

STATE OF FLORIDA ) Docket No. 110138-EI

)

COUNTY OF ESCAMBIA )

Before me the undersigned authority, personally appeared

Richard J. McMillan, who being first duly sworn, deposes, and says that he is the Corporate Planning Manager of Gulf Power Company, a Florida corporation, that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.

The signed original affidavit is attached to the

original testimony on file with the FPSC

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Richard J. McMillan

Corporate Planning Manager

Sworn to and subscribed before me this \_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 2011.

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Notary Public, State of Florida at Large

Commission No. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

My Commission Expires \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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|  |  |  |  | Florida Public Service Commission | | | |
|  |  |  |  | Docket No.: 110138 - EI | | |  |
|  |  |  |  | GULF POWER COMPANY | | | |
|  |  |  |  | Witness: R.J. McMillan | | |  |
|  |  |  |  | Exhibit No. \_\_\_\_ (RJM-2) | | |  |
|  |  |  |  | Schedule 1 | |  |  |
|  |  |  |  | Page 1 of 1 | |  |  |
|  |  |  |  |  |  |  |  |
| **Responsibility for Minimum Filing Requirements** | | | | | | | |
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| Schedule | Title |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  | | | |  |  |  |
| A-4 | Interim Revenue Requirements Increase Requested | | | |  |  |  |
| G-1 | Interim Revenue Requirements Increase Requested | | | |  |  |  |
| G-2 | Interim Adjusted Rate Base | |  |  |  |  |  |
| G-3 | Interim Rate Base Adjustments | |  |  |  |  |  |
| G-4 | Interim Jurisdictional Separation Factors – Rate Base | | | |  |  |  |
| G-5 | Interim Working Capital - 13 Month Average | | |  |  |  |  |
| G-6 | Interim Fuel Inventory By Plant | |  |  |  |  |  |
| G-7 | Interim Adjusted Jurisdictional Net Operating Income | | | |  |  |  |
| G-8 | Interim Net Operating Income Adjustments | | |  |  |  |  |
| G-9 | Interim Jurisdictional Net Operating Income Adjustments | | | | |  |  |
| G-10 | Interim Jurisdictional Separation Factors-Net Operating Income | | | | |  |  |
| G-11 | Interim Operating Income Detail | |  |  |  |  |  |
| G-12 | Interim State And Federal Income Tax Calculation | | | |  |  |  |
| G-13 | Interim Interest In Tax Expense Calculation | | |  |  |  |  |
| G-14 | Interim Parent Debt Information | |  |  |  |  |  |
| G-15 | Interim Gains And Losses On Disposition Of Plant Or Property | | | | |  |  |
| G-16 | Interim Pension Cost |  |  |  |  |  |  |
| G-17 | Interim Accounting Policy Changes | | |  |  |  |  |
| G-18 | Interim Revenue Expansion Factor | | |  |  |  |  |
| G-19a | Interim Cost Of Capital - 13 Month Average | | |  |  |  |  |
| G-19b | Interim Cost Of Capital - Adjustments | | |  |  |  |  |