

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for increase in DOCKET NO. 110138-EI
rates by Gulf Power Company.

_____ /

DEPOSITION OF: RICHARD J. McMILLIAN

TAKEN AT THE INSTANCE OF: Florida Public Service Commission

DATE: Wednesday, November 16, 2011

TIME: Commencing at 1:00 p.m.
 Concluding at 4:25 p.m.

PLACE: Room 362, Gunter Building
 2540 Shumard Oak Boulevard
 Tallahassee, Florida

REPORTED BY: Laura MOUNTAIN, RPR
 Court Reporter
 Notary Public in and for
 the State of Florida at
 Large

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COMMISSION
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8 REPRESENTING THE OFFICE OF PUBLIC COUNSEL:
9 (Telephonically)

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15 REPRESENTING GULF POWER COMPANY:

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1 APPEARANCES (CONTINUED):

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Also Present for Gulf Power:

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Betty Gardner

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Frank Trueblood

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Michael Springer

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Also Present:

12

Mike O'Sheasy, Christensen Associates

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I N D E X

15

WITNESS

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RAYMOND J. GROVE

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Direct Examination by Ms. Klancke

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Cross Examination by Mr. McGlothlin

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EXHIBIT

19

Late Filed Exhibit No. 1 for identification

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Late Filed Exhibit No. 2 for identification

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Late Filed Exhibit No. 3 for identification

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Late Filed Exhibit No. 4 for identification

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Late Filed Exhibit No. 5 for identification

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Late Filed Exhibit No. 6 for identification

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Late Filed Exhibit No. 7 for identification

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CERTIFICATE OF OATH

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CERTIFICATE OF REPORTER

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1 The deposition of RICHARD J. McMILLIAN was taken on oral
2 examination, pursuant to notice, for purposes of discovery,
3 for use in evidence, and for such other uses and purposes as
4 may be permitted by the Florida Rules of Civil Procedure and
5 other applicable law. The reading and signing of the
6 deposition by the witness is not waived.

7 * * *

8 Thereupon,

9 RICHARD J. McMILLIAN

10 was called as a witness, having been first duly sworn, was
11 examined and testified as follows:

12 DIRECT EXAMINATION

13 BY MS. KLANCKE:

14 Q Good afternoon. First, I want to thank you for
15 coming and talking with us today. We're just having a
16 conversation, which happens to be recorded. Please, if at
17 any point you want to stop or take a break, if you even just
18 run out of water or need a second, that's fine.

19 A Okay.

20 Q Please just go ahead and stop me. If at any point
21 I use a term that's unclear or that you're not familiar with,
22 I tend to -- I make things more complicated that they should
23 be and so if that transpires, please stop me. If I can use a
24 polysyllabic word versus a monosyllabic word, I always try to
25 do that for some strange reason. I am going to attempt to

1 avoid doing that, because this is as complicated as it needs
2 to be from the get-go. But just let me know, okay?

3 Please try to make all your responses audible for
4 the benefit of the court reporter. With that understanding,
5 would you please state your name for the record.

6 A Richard McMillian.

7 Q You're employed by whom and in what capacity?

8 A Gulf Power Company. I'm Manager of Corporate
9 Planning.

10 Q Could you please briefly describe your duties and
11 responsibilities with respect to the Manager of Corporate
12 Planning.

13 A As Manager of Corporate Planning I'm responsible
14 for the overall planning and budgeting process at Gulf Power,
15 and that would broadly entail my primary responsibilities. I
16 do whatever the CFO needs me to do.

17 Q Understood. You have filed lots of testimony in
18 this docket. You have filed prefiled direct, prefiled direct
19 supplemental, rebuttal, and exhibits with respect to those
20 prefiled testimony. With respect to all of the testimony
21 that you have filed in this docket, do you have any
22 additions, deletions, or corrections to that testimony at
23 this time?

24 A The testimony itself is accurate. I would have
25 some changes to the numbers based upon some of the issues

1 that have come up over the course of discovery and I think
2 we've placed an estimate of those amounts in the prehearing
3 statement.

4 Q Okay. So at this time can you walk us through
5 some of the deletions or corrections or do you not have that
6 information available, or do you feel uncomfortable doing
7 that?

8 A Well, the numbers, I think, if you look at the
9 prehearing statement, where we stood today, a lot of those
10 fallout issues are really my issues, ultimately, and I don't
11 really have the final numbers on those but in my testimony I
12 typically would have rate base, NOI, capital structure, cost
13 of capital. All those numbers potentially will change as a
14 result of the items that we have identified to date that we
15 would agree need to be corrected.

16 Q Certainly. Okay. Well, then, with respect to
17 that we will address that in the prehearing order and to the
18 extent feasible at this date and just progress forward with
19 your figures for the purposes of this deposition as are
20 reflected currently in your prefiled testimony, okay?

21 A Right.

22 Q Excellent. Let's begin with something I'm sure
23 you're very familiar with: Short-term debt. In particular
24 you had sponsored a whole list of schedules which were
25 contained on your Exhibit RJM-1, correct?

1 A Correct.

2 Q I'd like you to turn to one of those schedules, in
3 particular, Schedule D-2, page one of one.

4 A Is it Schedule 2 of my RJM exhibit?

5 Q It's D-2 of the MFRs. It was a schedule that you
6 sponsored that was listed on your exhibit, RJM-1. It was one
7 of those.

8 THE WITNESS: Do you all have the MFRs?

9 BY MS. KLANCKE:

10 Q We have extra copies of the MFRs, just in case.
11 We promise that we didn't change any of the figures.

12 A Well, most of these schedules are the same
13 information in my Schedule 12, but they are formatted
14 slightly differently.

15 Q Right, it's true. In particular, page one of two.

16 A Okay.

17 Q Just to confirm, you are the witness that sponsors
18 the schedule, correct?

19 A Yes.

20 Q Can you describe just briefly what this schedule
21 shows?

22 A It's essentially the five-year history of the cost
23 of capital.

24 Q Excellent. Would you agree that this schedule
25 shows that Gulf Power's capital rate structure included 7.73

1 percent of short-term debt as a percentage of investor
2 capital in 2008?

3 A Yes.

4 Q And would you agree that this schedule also shows
5 that with respect to 2009 Gulf Power's capital structure
6 included 9.96 percent; is that correct?

7 A Yes.

8 Q Would you agree that this schedule also shows that
9 Gulf Power's capital structure included 8.16 percent of
10 short-term debt as a percentage of investor capital in 2010?

11 A Yes.

12 Q Would you agree that this schedule further
13 indicates that Gulf Power's capital structure projects 1.60
14 percent of short-term debt as a percentage of investor owned
15 capital in the year 2011?

16 A Yes.

17 Q Finally, would you agree that this schedule shows
18 that Gulf's capital structure projects 1.47 percent of
19 short-term debt as a percentage of investor owned capital in
20 the year 2012?

21 A That's correct. Now, these are December year-end
22 balances.

23 Q Certainly. Now, would you please refer to MFR
24 Schedule D-1a, and in particular page one of three for the
25 year 2012.

1 A Page one of three?

2 Q One of three. You're the witness who sponsors
3 that MFR schedule, correct?

4 A Correct.

5 Q And what does this schedule show?

6 A This shows the 13-month average cost of capital
7 for the projected test year.

8 Q Would you agree that this schedule shows Gulf
9 Power's projected capital structure reflects a short-term
10 debt as a percentage of overall capital of 1.07 percent for
11 the purposes of its 2012 projected test year?

12 A Yes.

13 Q Would you agree that this schedule also shows
14 Gulf's projected capital structure reflects short-term debt
15 as a percentage of investor supplied capital of 1.29 percent
16 for the purposes of the 2012 test year?

17 A Could you repeat that?

18 Q With respect to this schedule, would you agree
19 that this schedule shows the projected capital structure
20 reflects the short-term debt as a percentage of investor
21 supplied capital of 1.29 percent with respect to 2012?

22 A 1.29? I thought we just said it was 1.07.

23 Q Investor supplied capital. The last one is
24 overall capital.

25 A Oh, I got you. I'd have to do some calculations

1 on that.

2 Q Would you agree subject to check? We can go off
3 the record and allow you to calculate it, if you'd like.

4 THE WITNESS: Let's go off the record for a second.
5 (Off the record)

6 MS. KLANCKE: Could you read back the last
7 question?

8 (Whereupon, the requested portion of testimony was read
9 by the reporter.)

10 THE WITNESS: Yes.

11 BY MS. KLANCKE:

12 Q Excellent. Could you explain for us why is the
13 relative percentage of short-term debt included in Gulf's
14 projected 2012 capital structures so much less than the
15 relative percentage of short-term debt maintained by the
16 company over the most recent three-year period?

17 A I can give you a general -- and if you want more
18 details -- but obviously over the last two or three years the
19 company has run much higher under-recoveries of fuel that we
20 essentially get compensated with commercial paper rates and
21 so we tend to try to finance that with commercial paper
22 because obviously it's the lower cost.

23 But historically, if you went back behind these
24 last two or three years, other than after Ivan, we typically
25 try to keep our short-term debt down in the 40 to -- over the

1 course of the year somewhere less than 100 million.

2 But it's a function of how many lines of credit we
3 have. Obviously, the more you want to carry you've got to go
4 out and procure lines of credit for that. So it's not just
5 the interest rate, it's your line of credit fees that you
6 have to factor into that.

7 So we had projected a more normal -- what we
8 consider a more normal level. Our under-recovery of fuel is
9 pretty close to zero. We're projected it to be at zero or
10 pretty close to it at the end of the year.

11 Q After this rate case is concluded is there
12 anything that would prevent Gulf from issuing additional
13 short-term debt above the levels reflected in its projected
14 capital structures?

15 A Nothing would preclude us. Obviously we've got to
16 have the financial flexibility to issue more or less,
17 depending on -- we try to time our issues of long-term
18 securities in the market based upon when we feel we can get
19 the best rates for our customers.

20 So if something happened in the markets and the
21 longer rates got a little higher or the spreads looked
22 unusual, we might would carry a little more short-term for a
23 while, but it's a function of the markets and how much lines
24 of credit we have actually went out and procured.

25 Q Following this rate proceeding would you agree

1 that the relative percentage of short-term debt in Gulf's
2 capital structure could return to the 7 to 9 percent range
3 that was maintained over the 2008 to 2010 period?

4 A Conceptually I believe we have enough -- I would
5 have to verify with our Treasurer. There are certainly SEC
6 limitations on how much short-term debt you can carry, or you
7 have to do additional SEC filings. If you have circumstances
8 where you need to go higher, I think you can get through some
9 filings.

10 But we work with the Treasurer and the Chief
11 Financial Officer in developing our forecast. This is what
12 we propose as a reasonable level, but I would tell you I
13 would expect that level to either be higher or lower
14 throughout the year depending upon -- like when we actually
15 go out and do financings, I would expect it to go all the way
16 down to zero.

17 We're going to finance it down and it will build
18 up to probably over 100 before we go out and issue \$100
19 million long-term security. So all of that is factored into
20 our forecast within our test year.

21 It just so happened this test year 40 million was
22 the 13-month average of the 17,955, but I think we had levels
23 of 40, 50, 60 million dollars during parts of that year
24 before the financings took place. But the initial question,
25 yes, I think we could be higher or lower.

1 Q Would you please turn to MFR Schedule D-3, page
2 one of one. You sponsored this schedule, as well, correct?

3 A Yes.

4 Q What does this schedule show?

5 A It shows the balances of short-term debt for 2010,
6 2011 and 2012, 13-month average balances.

7 Q And this schedule reflects an interest rate for
8 short-term debt of 2.12 percent; is that correct?

9 A Let's see the cost --

10 Q For 2012.

11 A 2.12, correct. Yes.

12 Q Could you tell us the commitment fees and the
13 costs associated with Gulf's use of short-term debt at a
14 fixed fee or percentage of the total? Can you explain, give
15 us some more information with respect to the costs and the
16 commitment fees?

17 A You mean how we came up with the 2.12?

18 Q The fees to get access to the short-term debt.

19 A Those are related to various bank lines of credit.
20 Again, they're not really reflected in this rate, per se.
21 This is the interest rate, itself. The commitment fees are
22 recorded in E&G and are included in our O&M request. So it's
23 bank fees, but, I mean, if you went back to our last test
24 year, they were very minimal.

25 Most of our lines of credit were actually received

1 from local banks just through running our deposits through
2 the banks as a courtesy, or really it was back when you had
3 local banks. Before everything got regionalized and
4 nationalized the lines of credit were generally worked with
5 your local banks as part of your arrangement to use them for
6 making deposits and using them to write checks.

