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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

	:	
In The Matter of	:	DOCKET NO. 891345-EI
Application of GULF POWER	:	<u>HEARING</u>
COMPANY for an increase in rates	:	<u>FIFTH DAY</u>
and charges.	:	<u>AFTERNOON SESSION</u>

VOLUME - XI

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JUN 15 1990
Florida Public Service Commission

FPSC Hearing Room 106
Fletcher Building
101 E. Gaines Street
Tallahassee, Florida 32399

Friday, June 15, 1990

Met pursuant to adjournment at 12:57 p.m.

BEFORE: COMMISSIONER MICHAEL MCK. WILSON, CHAIRMAN
COMMISSIONER GERALD L. GUNTER
COMMISSIONER THOMAS M. BEARD
COMMISSIONER BETTY EASLEY

APPEARANCES:

(As heretofore noted.)

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DOCUMENT NO.
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1 (CONTINUED FROM VOLUME X.)

2 (Hearing reconvened at 4:02 p.m.)

3 CHAIRMAN WILSON: Mr. Burgess? (Pause) Mr.
4 Burgess, I'm trying to get an inventory of time on
5 these next witnesses.

6 MR. BURGESS: Oh, okay.

7 CHAIRMAN WILSON: What kind of cross do you
8 have for Mr. Jordan in terms of time?

9 MR. BURGESS: You want me to evaluate the
10 cross? Oh, in terms of time?

11 CHAIRMAN WILSON: I wasn't speaking
12 qualitative.

13 COMMISSIONER EASLEY: Let us be the judge of
14 that. (Laughter)

15 MR. BURGESS: I'd rather not ask then.

16 CHAIRMAN WILSON: We have some flip cards --
17 (Laughter)

18 MR. BURGESS: I have no cross for Mr. Jordan.

19 MR. PALECKI: Ten minutes.

20 CHAIRMAN WILSON: How about Mr. Conner?

21 MR. VANDIVER: Half an hour.

22 CHAIRMAN WILSON: Is that maybe 30 or less, or
23 maybe 30 or more?

24 MR. VANDIVER: Maybe 30 or less.

25 CHAIRMAN WILSON: What about Mr. Kilgore?

1 MR. PALECKI: Extensive cross examination, at
2 least an hour, maybe more.

3 COMMISSIONER EASLEY: Why don't we do Mr.
4 Jordan and Mr. Conner?

5 CHAIRMAN WILSON: Definitely do those. I'm
6 starting to get a little bit nervous about the number
7 of witnesses we have to go through the next week.

8 COMMISSIONER EASLEY: Mr. Chairman, we're
9 halfway through, and it won't do us any good to go
10 until ten o'clock tonight.

11 CHAIRMAN WILSON: No. I don't intent to go
12 until ten o'clock tonight. I just want to use up until
13 about 5:30.

14 MR. PALECKI: Kilgore, O'Sheasy and Haskins
15 are all rate design witnesses. They are all pretty
16 much covering similar areas.

17 CHAIRMAN WILSON: Okay. So we would not get
18 to Mr. Kilgore -- we couldn't even approach finishing
19 him this afternoon.

20 MR. PALECKI: I don't think we'd be able to
21 scratch the surface.

22 CHAIRMAN WILSON: Let's Do Mr. Jordan and Mr.
23 Conner then, but I'm telling you, next week we may be
24 in here at 7:30 in the morning and we may be leaving
25 here at midnight at night.

1 MR. STONE: We understand, and with that note
2 I'm advising those that may be listening that Mr.
3 Kilgore is free to go about his business for the
4 weekend.

5 COMMISSIONER EASLEY: You might want to tell
6 him what time we're going to reconvene Monday morning.

7 CHAIRMAN WILSON: Nine? Do you want to come
8 in at 8:30?

9 COMMISSIONER EASLEY: 8:30 is fine with me.

10 CHAIRMAN WILSON: Let's convene at 8:30 Monday
11 morning.

12 MR. STONE: Very good.

13 Commissioner, I don't believe Mr. Jordan has
14 been sworn.

15 CHAIRMAN WILSON: Would you raise your right
16 hand, please?

17 (Witness Jordan sworn.)

18 CHARLES E. JORDAN

19 was called as a witness by Gulf Power Company and,
20 having been duly sworn, testified as follows:

21 DIRECT EXAMINATION

22 BY MR. STONE:

23 Q Would you please state your name, your
24 occupation and your business address for the record?

25 A Yes. My name is Charles E. Jordan. I am

1 Director of Power Delivery for Gulf Power Company. My
2 business address is 500 Bayfront Parkway, Pensacola,
3 Florida.

4 Q Are you the same Charles E. Jordan that has
5 prefiled direct testimony in this docket dated December
6 15, 1989?

7 A Yes, I am.

8 Q Mr. Jordan, is your microphone on? Is the red
9 light in front of you on?

10 A Yes, it is.

11 COMMISSIONER EASLEY: We were having trouble
12 with that microphone this morning. You might want to
13 switch mikes.

14 WITNESS JORDAN: Is that better? Use both of
15 them?

16 MR. STONE: If the court reporter can hear
17 you, I guess that's the most important.

18 COMMISSIONER EASLEY: That's right.

19 Q (By Mr. Stone) Mr. Jordan, do you have any
20 changes or corrections to your prefiled testimony?

21 A Yes, I have two changes. On Page 5, Line 1,
22 "1990" should be "1993." On Page 16, Line 8, "26"
23 should be "21."

24 Q Does that complete your changes?

25 A Yes, it does.

1 Q If I were to ask you the questions contained
2 in your prefiled direct testimony, as changed, would
3 your responses be the same?

4 A They would.

5 MR. STONE: We ask Mr. Jordan's testimony be
6 inserted into the record as though read.

7 CHAIRMAN WILSON: Without objection, it will
8 be so inserted into the record.

9 MR. STONE: Mr. Jordan's exhibits have
10 previously been identified and stipulated.

11 (Exhibit Nos. 134 through 138 previously
12 stipulated into the record.)

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GULF POWER COMPANY

Before the Florida Public Service Commission
Direct Testimony of
Charles E. Joidan
In Support of Rate Relief
Docket No. 891345-EI
Date of Filing December 15, 1989

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5
6 Q. Please state your name, address, and occupation.

7 A. My name is Charles E. Jordan, and my business address
8 is 500 Bayfront Parkway, Pensacola, Florida 32501. I
9 am Director of Power Delivery of Gulf Power Company.

10
11 Q. Please describe your educational and business
12 background.

13 A. I graduated from Auburn University, Auburn, Alabama,
14 in 1965 with a Bachelor of Electrical Engineering
15 degree. I joined Gulf Power Company in June of 1965
16 as a Field Engineer. I held the engineering
17 positions of Relay Engineer and Division Distribution
18 Engineer, and in 1970 I was promoted to the position
19 of Eastern Division Engineer. In 1975 I was promoted
20 to Superintendent of Western Division Operations, and
21 in 1978 became Manager of Western Division
22 Operations. In 1980 I was promoted to Director of
23 Purchasing and General Services, and in 1989 was
24 appointed to my present position as Director of Power
25 Delivery.

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

4 A. Yes. Schedule 1 is an index to the subsequent
5 schedules to which I will refer. Each schedule
6 of this exhibit was prepared under my supervision
7 and direction.

8 Counsel: We ask that Mr. Jordan's Exhibit,
9 comprised of 5 Schedules, be
10 marked for identification as
11 Exhibits 134-138 (CEJ-1).
12

13 Q. Are you the sponsor of certain minimum filing
14 requirements?

15 A. Yes. These are listed on Schedule 5 at the end
16 of my exhibit. To the best of my knowledge, the
17 information in these minimum filing requirements
18 (MFRs) is true and correct.
19

20 Q. What are your areas of responsibilities within
21 Gulf Power Company?

22 A. I have responsibility for Power Delivery, which
23 includes System Planning and Protection,
24 Distribution, Land Rights, and Division
25 Services. These areas include system relaying

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Witness: C. E. Jordan
Page 3

1 and protection; telecommunications; generation,
2 transmission, and distribution planning;
3 distribution standards and services; land
4 acquisition and right-of-way functions;
5 transformer and vehicle repair services; and
6 materials and inventory control. In connection
7 with these areas, I have responsibility for
8 requesting and directing the assistance performed
9 by Southern Company Services, Inc. (SCS). I am
10 also responsible for work performed through
11 Southern Electric International (SEI) by Gulf
12 Power Company personnel.

13
14 Q. What is the purpose of your testimony in this
15 proceeding?

16 A. I will discuss the continuing need for the
17 distribution equipment associated with Greenhead
18 Substation, some specific productivity
19 improvements within my area of responsibility,
20 and Gulf's distribution Operation and Maintenance
21 (O & M) expenses as they compare to the
22 benchmark.

23
24 Q. Mr. Jordan would you please explain the
25 circumstances concerning the facilities at

1 **Greenhead Substation?**

2 A. The Greenhead Substation was constructed and
3 placed into service in late 1983 in order to
4 provide reliability support to the load being
5 served out of the Sunny Hills Substation as well
6 as to provide service to new load being developed
7 in the Leisure Lakes subdivision. It was
8 determined by the Commission in Docket No.
9 830484-EU that the cooperative in the area was
10 entitled to serve the new load at Leisure Lakes
11 subdivision. In light of the Commission's
12 finding, Gulf subsequently sold the distribution
13 line to the cooperative. The Greenhead
14 Substation has provided and continues to provide
15 reliability support to Sunny Hills, as well as to
16 a portion of the customer load served by the
17 Vernon Substation.

18 A recent evaluation of the Vernon
19 distribution area has indicated a need to
20 increase the transformer capacity in the Vernon
21 substation. This study also reveals that, from a
22 long-term economic and service level standpoint,
23 the Vernon distribution system should be
24 converted to 25 kv. In response to this study,
25 Gulf will relocate the Greenhead transformer to

1 the Vernon Substation in ~~1990~~¹⁹⁹³. By installing the
2 Greenhead transformer at Vernon, Gulf will
3 provide the most cost-effective increase to the
4 transformer capacity while at the same time
5 improving the service to the Vernon area
6 customers and maintaining the backup source to
7 Sunny Hills Substation.

8
9 Q. What productivity improvement programs have been
10 instituted by any of the sections under your area
11 of responsibility in recent years?

12 A. We had programs put into place for cost saving
13 efforts in the transformer repair and truck
14 maintenance areas.

15
16 Q. How has Gulf's Work Management System improved
17 productivity and efficiency in distribution
18 construction and maintenance activities?

19 A. The Transmission and Distribution (T & D) Work
20 Management System designed by Southern Company
21 Services at the request of Gulf in 1983 was made
22 fully operational in January 1988. The total
23 project cost through 1989 will be \$1.7 million.
24 Gulf's line crew and service crew productivity
25 performance in 1989 is expected to be 4.6 percent

1 over that of 1988. This improved performance
2 will result in avoided contractor costs of
3 \$780,000. After deducting system costs of
4 \$200,000, net savings in 1989 are estimated to be
5 \$580,000. The projected goal for 1990 is 2
6 percent over 1989 (or 6.6 percent better than
7 1988) which will amount to an additional \$220,000
8 in avoided contractor costs.

9
10 Q. What improvements has the company made in
11 controlling its fleet transportation cost?

12 A. In response to a request by the Company, a study
13 was performed by the consulting firm of Ernst and
14 Whinney during 1984. The study recommended that
15 the Company implement a comprehensive preventive
16 maintenance program to extend the life of
17 mechaniz^d equipment and improve the reliability
18 of the entire fleet. The study was approved by
19 management and implementation began the later
20 part of 1986. As a result, equipment reliability
21 has improved and the Company is realizing savings
22 of approximately \$2,000,000 annually.

23
24 Q. Please compare your current maintenance practices
25 to the years prior to the implementation of this

1 new program.

