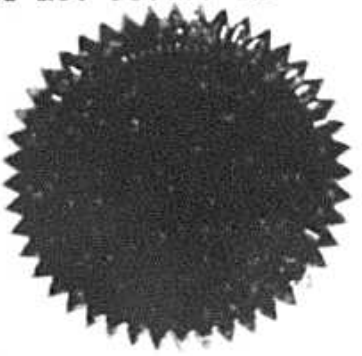
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of	DOCKET NO. 950007-EI
Environmental Cost Recovery Clause.	



PROCEEDINGS: **HEARING**

BEFORE: COMMISSIONER J. TERRY DEASON
COMMISSIONER JULIA L. JOHNSON
COMMISSIONER DIANE K. KIESLING

DATE: **Wednesday, March 8, 1995**

TIME: Commenced at 9:30 a.m.

PLACE: Fletcher Building
FPSC Hearing Room 106
101 East Gaines Street
Tallahassee, Florida

REPORTED BY: JOY KELLY, CSR, RPR
Chief, Bureau of Reporting.
Official Commission Reporter

APPEARANCES:

MATTHEW M. CHILDS, P.A., Steel, Hector & Davis, 215 South Monroe Street, Suite 601, Tallahassee, Florida 32301, Telephone No. (904) 224-7595, appearing on behalf of **Florida Power and Light Company.**

JOHN McWHIRTER, McWhirter, Reeves, McGlothlin, Davidson and Bakas, 315 South Calhoun Street, Suite 716, Tallahassee, Florida 32301, **Telephone No.** (904) 222-2525, appearing on behalf of the **Florida Industrial Power Users Group.**

JOHN ROGER HOWE, Office of Public Counsel, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400, Telephone No. (904) 488-9330, appearing on behalf of the **Citizens of the State of Florida.**

MARTHA CARTER BROWN, Florida Public Service Commission, Division of Legal Services, 101 East Gaines Street, Tallahassee, Florida 32399-0863, Telephone No. (904) 487-2740, appearing on behalf of the **Commission Staff.**

PRENTICE P. PRUITT, Florida Public Service Commission, Office of General Counsel, 101 East Gaines Street, Tallahassee, Florida 32399-0862, Telephone No. (904) 488-7463, **Counsel to the Commissioners.**

I N D E X

WITNESSES

EXHIBITS

PROCEEDINGS

(Hearing convened at 9:30 a.m.)

COMMISSIONER DEASON: Call the hearing to order. We'll begin by having the notice read.

MS. BROWN: By notice issued February 10th, 1995, this time and place was set for a hearing in the following dockets: Docket 950001-EI, fuel and purchased power cost recovery clause; Docket 950002-EG, energy conservation cost recovery cause; Docket 950003-GU, purchased gas cost recovery clause; and Docket 950007-EI, environmental cost recovery clause.

The purpose of the hearing is described in the notice.

COMMISSIONER DEASON: We'll take appearances.

MR. CHILDS: Commissioners, my name is Matthew Childs of the firm of Steel, Hector and Davis. I'm appearing on behalf of Florida Power and Light Company in the 01 and 07 dockets.

MR. HOWE: Commissioners, I'm Roger Howe with the Office of Public Counsel, appearing on behalf of the Citizens of the state of Florida in the 01, 02, 03 and 07 dockets.

MR. McWHIRTER: Mr. Chairman, my name is John McWhirter of the firm of McWhirter Reeves, appearing on behalf of the Florida Industrial Power Users Group in

the 1, 2, 3 and 7 dockets.

MS. BROWN: Martha Carter Brown and Vicki D. Johnson representing the Florida Public Service Commission Staff in the 01 and 07.

MR. PRUITT: I'm Prentice Pruitt, counselor to the Commissioners.

COMMISSIONER DEASON: Okay. Very well.

MS. BROWN: Commissioner, may I mention something before we get started?

COMMISSIONER DEASON: Well, does it have something to do with the appearances, something to say, and then we can get on --

MS. BROWN: Something to do with appearances.

COMMISSIONER DEASON: Yes. Yesterday, Jeffry Stone -- is that what you wanted to just mention? He called my office and spoke with Charles. Apparently, he has no issues, or Gulf Power has no issues, and it was his desire to be excused from today's proceedings and I granted him that. And he did obviously participate in the prehearing process and went through that; and since there are no contested issues, there would be no need for him to appear here today.