7 Today -- in today's environment it's a lot
8 different. You have to pay to have access to funds and
9 they've actually -- those fees have increased substantially
10 in recent years, especially -- they have come back down some,
11 but when you had the liquidity squeeze a couple years ago, it
12 really ramped up. I mean, there were a lot of companies that
13 just couldn't get any short-term money.

14 I mean, we were, with our good credit rating, able
15 to access funds at a reasonable price, the interest rate.
16 But our fees for the lines of credit did increase.

17 Q How would you describe Gulf Power's access to the
18 commercial paper market as of today's date?

19 A Again, the Treasurer typically handles this, but
20 I'm familiar enough with it to explain that actually Gulf's
21 commercial paper program is run by SCS as our agent. And so
22 they're able to procure and get the most attractive rates
23 because they're doing it for pretty much the Southern
24 Company. So a company our size, we are able to tap into
25 rates probably substantially lower than other companies our

1 size.

2 Q Indeed. So you would say that Gulf has ready
3 access to the commercial paper market, correct, due to its
4 relationship to SCS?

5 A Right, within whatever our limits are.

6 MR. MELSON: Let me object to the form of the
7 question. I think she included an assumption in the
8 question that I'm not sure was exactly what he just
9 testified to. You can go ahead and answer. I guess you
10 did.

11 THE WITNESS: What was the question? What was the
12 question again?

13 BY MS. KLANCKE:

14 Q So you would say that -- would it be correct to
15 assert that Gulf has ready access to the commercial paper
16 market?

17 A Yes, generally, we do, through Southern Company
18 Services.

19 Q Okay. With ready access to the commercial paper
20 market at reasonable rates why has Gulf assumed for the
21 purposes of 2012 projected test year that it won't take
22 advantage of this low cost form of capital?

23 A Well, we're projecting that we will take advantage
24 of it. I think the flip side of that is that the long-term
25 rates are the cheapest they've ever been, and if you're ever

1 going to commit to 30-year bonds and you don't do it today, I
2 can't tell you a year from now that these 30-years rates will
3 ever be this low again.

4 So it's a balancing act where we have to evaluate,
5 based on current market conditions -- and to be honest, I'm
6 not an expert from the standpoint -- we have people in
7 Atlanta that provide guidance and counsel and those decisions
8 are made by the Chief Financial Officer and the Treasurer.

9 Q Certainly.

10 A But I would say, yes, we could probably save a few
11 nickels here, but it could cost us a lot more in the long
12 run. We are in a long-term business with assets of 40 or
13 50-year lives, and if you're going to hang all your financing
14 on short-term, it's going to eventually burn you.

15 Q Fair enough. What was the company's source for
16 the three-month forward LIBOR rate?

17 A Would you repeat that?

18 Q What was the company's source for the three-month
19 forward LIBOR rate?

20 A They're all Moody's Analytics. I mean, the stuff
21 in our filing I think we had in F-8, they were based on, I
22 think, September, 2010. We've subsequently -- I know you
23 haven't asked this yet, but we have agreed to update these
24 numbers through discovery.

25 Q We're getting there. That question came from some

1 information that was contained on one of your schedules. I
2 just wanted to confirm the accuracy of it.

3 Why did Gulf employ the forecast of Moody's
4 Analytics versus using a consensus forecast of several
5 sources, like, for example, the Blue Chip Financial Forecast?

6 A Southern has used Moody's for years. Even back
7 when they were Economy-dot-com, that's just who we've used.
8 You have to pay for a lot of these services and they have a
9 wide range of things that we need in the utility industry and
10 Moody's -- they've just been the ones that we've selected, or
11 Southern and the operating companies have agreed is the
12 appropriate source.

13 Q Could you give us a narrative explanation of how
14 the cost rate on Gulf's short-term debt for 2012 was
15 determined?

16 A I don't think I brought that with me, but it's a
17 function of the Moody's forecast, but I don't recall exactly
18 off the top of my head.

19 Q Can you take a shot at it?

20 MR. MELSON: Objection to the form. It asks him to
21 speculate.

22 BY MS. KLANCKE:

23 Q We're looking for a narrative explanation of how
24 we got there.

25 A I don't have the F schedules. Does somebody have

1 the F schedules?

2 MR. MELSON: I don't have them.

3 MS. RITENOUR: I have them in the car, if you want
4 me to go get them.

5 THE WITNESS: Well, it has our assumptions for --

6 MS. KLANCKE: We can go off the record.

7 (Off the record)

8 MS. KLANCKE: Madam Court Reporter, would you
9 repeat the question?

10 (Whereupon, the requested portion of testimony was read
11 by the reporter.)

12 THE WITNESS: The cost rate was based upon Moody's
13 Analytics forecast, September, '10 forecast. I can't
14 recall, and I don't have the document with me that would
15 tell me exactly what Moody's indexes was used, but it
16 was based upon that Moody's Analytics forecast.

17 BY MS. KLANCKE:

18 Q Okay. Let's move on to discuss long-term debt.
19 Would you agree that generally the farther out you go with
20 respect to forecasts for interest rates the less confidence
21 you'd have with respect to the accuracy of the forecast,
22 depending on how far out they are, all things being equal?

23 A What type of forecast are you referring to?

24 Q With respect to interest rates.

25 A I don't know, interest rates are -- I'm not sure

1 you can --

2 Q Tricky?

3 A -- be real accurate in short-term or long-term.

4 Obviously the further out there are more uncertainties in any
5 kind of forecast.

6 Q Sure. Would you please turn to MFR Schedule D-8.
7 Would you please -- could I turn your attention to lines 12
8 and 13 next to the interest rates assumptions. On line 15 --
9 let's see -- with respect to lines 12 and 13, the numbers --
10 the figures that are reflected there, this contains the
11 interest rate with respect to the assumptions; is that
12 correct?

13 A Yes.

14 Q When were these assumptions derived?

15 A When the budget was put together, which was,
16 again, based on that Moody's Analytics, September, 2010 data.

17 Q My pen just broke. With respect to line 15 could
18 you explain to us how the risk premium of 190 basis points
19 was derived?

20 A I would point out on line 16 that tells you that
21 the short-term rate was based on the three-month LIBOR. I
22 couldn't remember where it was. But yes, they looked at a
23 historical spread of similar preferred securities that Gulf
24 is issuing and that was a spread that they came up with to be
25 representative.

1 Q Fair enough. Are all the issuance costs or fees
2 embedded in the cost rate for long-term debt located on -- is
3 that line 25? Could you summarize -- scratch that question.
4 Could you summarize exactly how the projected cost rate on
5 Gulf's long-term debt was calculated, using all the
6 components you used?

7 A The cost rate of long-term debt?

8 Q That's correct.

9 A It's basically looking at every issue. It's both
10 the embedded costs related to the outstanding issues plus any
11 projected issues in the projected interest rate. So they are
12 laid out by issue in my Schedule 12. It might be easiest for
13 someone to just look at that. I think it's on -- there's an
14 actual page -- I think it's two -- the long-term debt is on
15 page three of five of Schedule 12 of my exhibit and it lists
16 each of the issues and the related -- the principal and
17 related costs.

18 Q Using this schedule, could you give us a narrative
19 encapsulation of that analysis?

20 A It includes the 13-month average balance of each
21 issue that's outstanding, including those that are projected
22 to be made in '11 and '12, and you take the 13-month average
23 of the principal outstanding balance divided by -- and then
24 you take the sum of the interest rate, interest costs, which
25 are the coupon rate times the principal, plus the unamortized

1 losses and unamortized issuing costs, any of the other costs
2 that are on the balance sheet related to your issuance of
3 debt. And those are reflected in columns five, six, eight,
4 nine and ten.

5 If you add all those fixed costs up, you'd come up
6 with the total annualized cost. You divide that by the
7 13-month average principal. That gives you the embedded or
8 the actual weighted cost of debt, long-term debt.

9 Q Fair enough. Now, could I turn your attention now
10 to your MFR Schedule D-4a, one of three. Are you there?

11 A Yes.

12 Q On this schedule, on line ten in particular, it
13 specifies that Gulf has projected a 6.50 percent senior note
14 coupon rate for this issuance of approximately \$120 million;
15 is that correct?

16 A Yes.

17 Q What was the actual date of issuance of the senior
18 note as reflected on line ten?

19 A Oh, you're talking about with the actual. I don't
20 have that in front of me. Again, I think I mentioned earlier
21 in my rebuttal I have agreed to revise our cost of debt and
22 preferred and one of the things I updated was this actual
23 issuance of that debt in the first part of '11.

24 Q That's what we were looking for, just
25 clarification of that. That clarification was with that line

1 of questions, so with that amount of candor, four questions
2 gone.

3 A Good.

4 Q So with respect -- okay, so on line -- turning
5 your attention now to line 12, that same schedule, Gulf
6 projects that it will issue a \$40 million bond -- \$40
7 million, rather, of 30-year bonds at a coupon rate of 7.70
8 percent on March of 2012; is that correct?

9 A Yes.

10 Q What is your basis for assuming a 195 basis point
11 increase in the coupon rate for Gulf Power's 30-year bonds
12 over this ten-month window period of time, approximately
13 ten-month window period of time?

14 A It was based upon the projected interest rate
15 forecast of Moody's Analytics from September of 2010, which
16 again I have agreed to update that, and those rates do not go
17 up quite that high.

18 Q And Gulf projects that it will issue \$40 million
19 of 30-year bonds at a coupon rate of 8.05 percent in December
20 of 2012; is that correct?

21 A Yes.

22 Q It's at line 11, in case you --

23 A Yes.

24 Q What is the basis for assuming a 230 point basis
25 point increase in the coupon rate for Gulf Power's 30-year

1 bonds over this 19-month window, approximately?

2 A Again, it was based upon the interest rate
3 projections from Moody's Analytics.

4 Q Now, I'd like you to refer to -- just review on
5 this page, lines one through 12. Would you agree that the
6 spread between the historical senior note coupon rates issued
7 from 2003 to 2010 ranged from 4.35 percent to 5.9 percent?
8 Actually it goes up to 8.05 percent. Those are projected,
9 though, but with respect to lines one through nine.

10 A Yes.

11 Q Would you agree that the spread over these years
12 is approximately 155 basis points?

13 A The spread over what?

14 Q Years 2003 to 2010, highest coupon rate to lowest
15 as reflected on this schedule.

16 A Looks like 155 basis points.

17 Q Okay. I'd like to turn your attention now to
18 preferred stock, and in particular I'd like you to turn to
19 MFR Schedule D-5. It's titled preferred stock, outstanding,
20 page 103. You were sponsoring this schedule; is that
21 correct?

22 A Yes.

23 Q On line three a projected issuance of \$40 million
24 is expected to be completed on November 1st, 2011; is that
25 correct?

1 A Yes.

2 Q Has this issuance been completed as of the date of
3 this deposition?

4 A No.

5 Q Could you provide an estimate with respect to when
6 Gulf anticipates the issuance to take place?

7 A We haven't -- I don't think -- we're in the
8 process of finalizing our budget, the 2012 budget, and that
9 will be factored in. I would say it would be in early 2012
10 would be my estimate.

11 Q Please refer to Gulf's response to Staff's Ninth
12 Set of Interrogatories, number 119 -- oh, 117, sorry.

13 MR. MELSON: Off the record a minute.

14 (Off the record)

15 BY Ms. KLANCKE:

16 Q Are you there?

17 A Yes.

18 Q In this interrogatory we asked you to provide all
19 the calculations and any benchmarks used to derive the
20 projected cost rate of the preferred stock issuance, which we
21 just discussed, which was projected to occur on November 1st,
22 2011. Do you see that?

23 A Yes.

24 Q Could you give us a description of the process
25 that Gulf undertakes with respect to projecting the cost of

1 preferred stock?

2 A Well, it's in the footnotes. Again, we used
3 Moody's Analytics, and in the case of our 2011 budget, it was
4 based on the September, 2010 Moody's Analytics economic
5 forecast. And to that we typically look at a historical
6 spread for the various types of securities. And in this case
7 we estimated a 200 basis point spread between preference
8 stock and the securities that they were measuring it on.

9 Q Excellent. We are just looking for a little
10 context with respect to that. Could you please refer to page
11 23 of your direct testimony -- prefiled rebuttal testimony,
12 and in particular line 17 through 19.

13 Beginning on line 17 you specify as shown in that
14 response the appropriate costs are 0.13 percent for
15 short-term debt, 5.26 percent for long-term debt and 6.39
16 percent for preferred stock. Do you see that?