2 A. Prior to the new program, the company operated
3 one garage which was located in Pensacola. The
4 garage performed maintenance on all vehicles in
5 the Pensacola area and major maintenance for the
6 remaining company locations. Preventive
7 maintenance was, for the most part, left up to
8 the user. As recommended by the Ernst and
9 Whinney study, a minor garage was constructed in
10 the Eastern and Central Divisions in 1985 and
11 1986, respectively, and in 1986, a General Garage
12 was constructed in Pensacola. The previous
13 garage in Pensacola became the Western Division
14 garage and, along with the new garages in the
15 Eastern and Central Divisions became responsible
16 for performing preventive maintenance on all
17 mechanized equipment, class 4, 5, and 6
18 vehicles. Each vehicle now receives scheduled
19 preventive maintenance every six months. All
20 cars, pickup trucks and vans, which comprise
21 classes 1, 2, and 3 vehicles, receive preventive
22 maintenance every six months through outside
23 vendors. Rebuilding mechanized equipment which
24 was previously contracted out is now performed at
25 the new General Garage. Units requiring

1 rebuilding which exceed the Company's manpower
2 level are continuing to be contracted out.

3 Because of current preventive maintenance,
4 rebuilding and the purchasing of diesel engines,
5 the life of cab and chassis and aerial lifts for
6 mechanized equipment has been extended. For
7 service aerial lift trucks (class 4), the
8 previous policy was to replace the cab and
9 chassis and rebuild aerial lifts every five years
10 and completely replace the entire unit at ten
11 years. The current program provides a minor
12 rebuild at three years and a major rebuild at six
13 years. This cycle is continued and the cab and
14 chassis is considered for replacement the ninth
15 year. The aerial lift continues its rebuilding
16 cycle, thereafter, until economics determine when
17 it should be replaced. For line aerial lift
18 trucks (class 5 and 6) and digger derricks
19 (class 5 and 6), the previous policy was to
20 replace the cab and chassis and rebuild the
21 aerial lift every seven years and completely
22 replace the entire unit at fourteen years. The
23 current program provides a minor rebuild at three
24 and six years and a major rebuild at nine years.
25 This cycle is continued and the cab and chassis

1 are considered for replacement the twelfth year.
2 The aerial lift continues its rebuilding cycle,
3 thereafter, until economics determine when it
4 should be replaced.

5

6 Q. Do these savings reflect the increased
7 maintenance costs?

8 A. Yes. Since the new program has increased
9 preventive maintenance requirements, associated
10 maintenance cost has increased. However, due to
11 extending the life of mechanized equipment, the
12 capital budget has been decreased. The
13 \$2,000,000 is the net reduction when both costs
14 are added together. These figures are shown on
15 Schedule 2 of my exhibits.

16

17 Q. You discussed the savings realized through
18 extending the life of mechanized equipment. How
19 has reliability improved?

20 A. The Company annually employs the services of an
21 independent testing firm to test all mechanized
22 equipment. The test rates the condition of the
23 fleet in determining optimum reliability.
24 Reliability has increased from 21 percent in 1987
25 to 38 percent in 1988 to 85 percent in 1989.

1 This has resulted in less equipment breakdown,
2 thereby improving line crew personnel
3 productivity. These figures are shown on
4 Schedule 3 of my exhibits.

5

6 Q. Has the Company made improvements in the
7 operations of the General Repair shop?

8 A. Yes. In 1984, the General Repair shop, which
9 maintains transmission and distribution electric
10 equipment, occupied a facility which was over 25
11 years old, was overcrowded, and lacked current
12 technology. The major activities included the
13 repair of overhead transformers, oil circuit
14 reclosers, and voltage regulators. Smaller pad
15 mounted transformers could not be repaired
16 in-house and were scrapped. Large three-phase
17 pad-mounted transformers, which were of high
18 dollar value, were contracted out for repair. In
19 1986, the General Repair shop moved into a newly
20 constructed facility. The new facility provided
21 technological advances and sufficient work space
22 and parts area. Since 1984, productivity of the
23 General Repair Shop has increased as well as the
24 number of units repaired and returned to service,
25 primarily due to this new facility. Now, all

1 pad-mounted transformers are being repaired
2 in-house.

3

4 Q. Can you tell me how much your repair work output
5 has increased?

6 A. Yes. Shown below are the major functions of the
7 General Repair Shop, comparing the number of
8 units repaired in 1984 versus projected year-end
9 1989.

	<u>UNITS REPAIRED</u>		<u>PERCENT</u>
<u>EQUIPMENT</u>	<u>1984</u>	<u>1989</u>	<u>INCREASE</u>
Pole Mounted	665	1,500	126%
Pad Mounted	0	110	N/A
Oil Circuit Reclosers	167	255	53%
Voltage Regulators	42	75	79%

16 A more detailed tabulation of these figures
17 appears on Schedule 4 of my exhibits.

18

19 Q. What are the economics in repairing transformers
20 versus purchasing new ones?

21 A. In 1988, a total of 1,389 transformers were
22 repaired and returned to service. Considering
23 all maintenance costs, the Company realized
24 approximately \$700,000 savings in 1988.

25

1 Q. Why did public safety inspection and maintenance
2 programs increase our benchmark to the level
3 referred to in MPR C-57?

4 A. Since 1984, Gulf has developed and implemented
5 several new public safety programs designed to
6 reduce the risk of personal injury and property
7 damage situations at or near our facilities. One
8 program involves relocating utility poles away
9 from street edges where there is a concern that
10 they may be hit by motorists. Another program
11 examines the vertical clearance on all power
12 lines that cross navigable waterways to reduce
13 the likelihood that a sailboat could make contact
14 with the conductor.

15 In 1987, we began an aggressive public
16 safety program to inform our customers about
17 proper behavior around energized electrical
18 lines. We presented our program to the
19 Commission and received your support for our
20 efforts. Through September 1989, 921
21 presentations have been made by Gulf employees to
22 48,000 citizens of Northwest Florida. The
23 Company continues to include safety related
24 information in bill inserts. It has implemented
25 a program to perform field engineering audits of

1 samples from its new transmission and
2 distribution construction each year to ensure
3 that the Company is complying with the National
4 Electrical Safety Code and other appropriate
5 federal and state regulations.

6 The sum total of the public safety measures,
7 of which the above are representative examples,
8 requires increased funding to a variety of
9 overhead and underground maintenance accounts in
10 excess of the amount allowed by the 1984
11 benchmark. The benefits of these actions will be
12 reduced death, injury, and property damage to the
13 public, as well as reduced future liability
14 exposure to the Company. Gulf will continue its
15 efforts in maintaining public safety.

16
17 Q. What areas under your responsibility have
18 variances that fall above the benchmark?

19 A. In the Distribution O & M expense area, there are
20 deviations that result from Distribution System
21 Work Orders Clearance accounting and underground
22 line expansion.

23
24 Q. Would you briefly explain what is meant by "DSO
25 Clearance" and how it contributed to the overall

1 Distribution O & M deviation from benchmark?
2 A. DSO clearance describes the allocation process
3 for operation and maintenance costs associated
4 with distribution line construction accumulated
5 on Distribution System Work Orders (DSO). Labor
6 is allocated to O & M when it is cleared from the
7 work order in Construction Work in Progress
8 (CWIP) to O & M accounts after the work order is
9 signed off and classified in the Company's Plant
10 Accounting System.

11 Prior to 1983, the method for clearing O & M
12 costs from work orders in CWIP was based on the
13 engineer's final estimate. This estimate was
14 subtracted from the total cost of the job and the
15 remaining deviations adjusted within plant
16 accounts and cost-of-removal. After
17 implementation of a new Plant Accounting System
18 in January, 1983, the total actual cost of the
19 job was allocated over all items on the work
20 order based on work standards for plant
21 installed, plant removed, O & M, etc. This
22 process more equitably spreads the job costs over
23 all estimated elements.

24 In 1985, a study of line construction and
25 maintenance manhour standards provided

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Witness: C. E. Jordan
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1 documentation for manhour requirements for both
2 plant and O & M which was far superior to
3 previous estimates. These new manhour standards
4 more accurately reflected the actual labor
5 required to do either activity. The relative
6 amount of dollars spent to do the work did not
7 increase, but rather the mix of charges between
8 plant and O & M changed. O & M began receiving a
9 more equitable share of the job cost.

10 In Gulf's 1984 rate case, the amount
11 budgeted for CWIP clearance to O & M was not
12 changed to reflect the change in the Company's
13 Plant Accounting System. Beginning in 1986, this
14 change was reflected in the O & M budgets,
15 including 1990.

16 In 1984, the budgeted amount cleared from
17 Distribution System Work Orders to O & M amounted
18 to \$1,190,000, whereas the 1990 budget estimate
19 is \$2,745,000, or 131 percent over 1984 and 53
20 percent over the 1990 benchmark.

21
22 Q. Please explain why underground line extensions
23 are a part of the excess deviation from the 1990
24 benchmark.

25 A. Our underground facilities are increasing at a

1 rate far greater than customer growth and
2 inflation which the benchmark allows. Between
3 1984 and September 1989, our miles of underground
4 primary distribution lines increased 67 percent
5 from 344 miles to 573 miles, and this trend is
6 expected to reach 620 miles of underground by
7 year-end 1990. This 80 percent increase in
8 underground line expansion is compared to a ²¹~~26~~
9 percent customer growth rate for the 1984-1990
10 period. The cost to operate and maintain this
11 increased mileage, plus new programs installed to
12 mark and locate underground cables for safety and
13 efficiency and to repair prematurely failing
14 primary cable has caused our expenses in this
15 area to increase by 70 percent or \$351,000 over
16 the 1990 benchmark.

17

18 Q. Mr. Jordan does this conclude your testimony?

19 A. Yes.

20

21

22

23

24

25

1 Q (By Mr. Stone) Mr. Jordan, would you please
2 summarize your testimony?

3 A Yes. My testimony describes a number of
4 specific productivity improvement programs and provides
5 justification for certain distribution expenses that
6 exceed benchmark analysis. Since 1984, Gulf's
7 management has encouraged and supported a number of
8 programs to increase the productivity and reduce costs.
9 For instance, through these programs Gulf has increased
10 its line crew productivity, extended the life of
11 transportation equipment, and is rebuilding and reusing
12 electrical equipment. All of these programs have
13 long-term benefits for our customers.

14 During the late '80s, Gulf recognized the need
15 to increase expenditures in public safety. As a
16 result, we are doing a much better job of locating and
17 correcting safety-related problems and educating the
18 public. Simply put, Gulf's safety programs have been
19 designed to reduce injuries and deaths of the public
20 and our employees. Although these expenditures exceed
21 benchmark, we feel that they are fully justified and
22 are in the best interests of our customers.

23 In conclusion, these, as well as the other
24 items addressed in my testimony, are clearly justified
25 and are needed to provide Gulf's customers reliable

1 service and, therefore, warrant favorable treatment
2 before this Commission in these proceedings. Thank
3 you.

4 MR. STONE: Tender Mr. Jordan for cross
5 examination.

6 CROSS EXAMINATION

7 BY MR. PALECKI:

8 Q Mr. Jordan, the 1982-83 peak demand of Sunny
9 Hills was 1440 kilowatts, the service count of 351
10 customers. What is the peak demand and service count
11 for 1989? (Pause)

12 A 2,448. That's in KVA.

13 Q What is the quality of service of the Sunny
14 Hills substation today that justify the need for backup
15 service?

16 A The Sunny Hills substation is Gulf's only
17 25,000-volt system, other than the Greenhead
18 substation. The 115,000-volt to 25,000-volt
19 transformer that is at the Sunny Hills substation, we
20 do not have a spare in our system that can back up such
21 a substation. Most of our voltages are in 115,000-volt
22 to 12,000-volt classification.

23 Q It was determined that for the Greenhead
24 substation to back up the Sunny Hills substation, Gulf
25 would have to build connecting lines along State Road

1 77 to the junction of Highway 279 and have switching
2 gears installed. Has this been accomplished?