* * * * *

COMMISSIONER DEASON: Anything further; preliminaries?

MS. BROWN: Just how we would like to proceed with the dockets. We have two fully stipulated cases in the 07 and 03 Dockets; we suggest that Commission could take care of those to start with, and then we would hear the issues in 01, and then 02.

COMMISSIONER DEASON: Okay. Very well. We will proceed in that order. That order again being 07, 03, 01 and 02.

It also has been brought to my attention that representatives from Florida Power Corporation are delayed -- I suppose due to the severe weather that has been experienced lately -- and that they will be coming later. But they have no issues until we get to the 02 docket; is that correct?

MS. BROWN: That's correct, Commissioner.

COMMISSIONER DEASON: That's another reason to take 02 last.

MS. BROWN: Yes, Commissioner.

COMMISSIONER DEASON: Well, with that, we will begin with the 07 docket. And it's my understanding that that entire docket has been stipulated.

MS. BROWN: Yes. That's correct, Commissioner. The parties have agreed to insert the prefiled testimony of the witnesses into the record as though read. They have waived cross examination.

They have also agreed to identify the exhibits attached to the witness' testimony, numbered consecutively 1 through 19, and move that they be admitted into the record.

COMMISSIONER DEASON: Okay. First of all, there are four witnesses with prefiled testimony in 07?

MS. BROWN: That's correct.

COMMISSIONER DEASON: At this time, I assume, Staff, you are moving that that testimony in its prefiled form be inserted into the record as though read?

MS. BROWN: Yes, Commissioner.

COMMISSIONER DEASON: Without objection, it will be so inserted.

And we are identifying all exhibits that have been identified in the Prehearing Order as Exhibits 1 through 19, and you're also moving that all of those exhibits be admitted into the record.

MS. BROWN: Yes, Commissioner.

COMMISSIONER DEASON: Without objection, Exhibits 1 through 19 in the 07 Docket will be admitted. All cross examination has been waived and the issues that have been identified have all been proposed, have been stipulated to, and are subject to the Commission's approval.

MS. BROWN: Yes, Commissioner.

(Exhibit Nos. 1 through 19 marked for identification and received in evidence.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF BARRY T. BIRKETT

DOCKET NO. 940042-EI

NOVEMBER 14, 1994

Q. Please state your name and address.

A. My name is Barry T. Birkett and my business address is 9250 West Flagler Street, Miami, Florida, 33714.

Q. By whom are you employed and in what capacity?

A. I am employed by Florida Power & Light Company (FPL) as the Manager of Rates and Tariff Administration.

Q. Have you previously testified in this docket?

A. Yes, I have.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present for Commission review and approval the Environmental Compliance Costs associated with our Environmental Compliance activities for the period April 1994 through

September 1994.

Q. **Have you prepared or caused to be prepared under your direction, supervision or control an exhibit in this proceeding?**

A. Yes, I have. It consists of five documents, Document No. 1 reflects the final true-up to be carried forward to the April 1995 - September 1995 period, Document No. 2 reflects the calculation of variances between actual and projected costs, Document 3 presents a summary of actual monthly costs for the period, Document 4, consists of the True-up calculations for the period, and Document 5 consists of the calculation of depreciation expense and return on capital investment.

Q. **What is the source of the data which you will present by way of testimony or exhibits in this proceeding?**

A. Unless otherwise indicated, the actual data is taken from the books and records of FPL. The books and records are kept in the regular course of our business in accordance with generally accepted accounting principles and practices, and provisions of the Uniform System of Accounts as prescribed by this Commission.

Q. **What is the actual true-up amount which FPL is requesting for the April 1994 through September 1994 period?**

A. FPL has calculated and is requesting approval of an overrecovery of

$1,205,632 as the actual true-up amount for the period.

Q. What is the adjusted net true-up amount which FPL is requesting for the April 1994 through September 1994 period which is to be carried over and refunded in the April 1995 through September 1995 period?