17 A Yes.

18 Q Would you agree that these updated costs for
19 short-term debt, long-term debt, and preference stock should
20 be used in place of the original MFR filing cost rates?

21 A Yes.

22 Q Could you please explain the rationale for why it
23 would be beneficial to use these updated cost rates.

24 A It would be beneficial for the customers, not so
25 much for us. But what I was recognizing is that obviously,

1 as I've been saying all along, the Moody's Analytics 2010
2 forecast, compared to 2011, the interest rates due to the
3 economic malaise and the Fed's action has pushed out or their
4 current projections are that we're going to continue to
5 experience these historically low interest rates for much
6 longer than we had included in our '11 budget, so we're going
7 to reflect that in all our future forecasts, and we're
8 volunteering and agreeing that for the 2012 period it would
9 be appropriate to reduce those rates.

10 Q Please refer now to OPC's or Citizen's Eighth Set
11 of Interrogatories, page 263. In this interrogatory you were
12 asked to update the MFR's D-1 through D-9 as of the present
13 date of this response with respect to, one, all debt and
14 preferred stock financings as well as all dividend payments
15 to Southern and/or equity infusions by Southern, and, two,
16 updated interest rates on proforma financings based on
17 updated interest rate forecast. Do you see that?

18 A Yes.

19 Q And in response you provided a series of pages
20 containing those updated figures; is that correct?

21 A Yes.

22 Q Would you agree that the updated cost rates for
23 preferred stock and short-term debt are in fact lower than
24 that that was proposed by OPC witness Woolridge in his
25 testimony?

1 A I believe they were, yes. I don't have his
2 testimony out in front of me, but I think we were a little
3 lower than him in those items.

4 Q Sure. I have excerpts from that testimony, but
5 would you agree, subject to check, that Gulf's was -- for
6 example, for preferred stock, was 6.39 percent and his was
7 6.40 percent; is that correct?

8 MR. MELSON: Give me just a minute.

9 MS. KLANCKE: I have an extra if the witness would
10 like to see it.

11 MR. MELSON: Yeah, that would help.

12 THE WITNESS: Yes.

13 BY MS. KLANCKE:

14 Q Have there been any discussions with OPC, to your
15 knowledge, with regard to the stipulation of Gulf's lower
16 preferred stock and short-term debt cost rates?

17 A Not that I'm aware of.

18 Q Could you explain why there is a 28 basis point
19 difference between Gulf's long-term debt cost rate, 5.26
20 percent, and OPC witness Woolridge's proposed cost rate of
21 4.98 percent?

22 A Give me the question again. I'm sorry.

23 MS. KLANCKE: Sure. Could you please repeat the
24 question?

25 (Whereupon, the requested portion of testimony was read

1 by the reporter.)

2 THE WITNESS: I could not tell you right now. I
3 mean, we were not able to determine exactly how he
4 derived his numbers, but we did recognize, because of
5 the time elapse and the current projected interest rates
6 that it would be appropriate to revise our numbers, and
7 we feel our revised 5.26 is the accurate number to be
8 used.

9 BY MS. KLANCKE:

10 Q Okay, please refer to your exhibits to your
11 testimony, Schedule 1, page four of four to your supplemental
12 direct testimony.

13 MR. MELSON: Just for clarification, this is the
14 supplemental direct filed November 4th?

15 MS. KLANCKE: This is --

16 MR. MELSON: It may be on the next page.

17 MS. KLANCKE: This is RMG-3, so, yes, that's
18 correct. RJM-3, rather. Schedule 1, page four of four.
19 November 8th was the date of the filing as specified by
20 the Commission Clerk.

21 MR. MELSON: The reason I asked is he's got two
22 pieces of supplemental direct, one related to interim
23 rates, and I didn't think that was where you were.

24 MS. KLANCKE: Truly. You threw me off with the
25 November 4th. I thought, what?

1 MR. MELSON: Well, I was looking. I haven't found
2 it yet.

3 THE WITNESS: It isn't on the first page of my
4 testimony? Date of filing November 8th is what I
5 understood, but I don't know.

6 MR. MELSON: Go ahead. I just can't find my copy.

7 BY MS. KLANCKE:

8 Q In this exhibit you discuss the recovery of Gulf's
9 Crist Unit 6 and 7 turbine upgrade project; is that correct?

10 A Yes.

11 Q Can you explain why your costs rates on this
12 schedule are not updated to reflect the updated cost rates
13 for long-term and short-term debt which we had previously
14 discussed with respect to your rebuttal testimony?

15 A At the time we were preparing this testimony, the
16 other discovery was in the process, we had not -- no one has
17 agreed to what the appropriate rate is so I could put another
18 number -- we thought it would be more confusing.

19 I did use our filed amounts. I volunteered what
20 our filed amounts updated figures would be, but at this point
21 staff nor any of the other intervening parties have agreed to
22 those numbers. So obviously they have another set of
23 numbers, so it would just be one more set of numbers to try
24 to figure out why people's numbers are different.

25 Q Truly. Staff at this time would like to ask for a

1 Late Filed Exhibit to update -- providing the updates to your
2 supplemental direct testimony to reflect the updated cost
3 rates that were contained in your rebuttal testimony,
4 commensurate with those.

5 MR. MELSON: If I understand, that would basically
6 be the Schedule 1 of RJM-3.

7 MS. KLANCKE: That is correct, page four of four,
8 is what we're really looking for, but with respect to
9 the whole schedule.

10 THE WITNESS: It would change the numbers in the
11 front as sort of the support for the revenue requirement
12 calculations.

13 MR. MELSON: So you're basically asking for an
14 undated version of Schedule 1 of RJM-3, the four pages?

15 MS. KLANCKE: That is correct.

16 MR. MELSON: That's something you can do, isn't it,
17 Richard?

18 THE WITNESS: Sure. Not a problem.

19 MR. MELSON: As a short title can we say updated
20 Schedule 1 to Exhibit RJM-3?.

21 MS. KLANCKE: Sure. Excellent. That would be much
22 appreciated.

23 (Whereupon, Late Filed Deposition Exhibit No. 1 was
24 marked for identification.)

25 BY MS. KLANCKE:

1 Q Okay. I'd like to turn your attention now to the
2 North Escambia site. In particular, for the purposes of
3 reference, I'd like to turn to your direct prefiled testimony
4 on page five. On this page you discuss adjustment nine; is
5 that correct?

6 A Yes.

7 Q And adjustment nine addresses the inclusion in
8 rate base of the North Escambia site; is that correct?

9 A Yes.

10 Q To your knowledge does Gulf currently have any
11 plans to initiate filings with the Nuclear Regulatory
12 Commission regarding the asserted possible future nuclear
13 generation facilities on the North Escambia site?

14 A Would you reword the question?

15 Q Does Gulf have any plans, to your knowledge, to
16 initiate filings with the Nuclear Regulatory Commission with
17 respect to the nuclear option with regard to generation on
18 the North Escambia site?

19 A I would just say that based on my knowledge, at
20 this point in time, no, but I think Rhonda Alexander filed
21 some supplemental testimony that addresses the status and the
22 decisions the company made throughout this development of
23 this.

24 Q Fair enough. As of the date of this deposition,
25 to your knowledge, does Gulf currently have any plans to file

1 for a need determination with the Florida Public Service
2 Commission for generation capacity at the North Escambia
3 site?

4 A Not at this immediate time, no.

5 Q To your knowledge are there currently any public
6 documents that describe or show a timeline for generation
7 development at the North Escambia site?

8 A I'm not aware, but I think I may not be the
9 appropriate witness to answer that question.

10 Q Certainly. And this is just with respect to your
11 knowledge, and that is a perfectly acceptable answer. To
12 your knowledge are there any nonpublic or confidential
13 documents that describe or show a timeline for development at
14 the North Escambia site?

15 A Don't know.

16 Q That's fine. Gulf witness Burroughs noted in his
17 testimony on page 26 -- and I have an excerpt if you'd care
18 to see it -- that the Caryville site is not suitable for
19 nuclear generation. Is that an accurate statement, to your
20 knowledge?

21 A That's what I understand, but I'm not the witness
22 that would be able to explain why.

23 Q To your knowledge is that why Gulf has potentially
24 pursued an alternative that we now know as the North Escambia
25 site?

1 A Yes.

2 Q The Caryville site is certified for a 500 megawatt
3 coal facility; is that correct?

4 A The Caryville site? I think it's actually
5 certified for multiple 500 megawatt coal facilities.

6 Q Does Gulf currently have any projections or plans
7 with respect to building a 500 megawatt coal facility at the
8 Caryville site in the next ten years?

9 A I'm not the witness really -- I'm not aware of
10 any, and I don't think so, in the current environment, but
11 I think Mr. Burroughs would be the witness to cover that one.

12 Q Certainly. Are you aware of any long-term load
13 forecast that shows that Gulf will likely need two base load
14 generation sites within the next 10 or 20 years?

15 A Again, I'm not the witness, you know, to address
16 the generation planning side.

17 Q To your knowledge would you agree that if Gulf
18 becomes involved in a future nuclear power project it will
19 not likely develop non-nuclear base load generation at the
20 Caryville site, or at least delay or defer its future use?

21 A Sounds like a bunch of assumptions, but I'm not
22 sure I can address -- do you have a specific question? You
23 sound like you -- if we defer Caryville --

24 Q Do you know a witness who would be able to address
25 the range of scenarios with regard to the nuclear option that

1 you talk about on page five?

2 A Burroughs, I believe, would be the witness that's
3 addressing generation planning.

4 Q Do you believe that Gulf has a need for both the
5 Caryville and the North Escambia sites for development in the
6 next ten years?

7 A Again, I'm not the witness, and I don't believe
8 we've -- my understanding is we have not put forth a case
9 saying we needed it for immediate development. In this case
10 we clearly state we're reserving a nuclear option to purchase
11 this site. But again, the generation planning witness would
12 probably be the one that would be able to articulate that
13 more clearly.

14 Q Would you, to your knowledge, agree that if a
15 nuclear option was pursued that it would be reasonable for
16 Gulf to own or control about 400 to 500 megawatts of that
17 project?

18 A Would you reword the question, or do your question
19 again?

20 Q Sure. Maybe we could refer to your testimony on
21 page five, line 17 through 19. You talk about Gulf believes
22 that nuclear is a viable option that benefits the customers
23 under a range of scenarios. Maybe you could give us a better
24 idea of what you're contemplating with respect to the range
25 of scenarios.

1 A Again, obviously, if you get into a carbon
2 constrained environment or there's other regulatory --
3 proposed regulatory regulations that could potentially
4 require either nuclear, or -- in some scenarios that would be
5 the only option. But, I mean, I think that's what we're
6 alluding to here. Again, I think either Burroughs or
7 Alexander put more context around the decision to actually
8 procure this site to maintain this nuclear option.

9 Q Would one of the range of scenarios that's
10 contemplated in your testimony include Gulf's seeking
11 partners with respect to any future nuclear power project?

12 A That is certainly one thing we looked at, yes.

13 Q Could you please turn to page 21 of your rebuttal
14 testimony. In particular, line six through nine.

15 MR. MELSON: Rebuttal?

16 MS. KLANCKE: So many testimonies.

17 MR. MELSON: His page didn't look like mine.

18 THE WITNESS: I'm sorry, now, what page was it on?

19 BY MS. KLANCKE:

20 Q Page 21, lines seven through nine. Six through
21 nine.

22 A I've got it, if I can figure out which book I'm
23 in. Got it.

24 Q On page 21 of your rebuttal testimony you specify
25 that Gulf is proposing to discontinue deferral and move

1 dollars into rate base; is that correct?

2 A Yes.

3 Q Can you identify and explain what dollars
4 specifically you're referring to here which will be moved
5 into rate base?

6 A Basically it was the cost that Gulf has incurred
7 through the end of 2011 for the site evaluation, site
8 purchases. And that's pretty much the main -- that's what
9 the whole thing -- there were some carrying charges, I think,
10 as I addressed in my direct, that we accrued related to that
11 site, also.

12 Q Do you believe that this removal and -- this
13 removal of these charges and moving them to rate base should
14 be done at this date rather than at a date closer to when the
15 site will actually be used?

16 A Yes, I do believe it should be. I mean, it
17 provides the nuclear option for our customers in the future.
18 And to the extent we can go ahead and get that in rate base
19 it will allow us to quit deferring the return, which will
20 cease or minimize these carrying costs that are just going to
21 build up, depending upon how long it is.