3 A Yes. That was accomplished initially when we
4 built Sunny Hills. The line that you just mentioned
5 was the source of backup. We put a small auto
6 transformer in the Vernon area and stepped the voltage
7 up from 12,000 volts to 25,000 volts, and that's the
8 way we backed up Sunny Hills for a number of years.

9 Q In 1984, the capacity of the Sunny Hills
10 substation was 12 MVA. What is the capacity today?

11 A It is the same.

12 Q You stated in your testimony that the Vernon
13 substation would be converted to 25 kV. What will the
14 capacity of this substation be after conversion?

15 A The capacity of the existing substation at
16 Vernon is 5,100. After we complete the conversion we
17 will be removing the Greenhead transformer to Vernon
18 and using that transformer. The Greenhead transformer
19 is rated at 10,000.

20 Q It was determined in Docket No. 830484-EU that
21 Gulf Power's cost to provide service to Leisure Lakes
22 was 200,480. How much of this amount is Gulf seeking
23 to recover?

24 A The Leisure Lakes portion of that docket, the
25 Commission determined in that docket that another

1 utility would more appropriately serve the Leisure
2 Lakes subdivision. Gulf subsequently sold all of its
3 facilities serving Leisure Lakes. We no longer serve
4 Leisure Lakes, and have no facilities in that area.

5 The cost remaining, depreciated value of the
6 remaining substation is \$138,534.

7 Q The next questions refer to Issue 81.

8 COMMISSIONER GUNTER: Let me, before you leave
9 that -- I thought you were going to ask the next
10 question.

11 When you sold that facility, what was the
12 sales price?

13 WITNESS JORDAN: I don't have that
14 information. I'll be glad to get it for you.

15 COMMISSIONER GUNTER: Do you know if it was at
16 book?

17 WITNESS JORDAN: I believe it was at cost, but
18 I would have to verify that. That would be subject to
19 check.

20 COMMISSIONER GUNTER: Could we have
21 late-filed exhibit on that, Mr. Chairman? The sale of
22 -- would that be characterized as the sale of
23 distribution facilities to service Leisure Lakes?

24 WITNESS JORDAN: That would be correct, sir.

25 CHAIRMAN WILSON: 594.

1 COMMISSIONER GUNTER: I'd Like to have the
2 original cost and the sales price and who you sold it
3 to.

4 WITNESS JORDAN: Yes, sir.

5 (Late-filed Exhibit No. 594 identified.)

6 Q (By Mr. Palecki) These next questions refer
7 to Issue 81. Gulf has -- and that issue is that Gulf
8 has budgeted a million-plus for its public safety
9 inspection and maintenance program, and whether that
10 expense is reasonable. And I'd like you to please look
11 at Schedule C-57 from the MFRs, and specifically at
12 Page 61 of 94. This is an explanation of why the
13 public safety inspection and maintenance function is
14 above benchmark.

15 A Yes, it is.

16 Q Now, is it true that Gulf's justification
17 states that the reason for the variance is the
18 implementation of the new programs under this function?

19 A That's correct.

20 Q Would you please provide us with a listing of
21 programs existing in 1984 and their actual expenses, as
22 well as a listing of programs budgeted for 1990 and
23 their projected expenses?

24 A Yes, sir.

25 Q And if you don't have it readily available,

1 this could be a late-filed.

2 MR. STONE: Is that something you have readily
3 available, Mr. Jordan?

4 WITNESS JORDAN: I have it categorized, yes, I
5 do, and I will be glad to hand it out right now if
6 you'd like.

7 MR. PALECKI: Yes, we would.

8 We would ask that this be marked as the next
9 consecutive exhibit.

10 CHAIRMAN WILSON: What would be Exhibit No.
11 595.

12 (Exhibit No. 595 marked for identification.)

13 WITNESS JORDAN: Counselor, that has a little
14 more information on it than you requested, I believe.
15 I has also claims that we had paid during that period.

16 Q (By Mr. Palecki) Now, you've asked for
17 increased funding in excess of the 1984 benchmark for
18 safety measures. Shouldn't the amount of funding you
19 need for this program be offset for savings from the
20 program?

21 A Yes, and we think we are realizing that in the
22 area of claims.

23 Q Are you speaking of claims such as lawsuits
24 and --

25 A Yes, sir.

1 Q Well, if this program then is cost effective,
2 why is it in the need of increased funding?

3 A The exhibit I just handed out shows that the
4 -- if you look at their cost of claims, if you would,
5 which is towards the bottom of the sheet, claims paid,
6 notice in '84 we paid 753,000; '85, 1.6 million; '86,
7 2.7 million, 2.6 million. And then you see it's gone
8 back down again to about a million. What has happened,
9 Counselor, is if you add the -- if you get a six-year
10 average that runs about \$2 million, \$2.2 million, to
11 pay for claims, as well as public safety, back in 1984
12 we were only spending about 20% to prevent accidents,
13 and about 80% to pay for them.

14 Our present budget spends about half and
15 half. We're spending about million dollars to prevent
16 it and about a million dollars to pay for it.

17 COMMISSIONER GUNTER: Does this show on the
18 claim paid, is that the year that the settlement was
19 reached?

20 MR. JORDAN: Yes, it does, either reached or
21 settled out of court or whatever the determination was.

22 COMMISSIONER GUNTER: When I say settlement,
23 either a court award or agreed to.

24 What year did the sailboat incident get
25 settled?

1 MR. JORDAN: Subject to check, I believe it
2 was 1987. Our attorneys would know more than I would.

3 COMMISSIONER GUNTER: Wasn't that the one
4 where the guy was sailing across at high tide or
5 something and contacted a line?

6 MR. JORDAN: Yes, sir.

7 MR. STONE: Unfortunately, we were not the
8 attorneys in the lawsuit so we don't know what year,
9 but I think he is correct, '87. We'll be happy to
10 verify that for you.

11 COMMISSIONER GUNTER: Okay. Just sometime in
12 that '85 to '87 time period.

13 MR. JORDAN: Yes, sir, that's subject to
14 check.

15 Q (By Mr. Palecki) I recognize from this
16 exhibit that your total claims paid and, therefore,
17 your total safety and claims expenses, have gone way
18 down from 1986 and '87; down substantially. And I
19 guess the question I have is if you have incurred the
20 savings, significant savings, why you need additional
21 funding for the programs rather than why can't you --
22 it would seem that -- and it seems that your funding is
23 in excess of the 1984 benchmark. Wouldn't these
24 savings that you've made help you fund the program?

25 MR. JORDAN: Yes, they do have an effect of

1 helping you fund the program. But let's understand
2 that we have approximately 6,000 miles of line that are
3 in service 24 hours a day, 365 days a year, and the
4 weather, going through thunderstorms and that sort of
5 thing, and are in continuous need of repair, so it's an
6 ongoing process.

7 What we've done, have now, is a better
8 balance between the public safety and the amount of
9 claims we have; before it's 20/80, now it's 50/50.

10 Q I note that your total savings between 1987
11 and 1988 is in excess of \$2 million. The savings of 2
12 million, what was done with that? Was it plowed back
13 into the program? How was that accounted for?

14 A Counsel, you'll notice just looking at the
15 expenses, in 1986 Gulf's management, we started in --
16 Gulf's management wanted to increase the public safety
17 effort at Gulf Power Company. We spent 566,000 in '86
18 and then went to 1.4 million in 1987. That's also the
19 year we had the largest payout. In '86 we had 2.7 and
20 '87 we had 2.66, so those two years is what really got
21 Gulf's management's attention. In that one year, in
22 '87 and then again in '88, it looks like it's taken
23 hold.

24 Another program, and if you don't mind me
25 mentioning it, is one that the Florida Senate started,

1 I believe, in 1980. They required this Commission in
2 1988 or '87, I believe, to start inspecting the
3 facilities. And on a quarterly basis we meet with
4 Staff in the field where they come and inspect. We
5 also do that inspection ourselves.

6 If you'll notice on the third line there it
7 says "public safety inspection of facilities." We have
8 substantial increase funding in that area to inspect
9 these facilities; along with Staff we inspect those
10 facilities.

11 COMMISSIONER GUNTER: Let me ask a question
12 on that. Weren't you supposed to -- prior to the
13 passage of the bill by the Senate, weren't you supposed
14 to be doing all your construction according to the Code
15 anyway?

16 MR. JORDAN: That's correct.

17 COMMISSIONER GUNTER: Okay, so the Senate
18 didn't create that cost, you were supposed to be doing
19 it, all utilities were supposed to be doing their
20 construction and whatever according to the Code.

21 MR. JORDAN: That's correct. Yes, sir.

22 COMMISSIONER GUNTER: Okay.

23 Q (By Mr. Palecki) I guess where the focus of
24 my questioning is, is that it does seem that the
25 program has proven effective, it does seem that you

1 have saved some money, but the savings that you've --
2 two million plus between '87 and '88 would be to the
3 benefit of the Gulf Company and its stockholders,
4 correct?

5 A Yes. I believe it's beneficial to the
6 public. We're having less injuries, less deaths and
7 less public property damage. That's the beneficiary of
8 the program.

9 Q I notice in your testimony that your
10 qualifications include the fact that you were in charge
11 of materials in inventory control. When did you
12 perform those functions?

13 A Primarily through the '80s.

14 Q Did you supervise Kyle Croft during that
15 time?

16 A Not directly. Indirectly; he was underneath
17 my organization.

18 Q And one of your functions was also the
19 running of the garage, is that correct?

20 A Yes. I have had the garage primarily through
21 the '80s.

22 Q And were you familiar with various incidents
23 where individual employees' automobiles and executives'
24 personal cars were repair in the garage?

25 A No, I was not.

1 Q When did you become aware of those problems
2 in the garage?

3 A I'm not sure I'm aware of the problems you're
4 talking about.

5 Q You've never heard of any incidence where
6 employees' vehicles were repaired using the Gulf
7 garage?

8 A Not that I recall.

9 Q Were you here on Monday during the testimony?

10 A No, I was not.

11 Q On Page 7 of your direct testimony you refer
12 to the rebuilding of mechanical equipment. Were these
13 projects competitively bid?

14 A Yes. Are you talking about the
15 transportation equipment?

16 Q That's correct.

17 A Yes. When we contract out rebuilding of
18 equipment, we competitively bid that with several
19 vendors. Now, there are not any vendors in our service
20 area that do these rebuilding activities, so they are
21 primarily done to the north of us, Alabama, Georgia.

22 Q But they are all competitively bid?

23 A Yes, they are. Excuse me, there is some
24 single source type things where you would have like a
25 high ranger bucket truck and you only have one in our

1 area. The statement stands correct.

2 Q No further questions.

3 A Thank you.

4 CHAIRMAN WILSON: Questions, Commissioner?

5 COMMISSIONER GUNTER: I only have one
6 question. There was a previous issue, somebody help me
7 with it; what was the issue number having to do with
8 the question of the propriety of the bonus to the Levin
9 firm?

10 MR. PALECKI: I think that came under Issue
11 38, which was the corporate mismanagement issue.

12 MR. VANDIVER: It's in the Audit Report,
13 Commissioner. I believe that was in 1987 and it is
14 under Issue 38.

15 COMMISSIONER GUNTER: Okay. All right. I
16 don't have any other questions.

17 CHAIRMAN WILSON: All of the exhibits to this
18 witness were either stipulated -- no, we had one. 595.
19 Without objection that's admitted into evidence.

20 (Exhibit No. 595 received into evidence)

21 CHAIRMAN WILSON: Do you have any redirect.

22 MR. STONE: I have one question.

23 REDIRECT EXAMINATION

24 BY MR. STONE:

25 Q Mr. Jordan, is it your understanding that

1 claims are paid out of the injuries and damages
2 reserve?