A. FPL has calculated and is requesting approval of an overrecovery of $111,561 as the adjusted net true-up amount for the period. The adjusted net true-up of an overrecovery of $111,561 is the difference between the actual true-up of an overrecovery of $1,205,632 and the estimated/actual true-up of an overrecovery of $1,094,071 approved by the Commission at the August 1994 hearing. This is shown on Document No. 1.

Q. Is this true-up calculation consistent with the true-up methodology used for the other cost recovery clauses?

A. Yes, it is. The calculation of the true-up amount follows the procedures established by this Commission as set forth on Commission Schedule A-2 "Calculation of True-Up and Interest Provisions" for the Fuel Cost Recovery Clause.

Q. Are all costs listed in Document No. 2 attributable to Environmental Compliance projects approved by the Commission?

A. Yes they are.

Q. **How did actual expenditures for April 1994 through September 1994 compare with FPL's project projections as presented in previous testimony and exhibits?**

A. Overall, costs were $170,753 lower than the projected. The largest variances were associated with the following projects:

1. CLEAN CLOSURE EQUIVALENCY - O&M

   Project expenditures were $136,067 less than projected. This variance was mainly due to resource constraints and additional time required for resolution of technical issues being negotiated with the EPA.

2. LOW NOx BURNER TECHNOLOGY - CAPITAL

   Project expenditures were $22,358 more than projected. This variance is due to the increase in the depreciation rate as approved by the Commission in Docket No. 931231.

3. MAINTENANCE OF STATIONARY ABOVE GROUND STORAGE TANKS - CAPITAL

   Project expenditures were $16,153 less than projected. This variance is due to the in service dates for some of the work occurring later than estimated.

4. CONTINUOUS EMISSION MONITORING SYSTEMS - CAPITAL

   Project expenditures were $8,378 less than projected. This variance is due to delays in the in service dates for the units. This schedule slippage was due to software installation being

delayed by the vendor.

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF BARRY T. BIRKETT

DOCKET NO. 950007-EI

JANUARY 17, 1995

Q. Please state your name and address.

A. My name is Barry T. Birkett and my business address is 9250 West Flagler Street, Miami, Florida, 33714.

Q. By whom are you employed and in what capacity?

A. I am employed by Florida Power & Light Company (FPL) as the Manager of Rates and Tariff Administration.

Q. Have you previously testified in this docket?

A. Yes, I have.

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

A. The purpose of my testimony is to present for Commission review and approval proposed Environmental Cost Recovery Clause (ECRC) factors for the April 1995 through September 1995 billing period, including the costs to be

recovered through the clause. In addition, I am presenting the estimated/actual costs for the October 1994 through March 1995 period together with an explanation of significant project variances.

Q. Is this filing by FPL in compliance with Order No. PSC-93-1580-FOF-EI, issued in docket No. 930661-EI?

A. Yes, it is. The costs being submitted for recovery for the projected period are consistent with that order. The costs reflected in the true-up amount are those approved for recovery by the Commission in Order No. PSC-94-1207-FOF-EI dated October 3, 1994.

Q. Have you prepared or caused to be prepared under your direction, supervision or control an exhibit in this proceeding?

A. Yes, I have. It consists of eight documents, Document No. 1 summarizes the costs being presented for recovery at this time, Document No. 2 reflects the allocation of costs to the rate classes, Document 3 shows the billing factors as calculated for each rate class, Documents 4 and 8 consist of the calculation of depreciation expense and return on capital investment, Documents 5, 6 and 7 consists of the True-up and variance calculations for the prior period.

Q. Please describe Document No. 1.

A. Document No. 1 provides a summary of the costs being requested for recovery

through the Environmental Cost Recovery Clause. Total recoverable environmental costs amount to $3,956,201, and include $4,356,494 of environmental project costs offset by a net overrecovery of $462,940 reflected on line 18. The net overrecovey of $462,940 includes the final overrecovery of $111,561 for the period April 1994 through September 1994 plus the estimated/actual overrecovery of $351,379 for the October 1994 - March 1995 period.

In addition, Document No. 1 presents the method of classifying costs consistent with Order No. PSC-94-0393-FOF-EI.

Q. Are all costs listed in Document No. 1 attributable to Environmental Compliance projects previously approved by the Commission?