22 I don't know when that nuclear option -- we'll
23 actually pursue that, so it just sort of leaves a lot of
24 deferred costs on the balance sheet building up over time.
25 I mean, that's why I think we're just arguing it's a prudent

1 cost, we need it for long-term strategic reasons, and it's
2 appropriate to go ahead and include that in the rate base.

3 Q To your knowledge, what are those carrying costs
4 that you're referring to?

5 A It's an AFUDC return on the costs that have been
6 incurred to date, in accordance with 366.93.

7 Q If the Commission is not inclined to recognize all
8 of the Escambia site and the Caryville site at this time due
9 to the current status of the site development, would it be
10 reasonable, in your opinion, to recognize some percentage?
11 For example, 20 percent.

12 A Without knowing what the basis for some percentage
13 would be, it would be hard for me to say. It seems to me you
14 would need to include the entire site.

15 Q Why?

16 A I don't know. That's why you have to give me some
17 basis for why would you only allow a portion of it.

18 Q Due to the uncertainties and the speculative
19 nature of the nuclear option at this date.

20 A Certainly we'd like to get the entire site in rate
21 base. We think that's the appropriate answer. But without
22 specifics, you know, I'm sure you'd have to support whatever
23 you decide to do.

24 Q Indeed. Would you agree that your proposal of
25 including the North Escambia site in rate base would increase

1 customer rates in the near term upon the setting of new base
2 rates in this proceeding, all other factors being equal?

3 A Yes, it will increase them.

4 Q In your opinion, to your knowledge, are there any
5 near term benefits to customers within the next ten years
6 that would result from the addition of these costs -- the
7 moving of these costs into rate base, for the customer?

8 A As Mr. Burroughs again testified, this site could
9 be used for multiple purposes other than a nuclear site. It
10 is predominantly being purchased to preserve the nuclear
11 option, but I can't predict the future that clearly.
12 Otherwise, I would probably be in another line of business.

13 But it is possible that that site could be
14 utilized for some other purpose. And it's a good -- we feel
15 it's a good investment and a prudent thing to do. We are a
16 long-term business that has to figure way out into the
17 future, not just five or ten years. It takes almost ten
18 years to build a nuclear plant before you pull the trigger.

19 MS. KLANCKE: Well, it seems to take much longer
20 than that around here. Let me just take a brief break
21 really quick. Let's go off the record.

22 (Brief recess)

23 BY MS. KLANCKE:

24 Q Please refer to Staff's Fourteenth Set of
25 Interrogatories, number 175. In this response Gulf provided

1 a series of tables containing the appropriate adjustments for
2 all projects showing a completion date prior to December,
3 2012, and that were not closed to plant in service in 2011;
4 is that correct?

5 A Yes.

6 Q Would you agree that these are additional
7 adjustments that should be made to plant in service, CWIP,
8 accumulated depreciation, and depreciation expense?

9 A Yes, if you would -- yeah, they would -- to
10 properly close those projects, these would be the appropriate
11 adjustments.

12 Q Excellent. Please refer to Gulf's Response to
13 Staff's Fifth Set of Interrogatories, number 50. Let me know
14 when you're there.

15 A Got it.

16 Q Okay. This interrogatory contains a listing of
17 all land included in the \$5,665,000 plant held for future use
18 with a detailed explanation as to the location of the parcel,
19 date, acquired cost, and projected date of usage; is that
20 correct?

21 A Yes.

22 Q Would you turn to the table reflected on page two.
23 Please refer to the item reflected as the first entry under
24 production future use entitled Caryville land. How many
25 years has the Caryville land site been in rate base since it

1 was acquired on September 19th, 1963?

2 A That's a good question. I'd have to go back and
3 look. I know it's been since the early eighties for sure
4 it's been in rate base, but I don't recall from '63 to that
5 time frame. I'd have to go back in the archives.

6 Q About 30 years, approximately?

7 A Something like that, yeah.

8 Q The Caryville land is approximately 2,200 acres;
9 is that correct, to your knowledge?

10 A I believe, but, yeah, Mr. Burroughs or one of them
11 could give you the specific verification, but that sounds
12 about right.

13 Q What is the Caryville site currently being used
14 for?

15 A It's a generating -- a future generation site that
16 had already been certified for coal generation and it's been
17 just being held for future use, essentially. There are a few
18 minor lease arrangements that come up from time to time, but
19 it's pretty much forested, and there was some cleared
20 property that I think some farmers from time to time run.

21 Q Can you explain to your knowledge in a little
22 further detail what those minor lease --

23 A I think there was a discovery question -- off the
24 top of my head, I think there was a hunting camp that's
25 leased the land for hunting purposes. And then there's been,

1 from time to time, a few plots that have been cleared -- that
2 were cleared when we purchased the land that farmers have
3 leased. I don't know if it's currently leased. I'd have to
4 verify if somebody is growing something there right now.
5 It's not used by Gulf Power for anything like that.

6 Q You mentioned that it is being held for future
7 use. To your knowledge has Gulf made any determinations with
8 respect to when it will use the Caryville land for utility
9 purposes?

10 A No specific use has been identified today in our
11 ten-year site plan, but it is a certified site at a fairly
12 minimal cost and we still feel it's prudent to hold onto that
13 property because it is something that we may use down the
14 road.

15 Q To your knowledge, with respect to the non-utility
16 purposes that we just discussed, do you know what percentage
17 of the land, that 2,200 acres, is being used for non-utility
18 purposes?

19 A I don't.

20 Q Please refer to the Mossey Head generating site
21 under the plant production future use. It's the one, two,
22 three, four -- fifth entry.

23 A Yes.

24 Q This site was acquired on October 22nd, 1998; is
25 that correct?

1 A Yes.

2 Q Can you give an estimate of the size of the Mossey
3 Head generating site?

4 A I cannot. I would have to have, you know, someone
5 -- I'd have to get some detailed records to determine that.

6 Q That's okay. To your knowledge are there any
7 non-utility activities that are currently occurring on that
8 site?

9 A I'm not aware of any, but I would have to verify
10 that.

11 Q To your knowledge is the company currently
12 receiving any revenue from that land?

13 A Again, I would have to verify. I think there's
14 some discovery right now that's outstanding pertaining to
15 leases.

16 Q We haven't gotten that.

17 A And we're in the process of pulling that together,
18 but I have not received all the information. Any leases that
19 we would have on the pieces of miscellaneous property I will
20 say it's booked to other operating revenues, 456,900, and the
21 customer would be receiving credit for that in our operating
22 revenues. The only exception that I'm aware of is if there's
23 forested land, when they harvest timber, I think that timber
24 amount may go back against the cost of the land.

25 But again, they're doing it in accordance with

1 FERC guidelines, whatever the FERC requires. Typically, with
2 miscellaneous leases, they would just be reported as other
3 operating revenues and the retail customer would get the
4 credit for any lease revenues as a production and revenue
5 requirement, essentially.

6 Q Okay. Let's move on to the column entitled
7 general future use. With respect to all the properties
8 listed under this column, it provides the land was purchased
9 for additional parking. Do you see that?

10 A Yes.

11 Q But this additional parking land specifies that
12 there is no projected date of usage as of the date of this
13 response; is that correct?

14 A It says unknown, correct.

15 Q To your knowledge have any decisions been made
16 with respect to this additional -- when the company intends
17 to use these facilities for additional parking?

18 A I would have to get specifics, since it's
19 involving three of our main office complexes, you know,
20 because each one may have its own -- I know like when the bay
21 front office, when it was purchased, adjoining land was
22 purchased because we had a third floor that was uncompleted.
23 If and when the employee base built up, they'd need more
24 parking.

25 We're adding some office facilities in there now,

1 but I still don't think they've reached the point where they
2 have to build additional parking. But again, if you had a --
3 you could give me -- I'd have to get some specifics on each
4 of these, if you needed that.

5 Q With respect to the bay front property that you
6 just mentioned, the bay front offices listed here --

7 A Yes.

8 Q -- do you know why that additional parking hasn't
9 been used yet?

10 A We just haven't filled the building with people
11 yet.

12 Q Fair enough. To your knowledge do you know what
13 type of parking is being proposed? I mean, are we talking
14 about parking garages?

15 A No, I think this is land that would be adjoining
16 and it would be to avoid the need to do parking garages down
17 the road, you know. So the land was cheap; much cheaper to
18 pave parking spots. And so I think it's just as land becomes
19 available and we're building out a facility there's specific
20 regulations that require so many parking spaces per amount of
21 square footage you have.

22 Q Not to put too fine a point on this, but to your
23 knowledge does Gulf have any plans of using it for the
24 parking of heavy equipment like trucks or --

25 A I wouldn't know. I mean, like I said, it shows

1 unknown so my guess is it's just there if and when it's
2 needed, but that's all I can tell you right now.

3 Q With the general repair facility, do you have --
4 which was purchased in 1986 -- do you have any idea why this
5 hasn't been used up until the date of this proceeding?

6 A I guess a need hasn't arisen to actually utilize
7 that.

8 Q Similarly, with respect to the Panama City
9 additional parking, it was purchased in 1984. Do you see
10 that?

11 A Yes.

12 Q Do you know why the plans with respect to usage
13 have not been solidified up to this date?

14 A I don't. I could get something, but it's still
15 unknown at this time.

16 Q With regard to the Pace land acquisition, which is
17 the first one reflected, that's in the city of Pensacola,
18 correct?

19 A Yes.

20 Q To your knowledge are there any non-utility
21 activities currently occurring on any of these four
22 properties, currently?

23 A No.

24 Q No, there aren't, or no, you don't know?

25 A Well, there's no -- I guess it's non-utility --

1 what are you referring to as non-utility?

2 Q Anything that -- for example, on the Caryville
3 land you said there was some farming, some lumber. Those are
4 all non-utility and minute. Similarly, to your knowledge,
5 are there any non-utility activities going on with respect to
6 any of these properties?

7 A Well, as far as, you know, maybe part of the
8 building being used by someone else, I do believe a piece of
9 the building, not the land, over at Pace Boulevard, the old
10 Chase Street Building, there's a vendor that rents some space
11 in the building and that actually does work for us, but I
12 don't know if I would call it necessarily just a
13 non-associated person that's using a piece of the building.

14 I wouldn't characterize the activities as
15 non-utility, but there may be some rental. And to the extent
16 we receive any rental income from someone, it would be
17 credited back to the customer as revenues.

18 Q Let's move on to distribution for future use.
19 With respect to the Sandestin substation, there's an asterisk
20 and it takes you down to this note. Do you see that?

21 A Yes.

22 Q And the note specifies, quote, after the 2012
23 budget was completed, it was determined that the Sandestin
24 substation land was utilized in 2003 and should have been
25 moved to FERC 101. This entry was recorded in April of 2011.

1 Do you see that?

2 A Yes.

3 Q Was the land moved to plant in service for 2010,
4 2011, and the projected 2012 test year?

5 A No.

6 Q At this time staff would like to request a Late
7 Filed Exhibit to provide the adjustment to the entries with
8 respect -- as mentioned in this note.

9 A Okay, it would just be when the property was moved
10 from 105 to 101, and it's land, so there wouldn't be any
11 depreciation, but we can provide that entry.

12 Q We would like this Late Filed Exhibit to include
13 the account that it has been moved from, the account that it
14 was moved to, with respect to the April, 2011 date, and the
15 way that it is being treated currently.

16 A Okay.

17 MR. MELSON: When you say currently, you mean in
18 the MFRs?

19 MS. KLANCKE: Yes.

20 MR. MELSON: Off the record just for a minute?

21 MS. KLANCKE: Sure, we can go off the record.

22 (Off the record)

23 (Whereupon, Late Filed Deposition Exhibit No. 2 was
24 marked for identification.)

25 BY MS. KLANCKE:

1 Q Previously I had asked you a question with respect
2 to those lands reflected in the general future use. Do you
3 recall that?

4 A Yes.

5 Q With respect to any of the lands that are
6 reflected on this page have any of these lands been used for
7 non-utility activities of which you are aware?

8 A Not to my knowledge.

9 Q With the exception of the Caryville land, is that
10 correct, as we previously discussed?

11 A Again, that's -- I wouldn't even characterize that
12 as non-utility. For me non-utility implies it's something
13 that we're doing that's non-utility. I would call that
14 leasing it when it wasn't fully utilized for utility
15 purposes.

16 But I do think there may have been -- there might
17 be some minor building lease stuff, but I would have to
18 verify. It's the only one I'm aware of -- and whether or not
19 they're even still in there -- was over in that Pace area,
20 the Pace land. It's not being utilized but there's a
21 building there, the Chase Street Building, that may have had
22 some, but they're not even on this schedule. But we will
23 verify that there's no other -- like I said, I think we're
24 already doing some discovery on any leases that are out
25 there.