3 A I'm not sure of the accounting process of
4 that. That sounds correct.

5 Q So it would be someone other than you that
6 would respond to questions about the accrual to that?

7 A That's correct.

8 Q Thank you.

9 MR. STONE: No further redirect.

10 CHAIRMAN WILSON: All right. Thank you very
11 much. You may be excused. Call your next witness.

12 MR. STONE: We would call Ernest C. Conner.

13 CHAIRMAN WILSON: Has this witness been
14 sworn?

15 MR. STONE: No, he has not.

16 CHAIRMAN WILSON: Would you raise your right
17 hand, please? Oh, you have?

18 WITNESS CONNER: I was sworn Monday morning.

19 MR. STONE: My mistake.

20 CHAIRMAN WILSON: We can swear him again, if
21 you want to. Double the credibility of his witness.

22 COMMISSIONER EASLEY: Does the swearing last
23 five days?

24 MR. STONE: It just proves how honest he is.
25 He's already been sworn.

1 CHAIRMAN WILSON: That's true.

2 ERNEST C. CONNER, JR.

3 having been previously duly sworn as a witness on
4 behalf of Gulf Power Company, testified as follows:

5 DIRECT EXAMINATION

6 BY MP. STONE:

7 Q Mr. Conner, would you state your name and
8 your occupation with Gulf Power Company?

9 A My name is Ernest C. Conner, Jr., I am
10 Manager of General Services with Gulf Power Company.

11 Q Are you the same Ernest C. Conner, Jr. that
12 had prefiled direct testimony in this docket dated
13 December 15, 1989?

14 A Yes, I am.

15 Q Do you have any changes or correction to your
16 prefiled direct testimony?

17 A Yes, I do. On Page 4, Line 5, at the end of
18 the line, change the year "1976" to read "1975."

19 Q Is that all of your changes?

20 A That is correct.

21 Q With those changes -- with that change, if I
22 were to ask you the questions contained in your
23 prefiled direct testimony, would your responses be the
24 same?

25 A It would.

1 MR. STONE: I would ask that Mr. Conners'
2 testimony be inserted into the record as though read.

3 CHAIRMAN WILSON: Without objection, it will
4 be so inserted into the record.

5 MR. STONE: Commissioners, all of Mr. Conners
6 exhibits have been identified and stipulated by the
7 parties, and I believe I've handed out a packet to
8 everyone in the hearing room. If someone finds they
9 did not receive a packet, if they'll just let me know.

10 (Exhibit No. 146 stipulated into evidence.)

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GULF POWER COMPANY

Before the Florida Public Service Commission
Direct Testimony of
Ernest C. Conner, Jr.
In Support of Rate Relief
Docket No: 891345-EI
Date of Filing: December 15, 1989

1
2
3
4
5
6 Q. Please state your name, address and occupation.

7 A. My name is Ernest C. Conner, Jr., and my business
8 address is 500 Bayfront Parkway, Pensacola, Florida
9 32501. I am Manager of General Services of Gulf Power
10 Company.

11
12 Q. Please describe your educational and business back-
13 ground.

14 A. I graduated from Auburn University, Auburn, Alabama,
15 in 1973 with a Bachelor of Science degree in Building
16 Construction. In 1985, I completed a Master of
17 Science degree in Management from Troy State
18 University, Florida Region, Pensacola, Florida.
19 Following completion of my Master's degree, I served
20 as an adjunct instructor at the University of West
21 Florida from 1986 through 1988 teaching a senior level
22 course in construction administration. From June of
23 1973 until April of 1982, I worked for two general
24 contracting firms in Auburn, Alabama managing various
25 commercial and industrial construction projects. In

1 April of 1982, I joined Gulf Power Company as
2 Supervisor of General Plant Services. In February of
3 1984, I became Supervisor of Buildings. My title was
4 changed to Manager of Buildings in January of 1989. I
5 became Manager of General Services in June of 1989.

6

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

9 A. Yes. This exhibit was prepared under my supervision
10 and direction.

11

12 Counsel: We ask that Mr. Conner's Exhibit
13 be marked for identification
14 as Exhibit 146 (ECC-1).

14

15 Q. What are your areas of responsibility within Gulf
16 Power Company?

17 A. I have responsibility for providing budgeting,
18 planning, design, construction, operations,
19 maintenance, and administrative support to all Company
20 buildings supporting Division operations and the
21 Corporate Office.

22

23 Q. What is the purpose of your testimony in this
24 proceeding?

25 A. The purpose of my testimony is to provide information

1 relating to the Corporate Headquarters project and the
2 Graceville and Bonifay buildings.

3

4 Q. Can you summarize the need for the new Corporate
5 Office Building?

6 A. The decisions made to build a new office building were
7 based upon a long term process of careful review of
8 all factors affecting the Company's space requirements
9 and their cost impacts. A summary of this process
10 begins with the 1958 decision to construct Gulf
11 Power's General Office building at 75 North Pace
12 Boulevard to support its 89,860 customers.

13 The four story Pace Boulevard structure originally
14 housed not only General Office functions, but also
15 the administrative, engineering, marketing, customer
16 service, and appliance sales operations of the Western
17 Division. Over the years, customer growth and
18 increasing governmental regulation brought the need
19 for increases in the number of employees. By the mid
20 1970's, available space in the building was not
21 adequate to meet the Company's requirements of
22 supporting 174,000 customers.

23 Consideration was given to alternatives for
24 facility expansion. Constructing a second four story
25 building northwest of and adjacent to the existing

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Witness: E. C. Conner, Jr.
Page 4

1 Pace Boulevard building was one alternative.
2 Overcrowding at the Pace site and the opportunity to
3 provide a more centralized location for Western
4 Division line service work led to the decision in ¹⁹⁷⁵~~1976~~
5 to purchase land at Pine Forest near Interstate 10 for
6 the construction of support facilities for the
7 functions of the Western Division. The Pine Forest
8 facility was constructed to house the Western
9 Division's engineering, line service, and garage
10 functions. The old line service and garage building
11 which was vacated behind the 75 N. Pace Boulevard
12 building was then renovated to allow relocation of the
13 Western Division's administrative, customer service,
14 marketing, and appliance sales functions from the 75
15 N. Pace building. This relocation project was
16 completed in 1979.

17 With the construction of the Pine Forest project
18 completed and the relocation of other Western Division
19 functions in process, work was begun in 1979 to
20 provide for space needs within the General Office. By
21 renovating the existing 75 N. Pace building and
22 implementing an open office concept, available space
23 was used to accommodate more employees in the
24 building. Remodeling took place on a floor by floor
25 basis and was completed in 1981.

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Page 5

1 By 1982, employee growth had resulted in the
2 building once again being filled to capacity. Gulf's
3 management commissioned a study, titled "Corporate and
4 Western Division Survey," which in April, 1982 found
5 that this situation was brought on in large part by
6 the Company's hiring of sixty new employees to meet
7 the expanding needs brought on by increases in
8 regulatory activity. These new employees were in
9 addition to those that had been included in the
10 planning for remodeling which was completed in 1981.
11 The 1982 study also found that existing employees had
12 been crowded into unproductive, below average work
13 spaces in order to accommodate as much growth within
14 the existing building as possible. The study
15 identified the net result of this new growth as a
16 combined deficiency of thirty thousand square feet of
17 office space for the General Office and Western
18 Division functions.

19 The 1982 study evaluated several alternatives in
20 response to the space problems identified:

21 ALTERNATIVE I

22 Maintain both the Western Division and
23 General Office functions at the Pace
24 Boulevard site. This alternative involved
25 major construction additions to the two

1 existing buildings.

2 ALTERNATIVE II

3 Construct a new Western Division Headquarters
4 Building on a different site and maintain
5 the General Office functions at Pace
6 Boulevard. This alternative would not have
7 avoided construction additions to the 75 N.
8 Pace building.

9 ALTERNATIVE III

10 Construct a new Corporate Headquarters
11 Building at a new site to house the General
12 Office functions and relocate Western
13 Division personnel to the 75 N. Pace
14 building. This alternative eliminated the
15 need for office construction additions on
16 the Pace Boulevard site.

17 Alternative III was approved by the Company as being
18 the most cost effective solution for meeting the
19 Company's space needs. This decision immediately
20 produced two needs for action. Recognizing that the
21 planning and construction of a new building would take
22 years to accomplish, the Company began planning to
23 meet its short term space needs through providing
24 temporary office space relief. Also, the Company
25 began the process of determining the best site for the

1 new Corporate Office building.

2 A sign off from the 1982 space requirements study
3 was the recognition of the Company's deficiencies in
4 providing adequate facilities to meet its training
5 needs. A 1983 training study, titled "Gulf Power
6 Company Training Center," evaluated several alterna-
7 tives. Recognizing the plan already begun to provide
8 space for the General Office functions and the
9 Western Division, the training study recommended
10 utilizing the Chase Street building at the Pace
11 Boulevard site as the Company's training center. This
12 use would be achieved after the Western Division
13 relocated from this building to the 75 N. Pace
14 building. These three projects were all
15 interdependent requiring timely coordination and
16 scheduling.

17 Another factor affected these three projects.
18 Along with the growth of office space needs over the
19 years, other functions on the Pace Boulevard site were
20 also experiencing the response to the Company's
21 increased requirements which comes with customer
22 growth. The General Warehouse, General Repair
23 Shop, and Communications Shop were all located at the
24 Pace Boulevard site and were all growing and further
25 impacting the site. An automotive rebuild center and

1 general garage were also planned for the site to con-
2 solidate all company wide industrial functions at one
3 location. Resulting additional land purchases were
4 made to support the present and future needs of these
5 Company functions. The land parcels purchased
6 contained a mix of open land and residential
7 structures.

8 The temporary office space needs of the Company
9 were addressed in a 1982 study titled "Space
10 Allocation Plan." This study identified the need to
11 secure 62,000 square feet of temporary office space
12 and recommended that the space be obtained as leased
13 office space in the Pensacola market. In order to
14 hold the line on costs for such a temporary measure,
15 the Company's budget committee rejected this
16 alternative. Employees were asked to endure crowded
17 substandard office space conditions until the new
18 Corporate Headquarters building could be constructed.
19 As an alternative to the leased space study
20 recommendation, the decision was made to take the
21 residences located on land recently purchased at the
22 Pace Boulevard site for the growth needs of the
23 industrial functions and convert them into temporary
24 office space. In all, fifteen such structures were
25 used together with the lease of two other buildings to

1 provide approximately 40,000 square feet of temporary
2 space relief. While inadequate in many respects as
3 office space, and thus not an appropriate long term
4 solution, the overall costs to the Company for this
5 temporary means of providing office space were
6 significantly less than leasing available office space
7 to fully meet the Company's needs in Pensacola.

8 While temporary office space problems were being
9 resolved, Daniels Realty conducted a study in 1982 to
10 examine feasible sites for the new Corporate
11 Headquarters building. Their study evaluated two
12 sites: the Hawkshaw site located in downtown Pensacola
13 and a site in the University Mall area outside the
14 city. Location criteria were determined by
15 addressing the function of the Corporate Office work
16 and analyzing sites against cost considerations. The
17 need to locate the new building in, or very near,
18 downtown Pensacola grew out of the combined existence
19 of land use regulations, a substantial transportation
20 network system, adequate supporting utilities,
21 proximity to the central business district, and
22 adequate fire and police protection. Gulf's ownership
23 of a 1.2 acre former substation site in the
24 underdeveloped Hawkshaw area of the city, combined
25 with below average land prices in the surrounding

1 area, made the Hawkshaw area an ideal location for the
2 building. Because this location is within the City of
3 Pensacola's newly established Gateway Redevelopment
4 District, created to provide a positive image for
5 Pensacola at the eastern entrance into the city,
6 the Company also provided with the opportunity to be a
7 leading corporate citizen in the community. By
8 designing its building in full compliance with the
9 developing guidelines for construction in the area,
10 Gulf has helped set the stage for the City's
11 revitalization of the underdeveloped area of
12 Pensacola. In addition to all of these advantages,
13 land costs in the Hawkshaw area were comparable to
14 acquisition costs at the current Pace Boulevard site
15 and the northeast section of Pensacola.