A. Yes they are, with exception of the Continuous Emission Monitoring Systems-O&M project reflected on line 13 and RCRA Corrective Action - O&M projects reflected on line 14. These new projects are discussed in the testimony of William M. Reichel.

Q. Please describe Document No. 2.

A. Document No. 2 calculates the allocation factors for demand and energy at generation. The demand allocation factors are calculated by determining the percentage each rate class contributes to the monthly system peaks. The energy allocators are calculated by determining the percentage each rate contributes to total kWh sales, as adjusted for losses, for each rate class.

Q. Please describe Document No. 3.

A. Document No. 3 presents the calculation of the proposed ECRC factors by rate class.

Q. How do the estimated/actual project expenditures for October 1994 through March 1995 period compare with the original projection?

A. As shown on Document 5, overall, costs were $190,546 lower than projected. The largest variances were associated with the following projects:

1. **Oil Spill Cleanup/Response Equipment - Revenue**

   Revenues were $359,463 greater than estimated as the original estimate excluded the final payments from Maritrans for FPL's assistance in the August 10, 1993, Tampa Bay Oil Spill as the final settlement was still under negotiation. FPL completed negotiations for a final settlement with Maritrans and all payments were received by December 1994.

2. **Clean Closure Equivalency (CCED) - O&M**

   Project expenditures are estimated to be $254,648 lower than originally projected. This variance was mainly due to resource constraints and additional time required for resolution of technical issues being negotiated with the EPA. Issues associated with RCRA Corrective Action and the potential implications relevant to CCED also impacted the schedule.

3. **New Activities - Continuous Emission Monitoring Systems - O&M and RCRA Corrective Action.**

Total estimated expenditures for the period for the two new activities which were not included in the previous projection are $180,050.

4. **Maintenance of Stationary Above Ground Fuel Storage Tanks - O&M**

Project expenditure are estimated to be $97,960 greater than previously projected. This higher level of expenditure was necessary earlier than originally projected to ensure that all project upgrades required by Chapter 17-762, F.A.C. are completed by the end of 1999.

5. **Low Nox Burner Technology-Capital**

Depreciation and Return is estimated to be $83,308 greater than previously projected. This variance is due to a four-month acceleration in the scheduled in-service date for Riviera Unit 4.

6. **Air Operating Permit Fees-O&M**

Project expenditures are estimated to be $66,327 greater than previously projected. The variance is due to a revised estimate of FPL's emissions utilizing expected 1994 operating history, while the projection was based upon 1993 emissions.

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF W. M. REICHEL

DOCKET NO. 950007-EI

JANUARY 17, 1995

Q. Please state your name.

A. My name is William M. Reichel and my business address is 700 Universe Boulevard, Juno Beach, Florida 33408.

Q. By whom are you employed and in what capacity?

A. I am employed by Florida Power & Light Company (FPL) as the Manager of Operations Services in the Power Generation Business Unit.

Q. Please summarize your educational background and professional experience.

A. I received my Bachelor of Science degrees in Aerospace Engineering and Mechanical Engineering from the University of Florida in 1970 and 1971, respectively. From January 1973 to date I have been employed by FPL in the Power Generation area. I started as Plant Engineer at the Lauderdale Power Plant and have

held various supervisory positions in plant operations including Plant Manager of the Riviera Power Plant. I am now Manager of Operations Services with responsibility for supporting all fossil power plants in the areas of thermal performance testing, chemistry, operational support and emissions testing. Included in my duties is support for Clean Air Act implementation activities and other air regulatory issues.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to submit for Commission Review and approval a description of two new environmental compliance actions and the rationale for the alternative selected. In addition, I am providing a project description and progress status for each environmental compliance activity.

Q. What are the new environmental regulatory compliance activities?

A. FPL is seeking recovery of the compliance costs associated with the operation and maintenance (O&M) of Continuous Emission Monitoring Systems and for the Corrective Action Program under the Hazardous and Solid Waste Amendments of 1984 (HSWA) which revised the Resource Conservation and Recovery Act (RCRA).