1 Q Correct.

2 A So that response will include all the leases that
3 we have.

4 Q Excellent. We just -- since we appreciate you
5 coming here we like to have you explain. This is a learning
6 experience for us.

7 A Sure.

8 Q Could you turn to MFR Schedule B-17? In
9 particular I'd like you to turn to page three of six.

10 MR. MELSON: What's the Bates stamp on it, on the
11 bottom of it?

12 MS. KLANCKE: This one I'm using the actual --

13 MR. MELSON: No, no, that number is just --

14 MS. KLANCKE: Eighty-eight.

15 MR. MELSON: Okay. That's easier for the lawyers
16 to find.

17 BY MS. KLANCKE:

18 Q Sure. What does the schedule reflect?

19 A This is the 13-month average capital structure --
20 I mean, working capital for the prior year ended December of
21 '11.

22 Q And you are sponsoring this schedule?

23 A Yes.

24 Q Can I turn your attention now to line 25 at the
25 bottom of the page.

1 A Yes.

2 Q This line reflects the fuel under-recovery
3 balance. Do you see that?

4 A Yes.

5 Q And this fuel under-recovery balance as reflected
6 on this page is denoted as 8,718. Do you see that?

7 A Yes.

8 Q And now turning in the same schedule to page five
9 or Bates stamped page 90. And on line 20 -- are you there?

10 A Yes.

11 Q On line 27 it similarly reflects a fuel
12 under-recovery balance of 11,595. Do you see that?

13 A Yes.

14 Q Could you please explain why the company included
15 the fuel under-recovery and not any over-recoveries in the
16 2010 year, as we just discussed, and 2011 working capital
17 calculations?

18 A Well, there's obviously a little bit of confusion
19 on the schedule because essentially that line item is
20 excluding it. But if you look at line one, total working
21 capital, the 268,185 in column six includes the deferred
22 debit related to the fuel under-recovery of 11,595 and then
23 down below starting on line two all the way down through
24 there, those are all less. So if they're positive, you
25 subtract them out of that number up above, so we're actually

1 removing that under-recovery of fuel.

2 Q Okay. Are you aware that it's Commission practice
3 to only recognize over-recoveries in the working capital
4 calculations and not under-recoveries?

5 A Yes. We don't like it, but we do that. I mean,
6 that's why you don't see any over-recovery adjustments,
7 because over-recoveries are actually picked up over in the
8 column eight, and they're not backed out. As shown, there is
9 no over-recovery adjustment.

10 So we've left the over-recovery -- there are no
11 over-recovery for fuel in these years, but there are
12 over-recoveries in the other clauses. Again, there's some
13 discovery that we're responding to right now, I think,
14 addressing that question.

15 So hopefully we can clear it up today, but we'll
16 be giving you the specific numbers and the 13-month average
17 amounts. But, yeah, that's a Commission policy that we leave
18 the over-recovery balances of the clauses in working capital,
19 which reduces working capital.

20 Q This is true. Okay, if you'll give us just one
21 second, we'll switch out staff. And we are now in the home
22 stretch, though it is a very long stretch.

23 (Off the record)

24 BY MS. KLANCKE:

25 Q Okay. Please turn to page 14 of your rebuttal

1 testimony. I'm going to go start -- with respect to this
2 line of questioning we're going to go through just to get a
3 better understanding of the work orders that are addressed
4 here, and we are really just looking for as much factual
5 scenario with respect to these work orders as you can
6 provide.

7 Okay, let's begin. Starting at line 19 you state
8 that you agree with OPC witness Dismukes that costs
9 associated with the work orders 466909 should have been
10 capitalized rather than expensed, and that as a result
11 \$343,847 should be removed from jurisdictional O&M; is that
12 correct?

13 A Yes.

14 Q And you further agree with witness Dismukes that
15 work order 49SWCS should have been amortized over two years
16 resulting in a reduction to jurisdictional O&M expense of
17 \$19,450; is that correct?

18 A Just a little rewording there. I have agreed to
19 her proposal to amortize that over two years. Obviously,
20 based on accounting requirements, I've got to book the
21 expense the year -- it just so happened the summit is
22 budgeted to happen in the test year, and it only happens
23 every other year, so we were agreeable to amortizing it over
24 two years.

25 Q Fair enough. Are there any other costs that you

1 believe should be removed from the test year O&M expenses?

2 A Related to --

3 Q As you discussed here, witness Dismukes, as well
4 as other witnesses, as well as your analysis going forward,
5 are there any other similar reductions that should be made
6 with respect to work order and O&M expense or anything else?

7 A That's what I'm trying to remember, if there was
8 anything else. I don't think there were any other issues
9 that dealt with O&M. Hold on a second.

10 Q Sure.

11 A Okay, other than these two work orders there was
12 one other item as a result of discovery that we determined my
13 adjustment for the executive financial planning services that
14 are made in my NOI adjustments was understated, and so that
15 was another 48,000 related to that. I don't know if I have
16 got the retail amount, but that was the system amount. It
17 was addressed on page 24 of my rebuttal testimony.

18 Q We actually had some questions, so that is very
19 helpful. Okay, thank you for that.

20 A Sure.

21 Q Let's have you turn to page ten of your rebuttal
22 testimony. Starting at line 16 you address witness Dismukes'
23 recommended disallowance of several work orders.

24 A Yes.

25 Q I'll spare us reading these work orders, as we

1 both know what we're talking about. Due to -- she specified
2 that they should be disallowed due to a lack of
3 documentation; is that correct?

4 A You're referring to the -- yeah, there's four work
5 orders that she originally -- I think. There might even have
6 been more than that.

7 Q I believe it was -- and I will go ahead and do
8 this: 46EZBL, 46IDMU, 46CRBL, 47VSES, 47BSTD, 47VSTH,
9 47VSZ1, and 47VSZ5; is that correct?

10 A Yes.

11 Q On page ten you specify that, quote, the original
12 approved work orders could not be located but, end quote,
13 Gulf has approved a budgeted amount allocated to Gulf for
14 these work orders. You also have the allocation methods used
15 for the missing work orders and an Exhibit RJM-2, Schedule 2.
16 You provide the descriptions of what the missing work orders
17 entailed; is that correct?

18 A Yes.

19 Q If Gulf no longer possesses these work orders,
20 where did the -- where did this information, including the
21 information that's on -- the copious amounts of information
22 that are on Exhibit RJM-2, Schedule 2, where did that
23 originate?

24 A Basically it's available within a lot of our
25 accounting records. The only thing that was missing was a --

1 part of the process, the SCS process, is to have a work order
2 authorization form that's really routed around primarily for
3 approvals, to be honest. I mean, there's a short description
4 on there of the work, but that same short description is also
5 available within the accounting records, so -- and then the
6 people that are involved in these activities, you know, these
7 are ongoing support activities.

8 So it was not -- now, that's why I said we
9 provided her a lot of information regarding the work orders,
10 how they're accounted for, allocated, all the information she
11 asked for other than the original approved work order,
12 itself. And it was just a clerical error. In the course of,
13 you know, retaining those records, a few got misplaced, out
14 of like 17 or 20,000 work orders. It was a very small
15 number.

16 Q At this time staff would like to request a Late
17 Filed Exhibit. And can we go off the record for a second?

18 (Off the record)

19 BY MS. KLANCKE:

20 Q Staff strikes our request for Late Filed Exhibit 3
21 with respect to those ledger entries. In your rebuttal
22 testimony on page 11, if you would turn to that. Okay, at
23 line 12, with respect to work order 471701, you state that
24 the costs reflected in this work order were submitted on an
25 outdated form on line 13.

1 A Yes.

2 Q But that the costs are valid --

3 A Correct.

4 Q -- is that correct?

5 A Yes.

6 Q Could you elaborate with respect to the various
7 special projects that you refer to on line 15? What are
8 they?

9 A They could change from year to year, but they're
10 ongoing type special projects. They might be researching
11 accounting research type information for new FASBIs. Like I
12 mention one here that we know is going to be ongoing probably
13 for a year or two.

14 Connie Erickson testified we're putting in a
15 completely new accounting, finance, and treasury
16 infrastructure. All of our accounting systems are changing,
17 and once all that -- that's still going on. Gulf has
18 implemented it, but Alabama and Georgia have yet to
19 implement, and they will be continuing to work with the
20 business units and the operating company to try to fine tune
21 and make those systems as efficient and give us the kind of
22 information that we want. I mean, it's probably a year or
23 two process.

24 Like I said, right now they're constantly looking
25 for ways to either improve our existing processes or the

1 service company processes. So if you wanted some more
2 examples of what's going on today, we might could give you
3 some more, but --

4 Q With regard to these special projects would you
5 characterize them as one time events or are these ongoing
6 activities?

7 A It's -- it's sort of like not necessarily one
8 time. When I say special projects, it would be something
9 that would be for a finite period, but, you know, it's not
10 like one project and then it goes away indefinitely. It's
11 other things that would be charged.

12 These are folks that are already on board, they
13 just would charge this work order whenever they're working
14 for the comptroller on a special project. If not, they would
15 be charging the other work order that they would normally be
16 charging, say, if they come out of the accounting function.

17 There's numerous accounting work orders and what
18 they will do is they will generally, as work loads allow,
19 they'll use personnel from other departments that report
20 under his organization to do these special projects. So you
21 get it charged here or it would probably be charged to
22 another support activity.

23 Q Okay. Continuing on page 11, on line 20 you state
24 that the increase in charges to Gulf reflected on work order
25 46C805 were merely a result of a, quote, change in billing

1 procedures. Do you see that?

2 A Yes.

3 Q Are the parties and costs reflected on this work
4 order the same or similar to the costs previously billed
5 directly to Gulf by Georgia Power Company?

6 A It's the same materials, it's just a change in the
7 billing. Like I stated here -- and there was some confusion,
8 I assume, by public counsel. Hopefully we cleared it up
9 through discovery, but Georgia previously bought materials in
10 bulk because they had a warehouse in Atlanta that's centrally
11 located, and IT utilized those throughout the Southern
12 Company, and then Georgia was billing us directly.

13 Now SCS purchased all the materials that they
14 utilize out of that warehouse and they bill it back to the
15 operating companies through this billing process. The total
16 is the same, but instead of getting the bill from Georgia,
17 it's coming through the SCS bill.

18 Q With respect to Exhibit RJM-1, which is attached
19 to your direct prefiled testimony, could you please explain
20 the benefit to Gulf customers regarding the capital equipment
21 and projects you describe on RJM-1, Schedule 19, as it
22 relates to -- and I'll give you the specific work order --
23 yeah, the same work order, 46C805. And all we're looking for
24 is just the benefit to Gulf's customers with respect to that.

25 A Well, these are -- again, I'm not an IT expert,

1 but the way it's been explained to me is part of the wireless
2 system includes components and repeaters and things that they
3 need to keep our infrastructure, communication
4 infrastructure, going. And our customers benefit because
5 that wireless system is used by our -- you know, for our
6 dispatch system, it's also used for all of our
7 communications.

8 All of our systems from Gulf Power are really
9 shared by all the OpCos, and so we have our own, I guess,
10 system network, centrally, but it's predominantly there to
11 support all of our communication needs, including all of our
12 accounting systems, dispatching trucks out in the field -- I
13 could probably come up with a long laundry list. Everything
14 is done wirelessly nowadays. But we do have our own internal
15 system, and these are the materials required to keep that
16 stuff working.

17 Q Sure. Could you turn to page 12 of your
18 testimony.

19 MR. MELSON: Rebuttal?

20 MS. KLANCKE: Rebuttal testimony, correct.

21 BY MS. KLANCKE:

22 Q Starting on line ten --

23 MR. MELSON: Page 12?

24 BY MS. KLANCKE:

25 Q Yes, this is with respect to 473401. You state

1 that although the benefits review -- which is addressed here
2 -- activities relate to work order 473401, even though they
3 don't occur every year, other similar types of reviews are
4 conducted regularly outside the test year, which makes it
5 inappropriate to normalize these costs; is that correct?

6 A Yes.

7 Q Would you please describe the other normal
8 benefits review activities that you're discussing here on
9 lines 13 through 14?

10 A I'm not an expert on that. I would think we have
11 added a compensation expert, Kilcoyne, that could probably
12 talk more directly to the types of stuff, but they're
13 constantly analyzing, evaluating our compensation packages,
14 you know, in relation to the market. There's a lot of HR --
15 this work order is in HR that she picked a work order that
16 had a specific survey, but they've got different things going
17 on like that constantly.