16 Upon evaluating the Daniels study, Gulf Power
17 approved the Hawkshaw site and began acquisition of
18 additional property in 1982. In 1984, Marshall
19 Associates, Inc., an independent appraisal consultant,
20 was employed to reevaluate the chosen Hawkshaw
21 location prior to the initiation of final building
22 design. This study reviewed the actual costs incurred
23 versus current costs for land in other locations
24 considered previously in the Daniels study. The
25 conclusions were that the Hawkshaw site was still the

1 best alternative since it could be obtained at cost
2 comparable with the other prospective locations and it
3 provided the ideal corporate site.

4 The new building most economically meets the
5 needs of the Company and the 285,000 customers we
6 now serve through providing adequate space for the
7 Company's employees to work productively. Efficient
8 operations were also once again achieved by combining
9 under one roof, corporate functions which had been
10 spread out to seventeen different locations. The new
11 Corporate Office building represents Gulf Power's
12 strong commitment to the City of Pensacola in aiding
13 its revitalization efforts. This leadership role
14 helps to set the tone and pace of the future
15 redevelopment of the Pensacola Gateway District,
16 helping to enhance the largest community we serve
17 through wise implementation of our Corporate Office
18 investment.

19

20 Q. What were the total investment costs of building,
21 furnishing, and moving into the new Corporate Office
22 building?

23 A. The total costs for the building, design fees, site
24 work, plant in service land, building equipment
25 costs, overheads, and furnishings were \$31,645,000.

1 Q. How has the Company provided for future needs in the
2 Corporate Headquarters?

3 A. Gulf developed a phased approach to the building.
4 Phase I included construction of the present 5 story
5 structure providing its growth space both in vacant
6 workstation spaces on the 1st, 2nd, 4th, and 5th
7 floors, and through a future duplicate of the 4th
8 floor layout on the 3rd floor. The third floor was
9 left unfinished in order that it could be used as a
10 maintenance and storage area until needed by Gulf for
11 office space. This approach postponed the need for
12 construction of a warehouse to house building storage
13 needs and a building maintenance shop to support the
14 needs of the Company. Exhibit ECC-1 details the
15 present use of the building.

16

17 Q. Has the Commission staff reviewed Gulf's need for and
18 use of the Corporate Office building and associated
19 land?

20 A. Yes. The Commission staff thoroughly reviewed these
21 aspects of the building and land resulting in the
22 document entitled "Final Report on Corporate Office
23 Building, Gulf Power Company Project PE-872 (3336) AW
24 408 951 (E-84-14)." This report is dated May 23,
25 1989. In virtually all respects, this report is

1 supportive of my testimony.

2

3 Q. Should the total cost of the Bonifay and Graceville
4 offices be allowed in rate base?

5 A. Yes. The total cost of the Bonifay and Graceville
6 offices should be allowed in the rate base. The cost
7 per square foot adjustment made in the 1984 rate case
8 decision did not represent a valid method for
9 determining a reasonable cost for these small
10 buildings.

11 Both of these buildings were competitively bid.
12 The resulting contract costs for construction
13 represent the true market value for construction of
14 the building in the given market and economic
15 conditions, given economies of scale for such small
16 commercial construction, geographic location, and
17 functional needs of the facility as reflected in the
18 building design. The 1984 adjustment did not consider
19 these relevant facts.

20

21 Q. Can you summarize your testimony?

22 A. Yes. Gulf Power Company's management philosophy is to
23 provide adequate facilities to meet the needs of our
24 customers and to provide a productive work environment
25 for our employees. The Company utilizes long range

1 planning to prudently acquire the necessary property
2 to support needed facilities. Such property additions
3 help to ensure that our facilities provide long term
4 solutions to our Company and customer needs. Concern
5 for our customers is also exhibited through wisely
6 implementing our facility investments in a method
7 which enhances the communities that we serve. Great
8 pride is taken in the contribution made in helping to
9 revitalize downtown Pensacola through our Corporate
10 Office building. On a much smaller scale, but no less
11 important, the local offices in Bonifay and Graceville
12 also serve to enhance those communities. Long range
13 planning together with a facility design which
14 enhances the community at reasonable costs all combine
15 for an effective facilities planning program.

16
17 Q. Does this conclude your testimony?

18 A. Yes.

19

20

21

22

23

24

25

1 Q Mr. Conner, would you please give a summary
2 of your testimony?

3 A Yes. The purpose of my testimony is to
4 provide information on Gulf Power Company's office
5 facilities. I will include the corporate office
6 building, land held for future use at the corporate
7 office and at Pace Boulevard, justify the total cost of
8 Bonifay and Graceville, and address the planning used
9 to ensure that we meet the future needs of the Company.
10 We are very proud of our facilities at Gulf Power
11 Company. They reflect the commitment that we have to
12 our customers and the communities that we serve and
13 reflect our confidence about the future of northwest
14 Florida.

15 The headquarters building of Gulf Power
16 Company has always been in Pensacola for over 80 years.
17 In the 1950s, a new building was constructed at Pace
18 Boulevard that served the needs of the Company for over
19 30 years until we moved to our new corporate
20 headquarters building in 1987. That building on Pace
21 Boulevard had become inadequate as the customer base
22 that the Company served grew from 50,000 customers in
23 the 1950s to over five times that number today.

24 Our management recognized the problems with
25 the Pace Boulevard facility and in 1982 commissioned a

1 study which found that we had severe overcrowding in
2 the building. We had noisy working conditions, we had
3 a lack of adequate support facilities, including a lack
4 of conference rooms, a lack of training rooms and a
5 lack of storage. We had no rooms in that building for
6 the auditors of this Commission or the Public Counsel
7 or anyone else to visit with us. In short, we had a
8 very unproductive work environment.

9 As a temporary measure, while the planning
10 for the new corporate headquarters building was under
11 way, Gulf Power relocated its employees to 17 different
12 locations in Pensacola. This added to the problems.
13 Our mail room and duplicating facilities were located
14 in a warehouse. Our Public Relations Department worked
15 out of a creosote plant office. Our Purchasing and
16 General Services Department worked out of an old
17 finance company which was later converted to a funeral
18 home.

19 Security, Insurance, Communication, Land and
20 other departments worked out of residences which were
21 temporarily converted to makeshift office space. Even
22 our Employment Center worked out of an old service
23 station building at Pace Boulevard.

24 Our management saw the need for positive
25 action. In planning the corporate office building,

1 they established some goals for the project. Those
2 goals were: To combine the employees under one roof;
3 to provide an efficient place of business; to create an
4 invigorating work environment; to give our employees
5 something to be proud of, thereby stimulating their
6 productivity; and to enhance our community through our
7 investment. Doing all of the above at reasonable cost.

8 We're very proud of the results. We solved
9 the long-term growth needs of the Company, we
10 consolidated our employees into a productive work
11 environment, and we have made a major contribution to
12 the revitalization of downtown Pensacola. All of these
13 results were achieved with land and building costs
14 comparable to the local Pensacola market.

15 The most satisfying thing with all of these
16 positives has been the feedback from our customers.
17 Over 3,000 customers have toured the building since it
18 opened in March of 1987. The overwhelming majority of
19 the feedback we've gotten from customers, once they
20 came and saw the results, has been positive.

21 Results such as our corporate headquarters
22 building do not just happen. Long-range planning is
23 required for this type of success. This same planning
24 is used today to provide land to meet the needs of the
25 corporate office through the year 2010, to provide land

1 at the Pace Boulevard site through the same time
2 period, and to keep our other facilities up to date for
3 the future. The results of this planning ensure that
4 the Company provides superior customer service on a
5 long-term basis, whether that customer service takes
6 the form of a corporate office building plan for 30
7 years, a Pace Boulevard plan that will have extended 60
8 years, or a Bonifay and Graceville offices.

9 Our Bonifay and Graceville offices have the
10 lowest complaints filed with the PSC of any offices in
11 the Company. Our Bonifay and Graceville offices have
12 the best record of uncollectibles of any office in the
13 Company. And those offices in Bonifay and Graceville,
14 built for the long term, will be still serving the
15 needs for the customers in the year 2010.

16 In summary, Gulf's customer services and
17 support facilities are planned for the long term to
18 meet the needs of our customers.

19 That concludes my summary.

20 MR. STONE: We tender Mr. Jordan for -- Mr.
21 Conner for cross examination.

22 CROSS EXAMINATION

23 BY MR. VANDIVER:

24 Q Good afternoon, Mr. Conner.

25 COMMISSIONER GUNTER: Hold on just a second.

1 Let me ask a question about a late-filed. Is
2 Late-filed 561 done yet?

3 MR. HOLLAND: 561 or 559?

4 COMMISSIONER GUNTER: Well, 559 was a piece,
5 that was the nonutility employees, and that might have
6 been included as part of The Southern Company buildings
7 total activity where we added cost. We might have put
8 those two together.

9 MR. HOLLAND: I thought we did.

10 COMMISSIONER GUNTER: It doesn't matter. As
11 long as the information is in. There are two listed,
12 559 and 561.

13 (Mr. Stone hands out Exhibit 559.)

14 COMMISSIONER GUNTER: The only thing that's
15 not in here is the total cost. And that was included
16 in 561.

17 MR. HOLLAND: Total cost for --

18 COMMISSIONER GUNTER: For each of the
19 buildings.

20 MR. HOLLAND: I'm sorry. Okay, we'll have to
21 get that. I missed that. I didn't have that in my
22 notes.

23 COMMISSIONER GUNTER: Okay. Well, that's
24 listed here. I didn't even do that, that's Southern
25 Company --

1 CHAIRMAN WILSON: That was for the building,
2 that was cancelled.

3 COMMISSIONER GUNTER: Oh, okay. Excuse me,
4 that was for the building that it was cancelled. If we
5 could just have the cost of each one of those
6 facilities as an addendum to this, this will be fine.

7 MR. HOLLAND: The investments included in the --

8 COMMISSIONER GUNTER: The investments
9 included in the rate base in each one of these.

10 Q (By Mr. Vandiver) Hello, Mr. Conner.

11 In looking through your prefiled testimony, I
12 didn't notice that information on the Bonifay and
13 Graceville offices having the lowest customer complaint
14 ratio in the country. Can you direct my attention to
15 that, please, sir?

16 A That is not covered in the written portion of
17 my testimony.

18 Q You just decided to add it here orally today?

19 A That's correct.

20 Q Thank you. I would like to direct your
21 attention to Page 13 of your testimony. At this time I
22 would like to pass out the last rate case -- one page
23 of the last rate case order.

24 CHAIRMAN WILSON: What page of his testimony
25 did you refer to?

1 MR. VANDIVER: Page 13.

2 I'm not sure if you have taken judicial
3 notice of this order, it's 14030. I believe you should
4 if you haven't.

5 CHAIRMAN WILSON: We have, already.

6 MR. VANDIVER: Okay.

7 Q (By Mr. Vandiver) What I'd like you to do,
8 Mr. Conner, I'd like you to turn your testimony in
9 half and put this order and your testimony on Page 13
10 side-by-side. And correct me if I'm wrong, this is the
11 only place in your direct prefiled testimony that you
12 even mention the Graceville and Bonifay deal, is that
13 correct?

14 A Just a minute. I believe my direct testimony
15 on Bonifay and Graceville extends over pages 13 and 14.

16 Q Okay.

17 A In my summary.

18 Q "They also serve to enhance those
19 communities," I apologize, I hadn't spotted that. I'm
20 kind of troubled by this because in that order, second
21 paragraph down under Graceville and Bonifay offices, it
22 says, "We shall allow a further opportunity to justify
23 the entire cost of these projects." In your mind, does
24 this do that?

25 A Yes, it does.

1 Q Can you tell me why?

2 A We believe that the Bonifay and Graceville
3 facility costs were reasonable and we have pointed out
4 that those buildings were competitively bid. We have
5 also pointed out that the square foot cost adjustment
6 made in the 1984 case did not represent a true
7 reflection of costs for those buildings.