CONTINUOUS EMISSION MONITORING SYSTEMS - O&M

Q. Please generally describe the scope of this project.

A. Continuous Emission Monitoring Systems (CEMS) were installed on all 27 FPL fossil units and recovery was approved by the Commission in Order No. PSC-93-1580-FOF-EI. This project encompasses all the additional expenses (excluding payroll) necessary to operate and maintain these new Continuous Emission Monitoring Systems, after the expiration of the warranty period, as required by the Clean Air Act Amendments of 1990. The operation and maintenance of these systems includes the following: quality assurance activities, spare parts, software updates and electronic reporting activities.

Q. Describe the regulations that address the need for these expenditures.

A. The Clean Air Act Amendments of 1990 (Title IV) and Public Law 101-549 established requirements for monitoring, recordkeeping and reporting of emissions, see Document No. 1. The same laws that required the installation of CEMS (40 CFR Part 75.10, see Document No. 2) require their maintenance and operation. Quality Assurance requirements for CEMS are described in 40 CFR Part

75, Appendix B, see Document No. 3.

Q. What are the anticipated expenditures for this project for the October 1994 through March 1995 and April 1995 through September 1995 periods?

A. There are no expenditures before January 1995. Below are the estimated expenditures for the two periods.

Activity	October 1994 to March 1995	April 1995 to September 1995
Quality Assurance	$ 46, 300	$124, 200
Spare Parts	0	30, 000
Software	69, 750	139, 500
Electronic Reporting	9, 000	29, 000
Total	$125,050	$322,700

Q. Please describe each activity and indicate if it is a one-time or a perpetual expenditure.

A. Quality Assurance

Expenditures in this category are for the following:

(1) Protocol 1 calibration gases which are used at the power plants for the 27 CEMS and by the emission test crews when testing the CEMS. Expenditures are expected to be $31,800 for January 1995 through March 1995 and $55,200

for April 1995 through September 1995. This is an on-going expense.

(2) Materials, supplies and mobilization costs for emission test crews, (excluding payroll) to perform Relative Accuracy Test Audits, Linearity Checks and any recertification that may be required. FPL has found significant cost savings by performing its own emission testing rather than contracting the work. Expenditures are expected to be $14,500 for January 1995 through March 1995 and $29,000 for April 1995 through September 1995. This is an on-going expense.

(3) Training materials and supplies, including the cost of bringing in vendors to train FPL personnel on how to repair various CEMS components, perform preventative maintenance and operate the data acquisition and handling systems. This training will transfer technological knowledge to allow FPL to do future training on its own. There are no expenditures forecast in the January through March period. Approximately $40,000 is expected in the April 1995 through September 1995 period. This is not a recurring expenditure.

Spare Parts

FPL has no history on these continuous emission monitoring

systems, therefore projections on spare parts usage is based on vendor information and engineering estimates. A levelized $5,000 per month for all 27 systems is projected. It is anticipated that failures requiring spare parts will not occur evenly throughout the year, but the timing of the failures cannot be predicted at this time. As data becomes available, FPL will adjust future projections of the amount and timing of spare parts usage as this is an ongoing expense. Expenditures are expected to be zero for January 1995 through March 1995 and $30,000 for the April 1995 through September 1995.

Software

The Environmental Protection Agency (EPA) has already published draft rule changes of 40 CFR Part 75 for 1995. These rule changes will require significant computer software changes. FPL has joined with four other utilities that have the same software vendor to share expenses for the EPA rule change re-write. The total cost of the re-write is $615,000. FPL's proportionate share, based on the number of CEMS each utility has, is $279,000. FPL and the other four utilities have validated the basis for the quoted total cost, since selecting a different vendor is not possible because of the proprietary software code. It is anticipated that this re-write will be completed and paid for in 1995. Expenditures are expected to be

$69,750 for January 1995 through March 1995 and $139,500 for April 1995 through September 1995. This is a one-time expenditure, however, future EPA rule changes could require further changes to the CEMS software.

Electronic Reporting

Reporting of all emissions and operating data must be in electronic format and is submitted quarterly. The expenditures being requested for recovery are for consultants to develop the methodology for centralized reporting for all 27 CEM systems, producing the first and second quarter reports and training FPL personnel. Expenditures are expected to be $9,000 for January through March 1995 and $29,000 for April 1995 through September 1995. This is a one-time expenditure, as FPL personnel will assume this function after the second quarter 1995.