18 And test year amount, in total, is reasonable and
19 representative of future needs, is the bottom line. But she
20 could give you more specifics, or I'd have to get with them
21 to provide, if you wanted specifics.

22 Q Can you give us examples?

23 A Right off the top of my head, no, I don't think --
24 MR. MELSON: Can we go off the record for a minute?
25 MS. KLANCKE: Sure.

1 (Off the record)

2 BY MS. KLANCKE:

3 Q Staying on page 12, at line 19 you explain that
4 the benefits that Gulf customers receive from the legal work
5 related to work orders 473ECO and 473ECS, with respect to the
6 legal work that's done -- do you see that?

7 A Yes.

8 Q And in particular you say that each of these
9 functions requires legal advice to ensure compliance with
10 rules, regulations, contracts, and agreements. Do you see
11 that?

12 A Yes.

13 Q What rules, regulations, contracts, and agreements
14 are you talking about here that they're getting legal counsel
15 on?

16 A Tons of them. You know, obviously the operating
17 officer, the Chief Operating Officer, he's dealing with
18 anything that -- environmental laws, all kinds of things that
19 govern how we have to run our generation fleet.

20 External affairs, they're constantly dealing with
21 what all is going on in Washington. So right off the top of
22 my head, since I'm not directly involved in that activity,
23 I'd hate to try to speculate, but if you need it, I could
24 probably provide more examples, if you need them.

25 UNIDENTIFIED TELEPHONIC SPEAKER: This is -- excuse

1 me, someone has got some papers close to the microphone
2 and it's kind of getting in the way of the witness.

3 MS. KLANCKE: It's not us, it's someone who is
4 present on the telephone. There he is.

5 THE WITNESS: As you know, we're a heavily
6 regulated industry and, you know, this was nothing more
7 than some legal advice to help interpret the laws and
8 regulations, and that sort of thing.

9 BY MS. KLANCKE:

10 Q Could you provide us with some examples?

11 A Sure.

12 Q Can we make that a Late Filed Deposition Exhibit?

13 MR. MELSON: Can we go off the record one more
14 time?

15 MS. KLANCKE: Sure.

16 (Off the record)

17 BY MS. KLANCKE:

18 Q With respect to this legal advice that's being
19 provided, is it with respect to Gulf's regular course of
20 business?

21 A Yes, from the standpoint of SCS serves as our
22 agent, it would be.

23 Q Okay, on lines 23 you say that these activities
24 benefit the ratepayers. How, specifically, in your opinion,
25 do these activities benefit the ratepayers?

1 A By ensuring that we're complying with the laws and
2 regulations, that's how they're benefiting. Obviously, if we
3 did not, they could shut down plants, they could do a lot of
4 things that would harm Gulf and its customers.

5 Q As you describe there, doesn't the benefit accrue
6 primarily to Gulf?

7 A Everything Gulf does is for the benefit of our
8 customer. I mean --

9 Q Allegedly.

10 A I mean, we're not doing this just for our own fun,
11 we're trying to make sure we're running an efficient,
12 cost-effective business. And part of that is making sure
13 you've got good legal advice and make the right decisions.

14 Q Fair enough. Could you please turn to page 13 of
15 your testimony, rebuttal testimony. Starting at the top of
16 that page you describe the benefits to Gulf's customers with
17 respect to the public relations expenses reflected in order
18 4074401. Do you see that?

19 A Yes.

20 Q And in particular you discuss the internal company
21 publications to educate employees, on lines four through
22 seven. Do you see that?

23 A Yes.

24 Q How often are these publications compiled and
25 disbursed, to your knowledge?

1 A You know, they're continually updated. Pretty
2 much all of this is now an electronic type. Our intranet
3 provides information, it's a portal, and it has information
4 for employees that are updated continually.

5 Q How did Gulf customers benefit from these internal
6 company publications?

7 A By making sure our employees are up to date and
8 educated related to industry and company requirements. Just
9 like any other business, we have to keep our employees up to
10 date and make sure everybody is doing the right thing.

11 Q And beginning on line seven you discuss the
12 external publications to customers. Do you see that?

13 A Yes.

14 Q How often are these external publications
15 generated and disbursed?

16 A I would assume it's on an as-needed basis. I
17 don't have any specific examples right now, but they would
18 assist and help coordinate with the OpCos to make sure that
19 we're, to the extent we can, sharing and not duplicating
20 costs between the various operating companies.

21 Q Okay. Let's move on to page 15. Actually, no, I
22 have one more question. Let's go back to number 13. I'd
23 like to ask you about work order 471501. Beginning on line
24 15 of page 13 you describe the investor relations costs
25 reflected in this work order. Do you see that?

1 A Yes.

2 Q On lines 20 through 22 you describe ongoing
3 investor relations program. Do you see that?

4 A Yes.

5 Q What is that?

6 A As it -- you know, the bottom line is they
7 basically are dealing with the people that either market or
8 purchase our securities, your underwriters and people that
9 would call in to inquire about our future securities sales.
10 I mean, they're dealing with the folks out there
11 that we work with on a -- not me, personally, but, again, SCS
12 sort of working as our agent works with the folks that are
13 involved in the capital markets to ensure we've got access to
14 cost effective or adequate investment sources.

15 Q And how does that benefit Gulf's ratepayers?

16 A By ensuring that we get the best, the lowest costs
17 for our debt sales, and have adequate access to get the money
18 we need to basically capitalize our business.

19 Q How does the investor relations program facilitate
20 that, in particular?

21 A Well, this is just part of business. Any company
22 that has securities, you've got to have folks that answer
23 questions to investors out there that are interested in
24 either purchasing or have a question about your securities.
25 That's part of -- you know, if you're publicly traded, that's

1 just part of the cost of doing business.

2 Q Okay. Now, let's turn to the next page, page 14.
3 Starting at line four, you state that the cost reflected on
4 work order 4Q51RC cover the ongoing annual software costs
5 for, quote, a new application. Do you see that?

6 A Yes.

7 Q When did this new application go in service?

8 A I believe it went in service in '11 or, you know,
9 was budgeted to, obviously, and so it was in for the full
10 '12, which is the test year.

11 Q How much, if any, of the costs reflected on the
12 work order are related to the implementation or training of
13 employees with respect to this new application?

14 A I wouldn't say -- like I say, I believe this thing
15 -- actually, it's a third-party software package so there
16 wasn't a lot of implementation costs, per se, but there were,
17 I'm sure, some training in learning how to use the thing.
18 But --

19 Q If there were, would they have been included in
20 this work order?

21 A To the extent -- there could have possibly been a
22 little bit, but I don't recall off the top of my head if that
23 was really -- I think the projected costs were similar for
24 '12 and '13.

25 That one, I would point out, I think that one may

1 be one that actually is not even being requested in this
2 case, but it's actually recorded to a fuel -- a fuel
3 recoverable account and we backed it out in my fuel
4 adjustment. So we are still being responsive to the request
5 but in hindsight we probably should have pointed that out to
6 them. But she shouldn't be adjusting our base rate request
7 for this because we've already backed it out in my fuel
8 adjustments.

9 Q Can we get a Late Filed Deposition Exhibit
10 reflecting how this was backed out and where and when, all
11 that stuff?

12 A Yes, we can, you know, demonstrate where it would
13 have been reflected in my NOI adjustment for fuel.

14 Q And could you also include -- I know that you --
15 and we appreciate it -- took a stab at giving us when this
16 application went into service, all that stuff?

17 A Yeah, this is one that has some additional
18 discovery that's in process and I don't remember if they had
19 the in service date, though, but we can provide that to you
20 on the late filed.

21 Q That would be great, just to clear up anything.

22 MR. MELSON: A short title for it?

23 MS. KLANCKE: Work order clarification?

24 MR. MELSON: Rail car maintenance?

25 THE WITNESS: Either that or use that work order

1 number.

2 MR. MELSON: Okay, I'm outvoted.

3 MS. KLANCKE: Work order 4Q51RC information?

4 Clarification?

5 MR. MELSON: Information, I think, is great.

6 (Whereupon, Late Filed Deposition Exhibit No. 3 was
7 marked for identification.)

8 BY MS. KLANCKE:

9 Q Okay. With respect to this support of rail car
10 maintenance, why do you believe the costs reflected in this
11 work order represent ongoing costs with respect to this new
12 application?

13 A Because that's what they're budgeting for the
14 ongoing, you know, maintenance of this. There's typically
15 upgrades and just continually they have someone that's
16 responsible for monitoring and updating the information in
17 the system and it allows them to make sure we stay in
18 compliance with certain regulations that I'm not personally
19 familiar with, but if you've got rail cars there's a lot of
20 maintenance requirements that have to be documented and
21 provided to the Bureau of Transportation or somebody. So,
22 again, that's probably just my verbiage.

23 Q Fair enough. Okay, let's move down to line -- to
24 line 12 with respect to work order 4QPA01. You mention the
25 control system integrity tool there. Do you see that?

1 A Yes.

2 Q What is the control system integrity tool?

3 A It was a tool that we've -- it's another basically
4 software program to enable us to document and monitor the
5 compliance requirements related to the NERC cyber security
6 standards.

7 Q Are these -- in your opinion are these costs
8 reflected in this work order expected to be reoccurring?

9 A Yes.

10 Q Why?

11 A Because this was the ongoing -- again, it was the
12 ongoing support and updating, the costs that would be
13 required to keep this application and the related data
14 support that's provided in this work order going forward.

15 MS. KLANCKE: Okay. Let me step outside briefly
16 and confer just to make sure that there isn't anything
17 we need to revisit. But if not, then that's all my
18 questions.

19 MS. KLANCKE: Staff has no further questions for
20 this witness.

21 MR. McGLOTHLIN: This is Joe McGlothlin. I have
22 several questions, but I propose we take a break before
23 I start.

24 MS. KLANCKE: How long do you need?

25 MR. McGLOTHLIN: More than five but less than ten.

1 MR. MELSON: Why don't we say ten.

2 (Off the record)

3 CROSS EXAMINATION

4 BY MR. McGLOTHLIN:

5 Q Mr. McMillian, I'm Joe McGlothlin with the Office
6 of Public Counsel. I have far fewer questions for you than
7 staff. My first -- first of all, as I read your testimony,
8 you are by background and training an accountant, are you
9 not?

10 A Yes.

11 Q Are you an attorney, sir?

12 A No.

13 Q I have a few questions about the turbine upgrade
14 project at Crist and more specifically the impact of those
15 projects on deferred tax balances. Do I understand correctly
16 that the deferred tax balance included in the capital
17 structure of Gulf's first filing is based on the average test
18 year approach?

19 A The amounts that we originally filed?

20 Q Yes.

21 A Yes.

22 Q And are you familiar with the bonus depreciation
23 provisions of current tax laws, Federal tax laws?

24 A Not right off the top of my head. I am aware we
25 had some bonus depreciation, but I guess Ms. Erickson was the

1 income tax witness.

2 Q Well, let's pursue this and answer these questions
3 if you know, all right?

4 A All right.

5 Q Bonus depreciation provisions, to the extent they
6 apply, would result in an increase to the deferred tax
7 balance included in the capital structure, as compared to the
8 balance that would be calculated absent those provisions,
9 correct?

10 A Correct. And I will state, you know, just to sort
11 of maybe get you where you're going quicker, the amount that
12 Gulf Power filed in our 2012 test year included the bonus
13 depreciation that we were aware of at the time we filed. So
14 our system deferred tax amounts in the test year and on my
15 Schedule 12 included all bonus depreciation eligible related
16 to these projects through 2012.

17 Q Well, you may have already answered my next
18 question, but I'll pose it, anyway. Do the turbine update
19 projects qualify for the bonus depreciation provisions?

20 A I would need to verify. I'd have to check into
21 that. Obviously if it did we would have included it in our
22 budget, but to be specific on the turbine part -- I know the
23 scrubber project, itself -- it depends on what bonus
24 depreciation, you know, rules are you referring to.

25 You know, the more recent ones, which was 100

1 percent depreciation, essentially, you know, that bonus
2 depreciation, it did apply to any projects that were
3 completed through, I think, the end of '10, or maybe -- I
4 can't remember specifically. So these later projects may
5 have not qualified.

6 But right now we're not aware that that's even
7 been extended. So, again, I would have to get our tax people
8 specifically to look at what -- I could probably, you know,
9 be more specific, I think, if I got the tax folks to
10 articulate exactly how we handle these projects in our
11 budget.

12 Q I'm going to refer to your most recent
13 supplemental testimony, the testimony that addresses Gulf
14 Power's proposal for handling, including the turbine upgrade
15 project and base rates. And basically Gulf proposes to
16 annualize the impacts of the projects beginning in 2013,
17 correct?