8 Q And that, in your mind, is adequate
9 justification to justify the total inclusion of these
10 in rate base?

11 A Yes it is. I believe when you look at the
12 testimony from the 1984 rate case, it was pointed out
13 to the Commission by the witness on those facilities
14 that the cost figures discussed in that hearing
15 represented a building much larger and did not reflect
16 a true cost for a building with reduced economies of
17 scale, such as Bonifay and Graceville.

18 Q Uh-huh.

19 A And we feel like the costs for Bonifay and
20 Graceville were reasonable, they were competitively bid
21 to six general contractors, they were advertised in
22 Dodge reports, which goes out to all subcontractors --

23 Q If I could interrupt just for a minute, sir,
24 I'm just talking about your direct prefilled testimony,
25 the stuff on Page 13. I understand that you can tell

1 me all this, but this is what you have put forward as a
2 justification.

3 A That is correct. I put forward as a
4 justification the square foot cost adjustment. I put
5 forward as a justification the competitive bids on
6 those buildings. I also put forward as a justification
7 that those competitive bids represented the true market
8 value of those buildings and, as such, that the costs
9 were reasonable.

10 Q Okay. Now, I would just like to explore that
11 a little more if I could. What was the basis for your
12 decision to build the new office buildings in Bonifay
13 and Graceville?

14 A The offices in Bonifay and Graceville were in
15 a dilapidated condition. They were part of a study
16 that was done at that time of the Eastern Division
17 facilities; and those buildings were built following
18 that study, which showed that we had a need for --

19 Q Did you all own those original buildings that
20 you were in or were you leasing space, do you recall?

21 A I believe those buildings were leased.

22 Q Okay. How far apart are Bonifay and
23 Graceville?

24 A I don't have an exact mileage on how far
25 apart the two cities are. I would guess approximately

1 15 miles, maybe 20 miles apart. The service area of
2 those two towns, however, extends quite a bit beyond
3 that 15-to-20-mile differential.

4 Q Does it go all the way up the Alabama line?

5 A I'm not sure if it goes all the way to the
6 Alabama line. I do know that the Graceville office
7 also serves customers in Campbellton, the Bonifay
8 office also serves customers in the Caryville area.
9 And if you drew a line between Campbellton and
10 Caryville, I'm certain it would be somewhere in the
11 neighborhood of, subject to check, 40 miles, 50 miles.

12 Q Now you discuss that Means survey for the
13 much larger buildings that the Commission relied on in
14 the 1984 order. Who provided that survey to the
15 Commission?

16 A The survey was provided, I believe, by Mr.
17 Parsons in his testimony in the 1984 case. And when it
18 was provided, it was qualified to state that the survey
19 results reflected costs for an office building of a
20 size between 20,000 and 100,000 square feet and that
21 they would not be reflective of the actual cost for
22 Bonifay and Graceville but would serve as a measure for
23 an indicator of the size. I think if we had been able
24 to more clearly show those costs for a smaller building
25 and to adjust them up for the reduced economies of

1 scale, that the Commission would have better understood
2 our position on the reasonableness of the cost of those
3 facilities.

4 Q Well, can you now provide the appropriate
5 cost information to project the industry average per
6 square foot cost for office buildings of about 1500
7 square foot?

8 A Yes, we can. I'm not sure if you need a
9 late-filed on that, I can go through it verbally. But
10 we have gone back and analyzed that and I would be
11 happy to provide a late-filed that would lay that out.

12 The office buildings in Bonifay and
13 Graceville are customer service facilities. And as
14 such, they have the things that you would have for a
15 customer service facility: Drive-through windows, they
16 have office space, queueing areas and only really have
17 one office inside them.

18 They are similar to a branch bank-type
19 facility which has a means cost of \$84 a square foot
20 for a, I believe it was, a 4200 square foot building.
21 And you have to reflect or adjust that cost down --
22 excuse me, adjust the cost up for the reduced economies
23 of scale. Bonifay and Graceville are 1582 square feet
24 apiece. And if you take that \$84 a square foot figure,
25 adjust it up by the cost modifier that is appropriate

1 for reduced economy of scale of a smaller facility,
2 then it gets it up around \$95 a square foot.

3 Q (By Mr. Vandiver) Who developed that cost
4 modifier for reduced economies of scale?

5 A The R. S. Means Company developed that to
6 take cost per square foot analysis that they give for
7 various types of buildings and they adjust them either
8 up or down based on how that building that you're
9 trying to compare it to varies from their model
10 building.

11 Q Is it your testimony, or is it -- I just
12 need to understand maybe a little bit about the
13 building industry. You basically get more bang for the
14 buck if you're building a bigger building, is that --

15 A That's absolutely true on a cost per square
16 foot basis. The buildings in Bonifay and Graceville,
17 again, are 1582 square feet. They have, because of
18 their small size, more linear footage of perimeter
19 wall, and buildings, by their nature, on the inside
20 there's a lot of air. The costs are in the walls, the
21 roof, the components that hold the building together.
22 And the small size of those buildings causes that cost
23 per square foot to be higher than it would be for a
24 larger building.

25 Q And I take it from your earlier answer that

1 there's just, like an office, a drive-through window,
2 no storage space or anything in these buildings?
3 You're not using them for anything else but collecting
4 customer bills, is that a fair statement?

5 A They are customer service facilities. They
6 would have restrooms, men's, women's restrooms to
7 handicapped codes, they would have drive-through
8 teller, have a walk-up space for paying bills. They
9 would have a local office manager's office and they
10 would have a mechanical room that would have your air
11 handlers and possibly some storage located within the
12 facility, but it would be minor and support the needs
13 of that office.

14 Q How many folks do you have working in those
15 offices on a daily basis?

16 A I believe both in Bonifay and Graceville
17 there is a manager in the office and a customer
18 assistant. So two employees per office, and -- in each
19 building.

20 Q You were discussing earlier about the
21 projections you all had done to do the 1984 costs. Do
22 you have the approximate costs of what these offices
23 would cost you today to build, or do you have a feel
24 for how much that would be or what the difference would
25 be?

1 A I have not run any numbers on that. I'll be
2 glad to provide that as a late-filed exhibit if you
3 would like. Again, it would depend on the local market
4 conditions in each of those towns. As to -- the
5 construction market fluctuates with the economy, with
6 the work that each contractor has, with the
7 subcontractor's work; and even if I could prepare that
8 exhibit, the real true test would be to bid those
9 buildings out again and see what they cost, just as we
10 did in 1984.

11 Q I don't think --

12 COMMISSIONER GUNTER: Let me ask a question
13 right here. Mr. Conner, my recollection, that's been a
14 long time ago, but local contractors didn't build
15 either one of these buildings, did they?

16 WITNESS CONNER: Both of the buildings were
17 built by Sam Sharp, who is a contractor located in
18 Pensacola, Florida. He did use local subcontractors.

19 COMMISSIONER GUNTER: I just said the
20 contractor, the guy that got the contract, was not
21 either from Graceville or Bonifay?

22 WITNESS CONNER: No, sir. The local bidder
23 on the buildings was Sam Sharp, located out of
24 Pensacola, Florida.

25 COMMISSIONER GUNTER: Let me ask you a

1 question. Do you have a bidders' list?

2 WITNESS CONNER: Yes. We developed the
3 bidders' list on each project and we looked at the
4 needs of that project, analyze the qualifications of
5 the contractor for each individual job. Some
6 contractors specialize in metal buildings, some
7 contractors specialize in office buildings, and it's
8 done on a building-by-building basis.

9 COMMISSIONER GUNTER: So you -- when you
10 talk about advertising, you go to your bidders' list
11 and advertise within your bidders' list, isn't that
12 correct?

13 WITNESS CONNER: That is correct.

14 COMMISSIONER GUNTER: So if you -- you don't
15 really have an indication about what the low price
16 might be, or who the low bidder might be if you had
17 advertised widely and said, "Hey, everybody come on
18 in," and see what the best deal is you can get.

19 WITNESS CONNER: Commissioner, we feel like
20 by putting the plans in the Dodge rooms, all of the
21 subcontractors have access to those plans, and the
22 Bonifay and Graceville buildings, the plans were put in
23 the Dodge rooms, and with the general contractor's bid,
24 probably 80 and up to 90% of it is subcontractor bids.

25 COMMISSIONER GUNTER: You didn't answer my

1 question.

2 WITNESS CONNER: I'm sorry.

3 COMMISSIONER GUNTER: To get a contractor to
4 bid, and there are general contractors that do it all,
5 there are general contractors that do that, to have had
6 a -- not a restricted bid list of folks that you may
7 feel or Gulf may feel would be the appropriate ones to
8 build. You don't know whether you got the best price
9 or not.

10 WITNESS CONNER: Commissioner, I'm convinced
11 we got a good price, and probably the best price for
12 those buildings in that we used six bidders on that --
13 on each of the buildings. And six bidders from my --
14 excuse me, from my personal experience is that that
15 would give you excellent competition on those buildings
16 and would ensure that you get the lowest competitive
17 bid.

18 COMMISSIONER GUNTER: How many of those
19 bidders were located in Pensacola?

20 WITNESS CONNER: Commissioner, I'd have to
21 check that for you. Subject to check, it appears that
22 four of the six were located in Pensacola, possibly
23 three of the six.

24 COMMISSIONER GUNTER: Where would the other
25 ones have been from generally?

1 WITNESS CONNER: Probably Fort Walton and
2 one from Panama City. All of the bidders were from our
3 service area.

4 COMMISSIONER GUNTER: How many of those
5 bidders, just from your recollection, have done other
6 business with Gulf? Four of them?

7 WITNESS CONNER: I believe it's four of the
8 six.

9 COMMISSIONER GUNTER: Excuse me, I shouldn't
10 be lip-reading the counsel. Okay, I confess I do that
11 occasionally. You get hard of hearing, you learn how
12 to lip read.

13 CHAIRMAN WILSON: What?

14 Q (Ry Mr. Vandiver) Mr. Conner, in your
15 original decision to build, did you consider asking the
16 landlord to refurbish the dilapidated buildings you
17 were in and did you do a cost benefit analysis of
18 leasing versus purchasing?

19 A There was a study done by the company. I
20 believe it was around 1979, 1980. I'd be glad to
21 provide that study as a late-filed exhibit. I'm sure --

22 MR. VANDIVER: I think I would like a copy of
23 that, sir.

24 WITNESS CONNER: Certainly. It may have
25 been filed with the '84 case. I can give it to you

1 again.

2 CHAIRMAN WILSON: That would be Exhibit
3 No. 596.

4 MR. VANDIVER: That would be,
5 "Bonifay-Graceville Cost Benefit Analysis."

6 (Late-Filed Exhibit No. 596 identified.)

7 WITNESS CONNER: Right, it was a study done
8 on those facilities and other facilities in the Eastern
9 Division.

10 Q (By Mr. Vandiver) Also you indicated that
11 Bonifay, Graceville in the past had expressed the need
12 in past franchise negotiations to maintain an office in
13 the city. Do you know if that's still part of your
14 franchise in those cities?

15 A Could you rephrase the question or restate
16 the question? Excuse me.

17 Q Sure. Your counsel just handed out Hearing
18 Exhibit No. 152. I think that would be a lot easier
19 for you to look at. And I somewhat inartfully asked
20 you about the second sentence of Gulf Power's answer to
21 that interrogatory.

22 A Right. In the franchise negotiations, which
23 I was not involved in, my understanding is that the
24 communities did express a need for the company having
25 an office building in those facilities -- excuse me,

1 and office building in those communities at the time of
2 the franchise negotiations.

3 Q And are you aware if that franchise
4 requirement, if in fact it was a requirement, is still
5 in effect?

6 A I don't believe it was ever a requirement.
7 I think it was just an expression on their part that
8 they have enjoyed excellent customer service from the
9 company and that those buildings represent a part of
10 that excellent customer service.

11 Q I believe Gulf Power's position generally is
12 their service territory is everything west of the
13 Apalachicola River in Florida, is that correct?