18 A Ultimately, yes, beginning in 2013 we recover the
19 full annual impacts related to the three projects.

20 Q Now, for the purpose of my next question I'm going
21 to assume, as I believe you also assumed, that the original
22 filing of Gulf Power included some bonus -- the impacts of
23 bonus depreciation on deferred tax balances. And if that's
24 the case, and assuming for the purposes of the question that
25 Gulf Power's proposal were to be adopted, do you believe that

1 the impacts for those projects on deferred income taxes that
2 resulted in bonus depreciation should also be annualized?

3 A I would have to -- it's hard for me to agree to
4 that without knowing specifically what you mean by
5 annualized. Like I said earlier, the total deferred taxes
6 that we had in the case included any bonus depreciation that
7 was eligible through 2012. And then ultimately we had
8 originally backed these turbine projects out on a pro rata
9 basis and we are assuming we add them back in on a pro rata
10 basis.

11 Q And basically you're proposing that beginning in
12 2013 the revenue requirements associated with those additions
13 be annualized, correct?

14 A Yes.

15 Q Well, conceptually do you agree or disagree to
16 that, to the extent there was some deferred tax benefits
17 associated with bonus depreciation in the test year, that
18 those should be annualized in a manner consistent with Gulf's
19 proposal?

20 A I can't agree to that right this minute. I'd have
21 to -- I know that was sort of the position that Ms. Ramos
22 took in her rebuttal to my supplemental, and we're evaluating
23 that and we'll take a position on that by next week, if we
24 have an issue. You know, I think we just received that and
25 are looking into that today.

1 Q I understand. Let me change subjects. I have a
2 few questions on employee complement. At page 16 of your
3 rebuttal testimony you indicate that as of September 30, 2011
4 Gulf had an employee complement of 1,391 full time equivalent
5 positions. Do you know how many FTEs Gulf currently employs
6 as of today?

7 A Through September it was 1,391, wasn't it? Do we
8 have that? Yeah, we really haven't -- we should have another
9 updated number, but the last number I have here is at the end
10 or really the middle of October, the way our records work.
11 We were still around 1,391, I think. The schedule I have has
12 1,390.

13 Q And that was mid October?

14 A Yes.

15 Q When will you have another update?

16 THE WITNESS: When is the next pay period?

17 MS. GARCIA: That's what I'm thinking.

18 THE WITNESS: Actually like the November amounts
19 would be mid November, but we wouldn't have them until
20 -- we're looking at calendars.

21 MS. GARCIA: Around the 28th is when I'll start
22 getting numbers.

23 THE WITNESS: Around the end of November.

24 BY MR. McGLOTHLIN:

25 Q Well, let me ask the question slightly

1 differently. I think you're describing the reports you
2 receive periodically on an ongoing basis. Do you have
3 available to you by contacting someone within the company the
4 current number of full-time positions as of either today's
5 date or some more recent date? In other words, can you reach
6 out?

7 MS. GARCIA: They report those monthly at the end
8 of the last pay period.

9 THE WITNESS: We could get our HR folks to run a
10 report. The report that we're provided, you know, that
11 we typically get, has been run at month end. But every
12 pay period they can do a snapshot. They're coming off
13 of our data base that includes all paid employees,
14 essentially.

15 BY MR. McGLOTHLIN:

16 Q Well, since the proposed employee complement is an
17 issue in the case and we want to have the most current
18 information, I would like to ask you to provide as a Late
19 Filed Exhibit the most current tally of FTEs that's available
20 to you from HR.

21 MR. MELSON: And with the understanding, Joe, that
22 may be at the end of the last payroll period, rather
23 than today, for example.

24 MR. McGLOTHLIN: All right.

25 MR. MELSON: But whatever the -- whatever the

1 latest is, we can get you, I guess, as a Late Filed
2 Exhibit.

3 MR. McGLOTHLIN: All right, what number would that
4 be?

5 MS. KLANCKE: Number 4. Suggested title?

6 MR. McGLOTHLIN: Current update employee complement
7 count.

8 (Whereupon, Late Filed Deposition Exhibit No. 4 was
9 marked for identification.)

10 BY MR. McGLOTHLIN:

11 Q And would the same source of information have
12 available a breakdown between those employees that were full
13 time and those that were temporary?

14 A We could provide that.

15 Q If you would include that on the same exhibit, I
16 would appreciate it.

17 A Okay.

18 Q When Gulf Power provides information regarding
19 full time equivalence, do those positions ever include either
20 contract employees or employees of affiliated entities?

21 A No, they're Gulf employees.

22 Q Okay. Do you know how many employees have
23 announced their plans to retire between now and the end of
24 the current year?

25 A No.

1 Q In terms of any pattern is it more typical for
2 Gulf employees to retire at the end of a year rather than,
3 say, retirements occurring evenly throughout the year?

4 A I couldn't tell you. I don't have that
5 information.

6 Q All right. At page 17 of your rebuttal you state
7 that one reason for positions being vacant at this time is
8 voluntary and involuntary separations. Do you know whether
9 the level of involuntary separations within the past several
10 months has been greater than what would be typical?

11 A Exactly where are you -- what are you referring
12 to?

13 Q My reference is page 17 of what I believe is your
14 rebuttal testimony, lines one through four.

15 A If I was looking at the right thing, it would
16 help. Okay, I'm sorry, I see what you were talking about.
17 What was your question?

18 Q Do you know whether the current level of
19 involuntary separations are greater than would be typical?

20 A I don't know that that would, but, again, I don't
21 have that information in front of me. My point I was trying
22 to make was that our vacancies have stayed higher than we
23 would anticipate as a result of filling these new positions.

24 We've had quite a few of those positions filled
25 with internal positions, which has caused other vacancies.

1 And then on top of that they have the normal retirements and
2 voluntary and involuntary separations, so it's just -- but
3 it's a temporary thing. I think once we get these 159 filled
4 that we will see that number continue to decline.

5 Q I think I heard you say that some of the vacancies
6 are being filled internally, which creates other vacancies,
7 correct?

8 A Correct.

9 Q Is there anything about that pattern that is
10 atypical in any period of time?

11 A Yes, it's very unusual for Gulf to be adding 159
12 new complement positions, probably the first time in the
13 history of the company. Part of that, as I showed in my
14 direct testimony, was a direct result of the new demand side
15 programs that are required in our marketing organization as a
16 result of the much more strict energy efficiency goals.

17 And so then our other functional witnesses have
18 addressed the other needs, so I think we know we'll see those
19 figures drop off once we get all these positions filled, and
20 any of those that were vacant, you know, that moved into
21 those jobs, we'll have to fill those jobs, also.

22 Q If I understand you correctly you're saying that
23 the number of additional positions is atypical. My question
24 is, what about the filling of positions internally; those
25 moved current employees from one position to another are not

1 in and of themselves unusual, are they?

2 A They're not unusual but the level -- the number of
3 positions that are being filled is, I guess, what is
4 atypical, much higher than normal because of the new
5 positions in addition to the normal things that go on year
6 after year.

7 Q I understand your answer now. In that testimony
8 you also refer to positions being vacant because of transfers
9 within Southern Company Systems, do you not?

10 A Yes, which they are also going to have to be
11 filled now.

12 Q With respect to those transfers are they at a
13 higher level in recent months than would be typical, if you
14 know?

15 A Yeah, I don't have those statistics, so I couldn't
16 tell you on a monthly basis if it's typical or not. I would
17 guess, again, it might be a little higher due to these --
18 again, some of that was as a result of these new positions we
19 posted. They were filled by people in other companies, which
20 then our folks moved to those positions. It's just -- we're
21 just seeing a little bit more, at least from Gulf's side, a
22 lot more jobs being filled and a lot more activity.

23 Q Well, I have one more question in that area.
24 Referring to employees transferring between Gulf and other
25 Southern companies, can you tell me whether those transfers

1 from and to Gulf have resulted in a net increase or a net
2 decrease in Gulf employees for the year 2011 to date?

3 A Hold on one second. Let me see that report. Did
4 you have the net transfers to and from Gulf?

5 MS. GARCIA: Not on this report, no. This is just
6 a summary, not in detail.

7 THE WITNESS: I don't have that information. My
8 guess -- there's no reason for me to guess because I
9 really don't have the numbers in front of me.

10 BY MR. MCGLOTHLIN:

11 Q Is that information available from HR, as well?

12 A We can get that information, yes. Do you want
13 that added to the other exhibit?

14 Q I think perhaps that warrants a different exhibit.
15 We could call it net impact of transfers on Gulf employee
16 complement. And by transfers I mean between Gulf and other
17 Southern companies.

18 MR. MELSON: Net impact of external transfers?

19 MR. MCGLOTHLIN: If by external you mean between
20 Gulf and other Southern affiliates, yeah.

21 MR. MELSON: Yeah, I think that's the way we
22 normally refer to them, I hope.

23 THE WITNESS: We know what we mean. Transfers from
24 Gulf to other companies and other companies to Gulf.

25 MR. MELSON: And you're looking for the net for

1 2011?

2 MR. MCGLOTHLIN: 2011 to date.

3 MR. MELSON: Okay. And that would be Late Filed
4 Number 5?

5 MS. KLANCKE: Correct.

6 (Whereupon, Late Filed Deposition Exhibit No. 5 was
7 marked for identification.)

8 BY MR. MCGLOTHLIN:

9 Q Now, again, in the same general area of employee
10 complements and hiring, at page 18, line 13 you discuss what
11 you believe would be the appropriate method for making a
12 hiring lag adjustment, do you not?

13 A Yes.

14 Q And in your testimony and in exhibit you say the
15 adjustment for a hiring lag should be based on the estimated
16 employee turnover times the average time it takes to fill a
17 position times the average salary, correct?

18 A Correct.

19 Q What do you mean by the estimated employee
20 turnover?

21 A Well, we had our HR people look at statistics that
22 went back prior to the period when we started filling all
23 these jobs to look at what's the normal turnover type
24 statistics for terminations, involuntary separations,
25 transfers from Gulf into other companies, and basically did

1 that by -- as you can see on my exhibit, we did it by
2 classification of employee to try to get the pricing as
3 accurate as we could, and then used the average salaries
4 within those categories.

5 Q I have a couple of questions about that exhibit.

6 A All right.

7 Q That's RJM-2, Schedule 6.

8 MR. MELSON: He's there.

9 BY MR. McGLOTHLIN:

10 Q And under the column average turnover you have
11 three categories: Covered, exempt, and not exempt. Please
12 describe what each of those categories refers to.

13 A These are our internal, I guess. A description
14 of the covered would be our -- all the employees that are
15 covered by a union contract. It's roughly 40 percent of our
16 employees. But it's mostly your folks in the plants and your
17 T&D employees, which is transmission distribution employees.

18 Q Okay.

19 A The exempt are your normal professionals.
20 Generally someone with a college education, but not always.
21 They're not hourly wage, they're salaried personnel. And the
22 nonexempt are those that are hourly waged. They could be
23 working in the corporate office, in those type of roles, and
24 they can also be out in the field doing some work that's not
25 required to have a union contract employee perform.

1 Q What are the exempt employees exempted from?

2 A From getting any overtime, mainly. But it's your
3 normal professional category that are just salaried employees
4 and they generally require higher educational standards or
5 some type of technical training or expertise, and that's the
6 primary difference.

7 I don't know how else to explain it. I'm not an
8 HR person. There's probably a more legal way. But those
9 would be your professional salaried employees, all the way up
10 through and including management, and then the nonexempt or
11 the hourly wage employees, like our accounting assistants and
12 what used to be called clerical help. You know, I know
13 that's not a good word anymore. But it's folks that get
14 paid, you know, overtime for over a 40-hour workweek.

15 Q I see. Now, under the average turnover you have
16 27, 37, and 23. Explain what that represents.

17 A If you look down below, you know, we gave some
18 statistics, and it was looking at an average number of
19 turnover over this three-year period, how many of those
20 positions were actually left either through a termination,
21 retirement or a transfer within each of those categories for
22 those three years, and we took an average.

23 So you can see like under covered in '08 it was
24 40, it went to 13 in '09, and then it was at 28. You know,
25 it's going to vary by year depending on how many retirements

1 were in that year. So it looked like a three-year would sort
2 of smooth it out. So that was all that was, was a three-year
3 average of the number of jobs that turned over.

4 And then we looked at the average number of days
5 from the time the job was posted to the time it was filled,
6 how long does it take for us to fill a job based on actual
7 statistics out of our HR system, and that's what that average
8 number of days represents. And then multiplied that times
9 the average salary, so within each of those categories of
10 employees.