14 A I couldn't answer that question.

15 Q That's what's been expressed to me by --
16 what I'm getting to is there's probably a zillion
17 little towns between the Apalachicola River and
18 Pensacola. How do you decide, what's the threshold for
19 a little town getting a Gulf Power office? What do you
20 have to do? How many folks do you have to have in town
21 before you get a Gulf Power drive-through?

22 A I would say the first thing you would look
23 at is do you already have an office there. In the case
24 of the Chipley, Graceville and Bonifay facilities, the
25 Chipley office was established in the community when

1 Gulf Power Company became a company in 1926. The
2 Graceville Facility, or the Graceville office, was
3 opened in 1938. And the Bonifay office, I believe, was
4 opened in 1940. So those offices have always been
5 located, or from my perspective, they've always been
6 located in those towns and have been a part of those
7 communities, and that would be the reasons in those
8 facilities. First thing is they've already got an
9 office there, and we're going to maintain that customer
10 service level.

11 Q What about the guy in the little town that
12 doesn't have one and he comes to Gulf Power and he
13 says, "You know, I really would -- I hate driving all
14 the way up to Marianna to pay my bills. I really need
15 one here in Cowtown." How do you all react to that
16 kind of request?

17 A I'm sure that I would do -- my department
18 would do a study on it, would analyze the number of
19 customers involved, analyze the cost, and look at the
20 need, and determine whether it was a viable project or
21 a customer relations situation that we could
22 communicate with those customers on how could we serve
23 them in methods other than an office in that community.

24 Q Can you give me the approximate number of
25 customers in Bonifay and Graceville?

1 A Just a minute.

2 COMMISSIONER EASLEY: What's the issue
3 amount?

4 MR. VANDIVER: Excuse me?

5 CHAIRMAN WILSON: What is the total dollar
6 impact of this issue?

7 MR. VANDIVER: This is the last question,
8 not very much.

9 COMMISSIONER EASLEY: Just out of curiosity,
10 what's the answer to the question?

11 MR. VANDIVER: 39,000.

12 COMMISSIONER EASLEY: How much?

13 MR. VANDIVER: 39,000.

14 COMMISSIONER EASLEY: Okay.

15 WITNESS CONNER: To answer your question,
16 the customers in Bonifay in 1990 are 2,145. In the
17 Graceville community, it's 1,472.

18 MR. VANDIVER: Thank you.

19 CHAIRMAN WILSON: Do you have a field office
20 in Crestview?

21 WITNESS CONNER: Yes, we do.

22 CHAIRMAN WILSON: How many people there?
23 How many customers there? Do you have that data at
24 hand?

25 WITNESS CONNER: Just a minute. We can get

1 that for you. (Pause.)

2 In Crestview, which is one of the fastest
3 growing areas in the company, it's 8,177 customers in
4 1990.

5 CHAIRMAN WILSON: Does this list that has
6 "occupied buildings" on it basically reflect where you
7 have offices? Obviously you have offices where you
8 have occupied buildings. I wanted to make sure my
9 reasoning was correct on this.

10 MR. HOLLAND: Every building listed there is
11 not an office.

12 CHAIRMAN WILSON: Right.

13 COMMISSIONER GUNTER: That's right. I was
14 just going down through it. You have generating
15 plants; there's other kinds of things. That means I
16 have to do some more math.

17 CHAIRMAN WILSON: How many customers are in
18 DeFuniak Springs there?

19 WITNESS CONNER: Our DeFuniak Springs office
20 in 1990 has 3,753 customers.

21 COMMISSIONER EASLEY: How many in Chiply?

22 WITNESS CONNER: In Chiply it's 4,886
23 customers.

24 COMMISSIONER EASLEY: 23 employees over
25 there?

1 WITNESS CONNER: In Chiply.

2 COMMISSIONER EASLEY: Yes. That's an
3 unusually high number by comparing the others to the
4 number of employees.

5 WITNESS CONNER: Commissioner, the Chiply
6 office Line Service Department serves the needs of
7 Bonifay and Graceville also, and it acts like a
8 district office.

9 COMMISSIONER EASLEY: Got you.

10 Q (By Mr. Vandiver) That brought to mind
11 another question. When you were talking about customer
12 growth, is there an accepted industry ratio for as
13 customer -- as the number of customers grows, so grows
14 the number of employees for electric utilities?

15 A Not that I'm aware of.

16 Q So we couldn't say if you've added 50,000
17 customers in a certain period of time, a well run
18 utility ought to have X number of employees because of
19 that increased customers?

20 A I think there is a correlation between number
21 of customers and number of employees, but I don't think
22 it can be boiled down to one number. It can be just
23 magically applied to them. It would have to be looked
24 at on a case-by-case basis and study all of the factors
25 involved in the facility.

1 Q I'd like to turn now, if I could, to your
2 Business Development Center, and I'd like for you to
3 describe it for me and its purpose.

4 A In the corporate office building in Pensacola
5 we have a Press Conference Room that is used for
6 hurricanes or for updating the press during hurricanes
7 on the status of the Company's restoration efforts.
8 That room also doubles, when we're not having
9 hurricanes, which hopefully we won't have a for a
10 while, as an Economic Development Center. It's a small
11 room.

12 Q 495 square feet, I believe.

13 A 495 square feet. It's designed with a podium
14 so that someone can call members of the press in. They
15 can be updated on the restoration efforts of the
16 Company or other critical matters at the Company.

17 And then when it is not being used for that
18 purpose, our Economic Development Department has used
19 it to present information to prospective people who may
20 be interested in coming to northwest Florida.

21 Q As I understand the amount of investment
22 that's been capitalized for furnishings and equipment
23 of this area it's \$54,098 for 1989. Do you have the
24 projected amount for 1990?

25 A I don't know of any increases between 1988 --

1 excuse me, between 1989 or 1990, and I would not be
2 able to verify that 1989 number.

3 I would point out, however, that the
4 furnishings in that room serve for press conference
5 meetings, and I'm not sure if there is an incremental
6 cost there for having an Economic Development Center
7 related to furnishings.

8 COMMISSIONER EASLEY: Where did you hold that
9 type of activity prior to the construction of the
10 corporate headquarters?

11 WITNESS CONNER: That was a problem. We had
12 a lot of things in our old building that we couldn't do
13 because of the severe lack of space.

14 COMMISSIONER EASLEY: What did you do about
15 the hurricane briefings?

16 WITNESS CONNER: We would run people out of
17 the conference room and tell them we're going to have a
18 press conference there, or -- I was not involved in any
19 of those press conferences, so I'm not sure. But that
20 would have been the only alternative available to the
21 Company in the old building.

22 COMMISSIONER EASLEY: What space available
23 did you use? A conference room in the old building?

24 WITNESS CONNER: Right, we had one conference
25 room in each floor of the old building.

1 COMMISSIONER EASLEY: So you just take one of
2 those.

3 WITNESS CONNER: If someone was not already
4 meeting in it.

5 COMMISSIONER EASLEY: Thank you.

6 Q So you're not aware of what's included in
7 that \$54,000?

8 A I do not have that with me here on the stand,
9 and I don't have that breakout. If you have a copy of
10 it I could look at it or study it; respond to you on
11 late-filed or however you would like me to handle that.

12 Q I don't think that will be necessary. (Pause)
13 I would like a late-filed on the projected
14 figure on that for 1990, please, sir. It's projected
15 expense on Business Development Center for 1990.

16 COMMISSIONER EASLEY: While everybody is
17 writing that down, let me ask you one more question on
18 that Business Development Center. When you were
19 talking about the uses of it, the tail end of the thing
20 was that you said took place in there, you included a
21 sentence that was something like "and to talk to people
22 who are interested in coming to north Florida."

23 WITNESS CONNER: Northwest Florida.

24 COMMISSIONER EASLEY: Northwest Florida. You
25 mean people or you mean businesses?

1 WITNESS CONNER: Businesses.

2 MR. VANDIVER: Mr. Conner, I'm going to go
3 ahead and show you --

4 MR. VANDIVER: That is the capitalized and
5 the expense amount in that category.

6 CHAIRMAN WILSON: That will be 597.

7 MR. PRUITT: That's correct.

8 (Late-Filed Exhibit No. 597 identified.)

9 Q (By Mr. Vandiver) Mr. Conner, I'm going to
10 go ahead and show you what I am reading from, which are
11 interrogatories in the tax docket, which may make this
12 go a little bit faster.

13 A Okay.

14 Q I'm just curious what function the VCRs and
15 laser disks serve in your hurricane warning, or is that
16 exclusively for the economic development piece?

17 A Excuse me just a minute. Let me look at
18 something.

19 Q Certainly.

20 A I believe the laser disk players and VCRs
21 that you referenced are used with the economic
22 development efforts. I don't know that there would be
23 any restrictions in using with hurricanes, but they
24 were not installed for that purpose.

25 Q They weren't bought for that, okay.

1 Where is the center included in your exhibit
2 ECC-1 to your direct testimony? I believe you said it
3 was on the first floor.

4 A I believe it would be item under "Allocated
5 Space Breakdown for the First Floor," the common area
6 that includes lobby of 12,609 square feet is where that
7 item would be included.

8 Q Okay. In the tax docket the Company removed
9 expenses associated with the area in economic
10 development. Do you know whether the expenses were
11 removed in this case?

12 A I do not.

13 Q Would you accept, subject to check, that they
14 were not removed?

15 A I couldn't respond to that because I'm just
16 not sure whether they were or were not.

17 Q Are there dollars projected for land
18 purchases at the corporate office site that have not
19 yet been spent?

20 A Yes, there are.

21 Q How much?

22 A Subject to check we have approximately
23 \$400,000 in the budget for 1990.

24 Q Is that to buy the new parking spaces?

25 A Could you repeat that, please?

1 Q Is that to buy the new parking area?

2 A That's to buy the land to support the parking
3 required for the building by city ordinances.

4 COMMISSIONER GUNTER: Let me ask you a
5 question about that. How many acres does that involve?
6 20-something acres?

7 WITNESS CONNER: The total project is 23.9
8 acres to support the building and the parking needs of
9 the facility through the Year 2010.

10 COMMISSIONER GUNTER: All right. How many
11 parking places is that?

12 WITNESS CONNER: The City Code requires I
13 believe it's 1,200 parking spaces for the total
14 project. The City has not required us to put in all of
15 those parking spaces. We went through site-specific
16 zoning on the project when it was approved by the City,
17 and they allowed us just to install just the parking
18 spaces that were needed for the employees at this point
19 in time, and then as employees are added, we will make
20 the further investment in more parking.

21 COMMISSIONER GUNTER: You have one parking
22 place per employee.

23 WITNESS CONNER: Commissioner, I need to
24 check that ratio for you. There are 712 total parking
25 spaces at the building, and I believe that when you

1 subtract out the visitor's parking, and the parking for
2 Company vehicles, it is probably pretty close to one
3 per employee.

4 COMMISSIONER GUNTER: All right. And you're
5 talking 1,200 parking places as a requirement?

6 WITNESS CONNER: That's correct. I can give
7 you that number now. It's actually 439 employee
8 parking spaces at the building today. The number of
9 employees working in that building or approximately 480
10 to 490, and so it would be less than the number. They
11 each get to park each day because of the diversity
12 factor of employees on vacation.

13 COMMISSIONER GUNTER: Well, the figure you've
14 given us on Exhibit 559 said you have 410 employees,
15 not 480. That's in 1990.

16 WITNESS CONNER: Excuse me. (Pause)

17 Commissioner, that number I believe, subject
18 to check, includes full-time employees from a buildings
19 perspective and a facility management perspective. I
20 also have to provide parking space for co-ops and
21 temporaries and other employees who may be working in
22 the building that are probably not included in that
23 number.

24 COMMISSIONER GUNTER: Well, that poses a
25 interesting question then. That would say that you

1 have in excess of 1,625 employees, is that right?

2 WITNESS CONNER: I believe 1625 is the
3 correct number of full-time employees at the company
4 and --

5 COMMISSIONER GUNTER: Well, if we're looking
6 at space utilization and we ask for total employees,
7 then when we get to dollars, we'd probably need another
8 list of, you know, there's an addendum to 559. We'll
9 probably need another list of part-time employees.