11 Q So average number of days times the pro rata share
12 of an annual salary; is that correct?

13 A Yes, times 27 times 39 days times 27,113 divided
14 by 365, you know, which would be the daily salary for 39 days
15 for 27 people.

16 Q Looking at the average salary values, does this
17 state that the average exempt employee is making something
18 like more than three times the salary of the average union
19 employee?

20 A Well, you could make that conclusion. It's math.
21 It does include all our management personnel, so I think
22 that's what's -- if we left out management that number would
23 drop quite a bit. But because management was included in the
24 number of exempt turnovers we felt it was only fair to -- we
25 didn't have a -- we just felt like we could be blamed for low

1 balling.

2 We could have actually reduced that probably down
3 in the 50-something-thousand range if we pulled all the
4 management salaries out. But that's the main reason it's as
5 high as it is.

6 Q With respect to the average salary of the covered
7 employee, is that calculated by dividing the total salaries
8 by the total number of covered employees?

9 A Yes.

10 Q Does your calculation include only base salaries?

11 A I think that's all it was was the base salary,
12 itself, yes.

13 Q And if that's the case, would it follow that the
14 adjustment would not factor in the impact on hiring lag of
15 the incentive compensation that's included in Gulf's filing?

16 A The variable pay component, you're referring to?

17 Q I call it incentive. I think we're talking about
18 the same thing.

19 A That would be true, I just need to verify it. I'm
20 pretty sure that's an accurate statement.

21 Q Is there a reason why the costs associated with
22 those and other employee benefits were not included in your
23 hiring lag calculations?

24 A Why the variable pay wasn't included there?

25 Q Yes.

1 A Well, other than -- I'd have to -- you know,
2 originally what we started with here was starting pay and
3 generally some of that stuff isn't -- people don't really
4 receive for a year. But, you know, we were trying to
5 quantify how much the salary savings were when that position
6 was not here.

7 Well, when they leave they're not earning any
8 incentive compensation. Their incentive compensation ends on
9 their last day at work. And so it doesn't make sense to me
10 to compute incentive compensation on salary savings that
11 we're not really going to have -- we're not going to pay.
12 But, I mean, you could try to make the argument, yeah, well,
13 then you probably had some others budgeted, and that's
14 probably true. The logic was we were coming up with how many
15 salary dollars we were saving.

16 Q You would agree that the next person who occupies
17 that position would be eligible to the extent warranted for
18 the same type of benefits in its end effect?

19 A Yes, they would, after that 39 or 50 days was up.
20 I mean, they wouldn't start getting it until they came on
21 board.

22 Q With respect to your methodology, which -- and I
23 understand your calculation note better than I did before --
24 would you agree that this method adjusts for turnover rates
25 but does not take into consideration the full number of

1 vacant positions at any point in time, at any given point in
2 time?

3 A If we get to a full complement and are successful
4 in trying to maintain that full complement, I feel it comes
5 much closer to properly calculating the vacancy hiring lag.
6 One of the issues, you know, bottom line, is the way we
7 report employees, actual versus budget, are always -- that
8 variance is always overstated, and I repeat always, because
9 there's just -- you know, when we're doing these employee
10 actual counts they're at a point in time in the month at a
11 pay period.

12 There's always -- it's not necessarily
13 representative of a position that's been vacant all month.
14 And then when you're using year-end numbers, they're always
15 -- the budget number includes employees that we know are
16 never going to be there in December. But we never -- we
17 didn't try to go in and manipulate the number. You've got
18 co-op programs, you've got summer help programs and things
19 that are reported in those budget numbers that aren't in the
20 actuals.

21 So I'd just caution, a pure vacancy calculation is
22 going to always overstate. You'd have to do a lot of
23 analysis on what's driving that vacancy. You'd almost have
24 to go position by position if you wanted an accurate number.
25 I feel like this more accurately represents a turnover rate

1 if you were to get to the full complement and try to maintain
2 that complement.

3 Q Just so I understand, reading it back to you, I
4 understand you to say you believe your methodology is
5 accurate if the company has a full complement of employees,
6 correct?

7 A When we get to the full complement and we maintain
8 that, this should represent a reasonable hiring lag. I still
9 don't believe there should be one made in this case, but I
10 presented this in case staff and other intervenors felt it
11 still was necessary to make an adjustment for hiring lag.

12 Q To the extent there are vacancies, this
13 methodology does not take into account the number of
14 vacancies at a given point in time; would you agree with
15 that?

16 A Not -- yes, not the historical level of vacancies
17 which we've reported why those are so high. And I just
18 mentioned several reasons why the reported December numbers
19 always represent too high of a vacancy number, but that's
20 typically what we report, as far as statistics. And most of
21 our responses, you know, as far as complement, have been
22 related to year-end numbers.

23 Q I want to change subjects and refer you to page
24 five of your rebuttal testimony.

25 A All right.

1 Q Beginning on line 16, in that answer you say that
2 the allocation methodologies, that Gulf employees were
3 approved by the SEC and are still in use today. Can you
4 direct us to an order or other document that demonstrates
5 that the SEC formally approved the methodologies used to
6 calculate the financial factor?

7 A Well, as it's stated here, we did have documents
8 -- I mean, there was actual filings with the SEC back before
9 FUCA was basically repealed. So currently the FERC actually
10 is -- FERC and the state PSCs are responsible for monitoring
11 and overseeing the cost allocation process, and there has
12 been no change since the repeal of 2005.

13 Q Referring to your testimony you say that the
14 financial factor or the methodology for the financial factore
15 was approved by the SEC in 1985.

16 A Yes.

17 Q And my specific question is can you provide us
18 with the document, order, or other document, that reflects
19 that approval.

20 A Do we have it? We should be able to get that for
21 you, yes. They were like letters, any time you had a new
22 allocator, that you had to submit to the SEC and get their
23 approval. And so hopefully, if their record retentions are
24 what they're supposed to be, we should be able to get that
25 for you.

1 Q Okay, that would be Number 6.

2 MS. KLANCKE: Short title?

3 MR. McGLOTHLIN: SEC approval of financial factor.

4 (Whereupon, Late Filed Deposition Exhibit No. 6 was
5 marked for identification.)

6 BY MR. McGLOTHLIN:

7 Q And if you'll turn to your Exhibit RJM-2, and I'll
8 do the same.

9 MR. MELSON: Can we go off the record just for a
10 minute?

11 MR. McGLOTHLIN: Yeah.

12 (Off the record)

13 BY MR. McGLOTHLIN:

14 Q You answered a couple questions by staff on this
15 exhibit, but for the record would you briefly describe RJM-2,
16 Mr. McMillian?

17 A Any specific schedule? Let's see, RJ --

18 Q Give me an overview.

19 A Okay, it's comprised of several schedules.
20 Schedule 1 includes -- are you still there, Joe?

21 Q Yes, I'm here.

22 A Okay. Schedule 1 included a calculation, a
23 quantification of changing the -- updating the fixed
24 allocation statistics for 2010 and redoing our test year
25 estimate of what O&M capital, et cetera, from SCS billings

1 would be if you updated using 2010 statistics.

2 The 2009 actual statistics were the basis of the
3 2011 budget that was used for our test year. And I think
4 they had -- Ms. Ramos said -- or I think it was her that
5 proposed disallowing or making certain 2010 adjustments. And
6 I'm refuting that by showing if you update all the statistics
7 our costs would have actually increased.

8 Schedule 2 is a listing of all the various data
9 that was provided in discovery that supports several work
10 orders that were proposed to be disallowed. And, you know,
11 the only item that was missing in the discovery request were
12 the actual one-page original approved work order that had
13 vice-president approval. But all the other data had been
14 provided and this just documents where in discovery all that
15 information had been provided, in addition to some short
16 justification on several other work orders. But it's
17 basically just a summary of the data that's in my rebuttal
18 testimony.

19 Schedule 3 is -- again, they had proposed an
20 adjustment to move our non-utility amounts to make an
21 adjustment to our requested revenues for our non-utility
22 products and services.

23 I again rebutted that whole premise that we felt
24 like we accounted for them and had them correct in the
25 filing. But if staff or the Commission decided to move those

1 products and services above the line, I recompute on Schedule
2 3 what the actual revenue requirement impact would be,
3 because she had failed to factor in the Commission precedent
4 or policy that we charge all those non-utility investments to
5 equity, which would have actually increased our cost to
6 capital requested.

7 And so that's pages -- that's Schedule 3 and 4,
8 actually; 3 shows the impact on the cost of capital, of
9 undoing the non-utility adjustment and equity, and then 4
10 actually calculates the impact on our revenue requirement.

11 Schedule 5 is just a summary. Again, I was trying
12 -- this schedule was used in conjunction with my discussion
13 on why there's not a hiring lag adjustment required, and it's
14 a listing showing our actual to budget O&M dollars since the
15 last test year, roughly, to current, reflecting that even in
16 the years when we showed significant vacancies on that
17 year-end vacancy report, the company was consistently
18 spending over its budgeted O&M, even though in every year
19 they were a budget full complement.

20 And it just reinforces our comment that, you know,
21 you can't just look at strictly staffing in isolation.
22 Typically it is 50 percent of a lot of our operating costs,
23 other than fuel, and when we have unexpected expenses that
24 hit due to regulation or outages, labor is one of the
25 components we look toward, as far as trying to manage our

1 budgets.

2 Schedule 6 is the alternative calculation of
3 hiring lag that we just discussed.

4 Q Thank you. Focusing on Schedule 1, Mr. McMillian,
5 are there work papers associated with your development or
6 preparation of Schedule 1, RJM-2?

7 A Well, pages two through 18 is the actual
8 calculation so that should be all you need to do the math.
9 We provided them with the exhibit. The only thing I guess
10 you wouldn't have is the actual statistics work papers for
11 2010.

12 Q And would you provide those statistic work papers
13 as my last exhibit?

14 MR. MELSON: Let's go off the record just for a
15 minute.

16 MR. McGLOTHLIN: Okay.

17 (Off the record)

18 BY MR. McGLOTHLIN:

19 Q Mr. McMillian, earlier I asked -- I inquired of
20 the existence and availability of work papers associated with
21 Schedule 1 of your RJM-2, but it's been suggested that
22 perhaps we have the information that would enable us to form
23 the underlying calculations already.

24 Can you describe whether that's the case, and if
25 so, the methodology that would be used to do that?

1 A Yes. As shown on that Schedule 1, pages two
2 through 18, I showed the actual calculations, but I think you
3 can duplicate that same information through -- I think it was
4 34-B.

5 There was some supplemental information provided
6 to you all that had basically a pivot table where you could
7 go in and make these statistic changes as shown on my pages
8 two through 18, and replicate these calculations.

9 MR. MELSON: Off the record one more time?

10 MR. McGLOTHLIN: Yes.

11 (Off the record)

12 BY MR. McGLOTHLIN:

13 Q Mr. McMillian, in conjunction with an earlier
14 question to you, would you provide as a Late Filed Exhibit a
15 schedule showing updated 2010 allocation factors that we
16 could use in conjunction with the information that's depicted
17 on Schedule 1 of RJM-2?

18 A Yes.

19 Q And that's number what, 7?

20 MR. MELSON: Yes.

21 MS. KLANCKE: Correct.

22 MR. McGLOTHLIN: And that's updated 2010 allocation
23 factors. Those are all of our questions. Thank you,
24 sir.

25 (Whereupon, Late Filed Deposition Exhibit No. 7 was

1 marked for identification.)

2 THE WITNESS: Thank you.

3 MR. MELSON: Okay, give us just a minute. We've
4 got no redirect.

5 MS. KLANCKE: Does any other party -- I know *FIPUG
6 cross-noticed this deposition. Does any other party
7 have any questions for this witness? Okay, I believe
8 that culminates this deposition. Thank you so much for
9 your time, we really appreciate it.

10 (Whereupon, the deposition was concluded at 4:25 p.m.)

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CERTIFICATE OF OATH

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STATE OF FLORIDA)
COUNTY OF LEON)

I, the undersigned authority, certify that the witness
in this matter personally appeared before me and was duly
sworn.

WITNESS my hand and official seal this 21st day of
November, 2011.

Laura Mountain
LAURA MOUNTAIN, RPR
Notary Public - State of Florida
My Commission No. EE021779
Expires: September 23, 2014



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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, LAURA MOUNTAIN, Court Reporter, do hereby certify that I was authorized to and did stenographically report the foregoing deposition; and that the transcript is a true record of the testimony given by the witness.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

Dated this 21st day of November, 2011.



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