10 MR. HOLLAND: Mr. Gunter, let me --

11 COMMISSIONER EASLEY: Let me be sure I
12 understood.

13 MR. HOLLAND: All right.

14 COMMISSIONER EASLEY: You just said the 1625
15 showing is the total on this exhibit is the total
16 number of full-time equivalents -- full-time employees?

17 WITNESS CONNER: Commissioner, that is the
18 1990 budgeted.

19 MR. HOLLAND: That's not the number of actual
20 full-time employees and it doesn't include the
21 temporaries. And if you want a breakdown as of actual
22 as of a certain date, I'm sure we can give you that.

23 COMMISSIONER EASLEY: All right. I think you
24 probably need to for the purposes that we need to look
25 at this. Because showing it this way and saying as of

1 6-15-90, occupied buildings and number of employees,
2 I'm afraid the conclusion you'd have to draw is that
3 these are the people who are physically occupying the
4 building as 6-15-90.

5 MR. HOLLAND: We're going to put the
6 investment associated with it. We'll just add -- we'll
7 change the number of employees --

8 COMMISSIONER EASLEY: Add actual employees.

9 MR. HOLLAND: -- actual, temporaries and
10 part-time.

11 COMMISSIONER EASLEY: Yeah. Break it down to
12 full-time, temporary and part-time.

13 COMMISSIONER GUNTER: And I hate to put you
14 to this effort, but you're going to have to do the same
15 thing for '84.

16 COMMISSIONER EASLEY: Yes. There's no
17 comparison, otherwise.

18 COMMISSIONER GUNTER: Because then you're
19 really talking apples and oranges if you don't have the
20 date.

21 MR. HOLLAND: Do you want it year-end '84?

22 COMMISSIONER EASLEY: No, take the same date.

23 COMMISSIONER GUNTER: The same way that you
24 have done it for 559. You have to have the same
25 information for both time periods. If that's different

1 information, all of a sudden there's no comparison.

2 MR. HOLLAND: I understand.

3 COMMISSIONER GUNTER: That's like comparing
4 dollars to pesos, somehow they don't fit.

5 Now, let me finish my question.

6 CHAIRMAN WILSON: That would be Late-Filed
7 Exhibit 598?

8 COMMISSIONER GUNTER: Yeah, you'd better do
9 that.

10 MR. HOLLAND: You want a different one?

11 COMMISSIONER GUNTER: Yeah.

12 MR. HOLLAND: We'll stick with this one, all
13 right.

14 (Late-filed Exhibit No. 598 identified.)

15 COMMISSIONER GUNTER: How many acres do you
16 have in use with the 712 parking spaces you have today?
17 I'll tell you what I'm leading you up to. I went out
18 here and I walked down, stepped off how big that
19 parking lot is behind the Civic Center, how many
20 parking places are out there, and I can tell you how
21 many square feet out there. And I got kind of alarmed
22 at 20 plus acres for parking, because you can put a
23 whole lot of cars in 20 acres.

24 WITNESS CONNER: Commissioner, you can put a
25 lot of cars in 20 acres. The project we have in

1 Pensacola is located within the Gateway Redevelopment
2 District, which has some restrictions on land
3 utilization.

4 It has an impervious surface ratio that
5 requires that no more than 75% of the land be covered
6 with a impervious surface, or another way to say that
7 is that 25% of it be left open. And so that affects
8 the number of parking spaces that we can get. And from
9 our calculations, it works out to 23.9 acres to support
10 the long-term needs of the project and provide 1200
11 parking spaces.

12 Another factor that would influence that
13 would be we would probably could have gotten more
14 parking spaces if we'd cut all the trees down, but we
15 didn't do that.

16 COMMISSIONER GUNTER: Don't say that in
17 Tallahassee, people will run up and chain themselves to
18 you. In lack of chaining themselves to a tree, they'll
19 chain themselves to you.

20 WITNESS CONNER: We wanted to do it right, we
21 wanted to preserve those trees. Some of them have been
22 there hundreds of years, beautiful live oaks and we
23 feel like we've got a plan that enhances the beautiful
24 trees that were already there, meets all the city codes
25 and ordinances and will serve the long-term needs of

1 our Company.

2 COMMISSIONER EASLEY: Let me ask you one
3 more, as long as we've got this whole line of
4 questioning interrupted. It seems to me I recall,
5 either from the first service hearings that were held
6 under the original rate case, wasn't there a plan when
7 you built the corporate building to rent out part of it
8 to other businesses or other tenants not related to the
9 Utility?

10 WITNESS CONNER: Commissioner, we did look at
11 that. The plan was to provide growth space so that we
12 didn't have to go into another construction cycle. And
13 one of the alternatives was to lease out some of that
14 space.

15 We elected, in lieu of going with that
16 alternative, to use the space to offset construction of
17 a building maintenance facility, which would have
18 supported my operation in Pensacola in General
19 Services. And we're using --

20 COMMISSIONER EASLEY: You moved something
21 else in instead?

22 WITNESS CONNER: -- that future third floor
23 to support the building maintenance facility. It's
24 fortunate we chose to do that because the lease market
25 in Pensacola has been extremely poor.

1 At the time that we were studying that in
2 1982, Daniel Realty came in and looked at the Pensacola
3 market and told us that you may be able to support as
4 many as 40,000 square feet of lease space from the
5 market if you go and get it within the Pensacola
6 market, but that Pensacola was not at that point in
7 time a big draw for outside people coming in.

8 They said under no conditions would it
9 support more than 100,000 square feet of lease space in
10 the market.

11 Since we had that study done, there have been
12 three major office buildings that went in in the
13 Pensacola market, two of which I believe have gone
14 bankrupt. They had vacancies of about 80 to 90,000
15 square feet of vacant space even as late as last year.

16 COMMISSIONER EASLEY: When did you move into
17 the corporate building? When was that decision taken?

18 WITNESS CONNER: When was --

19 COMMISSIONER EASLEY: When did they decide
20 not to lease out the space and when did you move in?

21 WITNESS CONNER: We moved in in March of
22 1987. During the planning in 1984, we made the
23 decision to go ahead and utilize that floor for
24 purposes other than leasing.

25 COMMISSIONER EASLEY: Am I -- I'm sorry.

1 WITNESS CONNER: I'm through.

2 COMMISSIONER EASLEY: Am I remembering
3 incorrectly then from the 1989 period that you had one
4 or two floors that were still totally unoccupied and
5 totally unused?

6 WITNESS CONNER: Commissioner, all of the
7 building is used today. The third floor of the
8 building does not have office space built in it now and
9 it's used to store my building maintenance facility, my
10 furniture storage, my shop. And that is in lieu of
11 building a building to accomplish that.

12 COMMISSIONER EASLEY: Got you, thank you.

13 MR. HOLLAND: Commissioner Easley, let me add
14 one thing. I'm not even sure that Mr. Conners is aware
15 of it. There's a serious question today under the
16 Holding Company Act as to whether Gulf Power Company
17 could in fact sublease any space to any third party.

18 COMMISSIONER EASLEY: I was just trying to
19 clear up my own memory of this because I wasn't sure I
20 was remembering correctly. Thank you.

21 Q (By Mr. Vandiver) Mr. Conner, relative to the
22 \$400,000 that's in the 1990 rate case to buy this
23 additional land for the parking spaces, where are you
24 in those negotiations?

25 A That's something that's handled by our Land

1 Department and I don't stay in touch with them every
2 day. But we're to the point in the project that we
3 have obtained most of the land that we need to support
4 parking and we don't have to pursue it as aggressively
5 as we did when we first went after the project. And we
6 anticipate that we will be able to acquire all of those
7 properties by year end.

8 Q So it will all take place in 1990?

9 A That's my understanding. As we met with the
10 Staff and reviewed their questions on that when they
11 were in Pensacola, we explained to them that that's a
12 fluctuating thing, it's looked at twice a year at both
13 the February budget revisions and the October budget
14 revisions. And that is our current feeling on it.

15 Q As I understand the third floor, it's
16 basically a shell right now and later on you all can
17 convert it to offices at some future time, is that
18 correct?

19 A That is correct. The third floor is designed
20 to be a duplicate of the fourth floor and to be
21 converted to office space identical to the fourth
22 floor.

23 COMMISSIONER GUNTER: Let me ask one question
24 about the land just for a second.

25 For acquisition of land for parking for an

1 office building, I realize you're not in the Land
2 Department, but does the Utility have the authority to
3 condemn land for those purposes? Is it condemnation or
4 trying to negotiate folks to sell it to you?

5 WITNESS CONNER: Commissioner, we did not
6 condemn any land.

7 COMMISSIONER GUNTER: Okay.

8 WITNESS CONNER: I would have to defer to my
9 legal counsel on whether we had that authority or not.

10 COMMISSIONER GUNTER: I didn't think that
11 there would be, I thought that the Utility had some
12 condemnation authority to deliver electric service but
13 not for these purposes.

14 MR. HOLLAND: I'm not sure it would stretch
15 that far.

16 COMMISSIONER GUNTER: Yeah, okay

17 Q (By Mr. Vandiver) And this -- are you all
18 through? I'm sorry.

19 CHAIRMAN WILSON: Yes, go ahead.

20 Q And this third floor is presently used as a
21 warehouse, is that correct?

22 A The third floor is used as a combination for
23 several things. It's used to house my furniture
24 storage company-wide, it's used as a shop for my
25 building maintenance function which reports to me, it

1 also serves to support some of the storage needs of
2 departments that may have in the past gone out and
3 leased warehouse space to store some of their
4 departmental needs. It's a multi-function floor that
5 is meeting the needs of our customers in postponing
6 investment in a facility to meet those needs.

7 Q Do you store anything at all on that floor
8 related to the Appliance Division?

9 A Not to my knowledge.

10 Q Nothing?

11 A Not to my knowledge.

12 MR. VANDIVER: No further questions.

13 CHAIRMAN WILSON: Questions?

14 COMMISSIONER GUNTER: No. I'm going to save
15 my questions. And if Mr. Conner comes back up on
16 rebuttal, that will be an adequate opportunity for us
17 to explore some areas I'd like to explore.

18 COMMISSIONER EASLEY: We will have that
19 late-filed by that time?

20 CHAIRMAN WILSON: We'll have that late-filed
21 by then?

22 WITNESS CONNER: We'll work it up.

23 MR. HOLLAND: Yes.

24 CHAIRMAN WILSON: All right, good.

25 Okay, all of his exhibits are either

1 stipulated or late-filed.

2 COMMISSIONER EASLEY: Except the last one.

3 CHAIRMAN WILSON: What last one? Oh yes,
4 that's --

5 COMMISSIONER EASLEY: 559.

6 CHAIRMAN WILSON: No, 559 was earlier. This
7 was a late-filed.

8 COMMISSIONER EASLEY: That was a late-filed.

9 MR. STONE: Commissioners, I have just one
10 question on redirect.

11 CHAIRMAN WILSON: All right.

12 REDIRECT EXAMINATION

13 BY MR. STONE:

14 Q Mr. Conner, would the facility that Mr.
15 Vandiver referred to as the business development
16 center. would it also be utilized by the Company for
17 any weather-related emergency and the public
18 communications needs associated with such a weather-
19 related emergency?

20 A Yes, it would.

21 Q Would that include a cold weather emergency
22 such as that endured by the Company over this past
23 Christmas break?

24 A It certainly would be.

25 MR. STONE: Thank you.

1 CHAIRMAN WILSON: Okay. You may be excused,
2 thank you.

3 (Witness Conner excused.)

4 We will -- is there anything we need to do
5 further this afternoon? No? Good. All right then we
6 will resume Monday morning at 8:30. Thank you.

7 (Thereupon, the hearing was adjourned at
8 5:35 p.m., to reconvene at 8:30 a.m., Monday, June 18,
9 1990, at same location.)

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