Q. Are all these expenditures required to operate and maintain the CEMS?

A. Yes. The Clean Air Act Amendments of 1990 identifies, in 40 CFR Part 75, the requirements for operating and maintaining the CEMS with quality assurance being highlighted. There are emission penalties for operating CEMS below a 95% reliability. 40 CFR Part 75 goes beyond most other environmental regulations in

spelling out operating and maintenance practices including the issue of spare parts. Electronic reporting is also very specifically required. In addition, as long as the regulations continue to change, the computer software must be updated to be able to meet the quality assurance requirements for software and to meet the reporting requirement.

FPL will operate, maintain and quality assure its CEM systems. Some of these expenditures, as specified above, are one-time costs to enable our personnel to perform these functions and ultimately reduce the cost impact of operating and maintaining these new systems to our customers.

CORRECTIVE ACTION REQUIREMENTS

Q. What is Corrective Action?

A. "Corrective Action" is the name given to a program established under the Hazardous and Solid Waste Amendments of 1984 (HSWA), revising the Resource Conservation and Recovery Act (RCRA). RCRA is the federal statute establishing the national requirements for the environmentally sound management of solid waste, but dealing with hazardous waste in particular. The Corrective Action program expands the scope of the U.S.

Environmental Protection Agency's (EPA) regulatory authority under RCRA beyond those facilities and regulated units which generate, treat, store or dispose of hazardous waste to other non-regulated solid waste management units (SWMU's) at a site, that may have released hazardous waste or hazardous constituents to the environment. Under this program, the owner/operator of a regulated unit may be required to assess the nature and extent of contamination at non-regulated units resulting from such releases, both past and continuing, actual or potential, and to remediate any contamination present at levels representing a threat to human health or the environment.

Q. Could you define some of the terms you have used, such as SWMU and hazardous constituent?

A. A SWMU is any discernible area of the plant site into which solid wastes have been placed at any time, regardless of whether the area was intended for such use. A hazardous constituent is one of approximately 280 compounds identified by the U.S. EPA as being toxic to human health in certain concentrations. Hazardous waste is defined by the U.S. EPA as a solid waste which either possesses certain defined measurable characteristics that cause the waste to pose a hazard to human health or the environment or is of a waste

source, compound or commercial product specifically listed by the U.S. EPA. Hazardous constituents may be classified as hazardous waste if they can be shown to pose a hazard to human health or the environment when their waste forms are improperly managed.

Q. How are Corrective Action requirements imposed?

A. The U.S. EPA presently has two mechanisms by which it usually imposes Corrective Action requirements. One is established under the provisions of RCRA Section 3004(u), see Document No. 4, which is applied in conjunction with the issuance of a RCRA operation permit for hazardous waste treatment, storage or disposal or for post-closure care (e.g., long-term monitoring) of a facility where hazardous waste or constituents remain in place after the facility has been closed. The other mechanism is established under the provisions of RCRA Section 3008(h), see Document No. 5, which authorizes the issuance by the U.S. EPA of an administrative order requiring Corrective Action at an "interim status" facility when there has been a release of a hazardous waste or constituents into th environment. Interim status refers to a mechanism established under RCRA whereby a facility engaged in treatment/storage/disposal of hazardous waste could continue to operate without a permit until the U.S.. EPA called for the

submittal of an application for an operation permit.

Q. Can you describe how Corrective Action is implemented?

A. Corrective Action is implemented through a process comprised of five discrete phases, as follows:

1. The RCRA Facility Assessment (RFA)--The agency reviews a facility to identify SWMU's or Areas of Concern (AOC) at which actual or potential releases of hazardous waste or constituents into the environment may have occurred. It then makes a determination of the need for further action. This determination is largely based upon the information on risk to human health and the environment provided by the facility. This information is submitted as part of a formal response by the facility to a specific request(s) made by the agency.

2. The Governing Agreement--This is a legal document which directs and controls all subsequent Corrective Action activities imposed upon the facility owner/operator. This document may consist of the operation permit containing the Corrective Action conditions established pursuant to RCRA Section 3004(u) or the administrative order issued pursuant to RCRA Section 3008(h).

3. The RCRA Facility Investigation (RFI)--The facility owner/operator must investigate all SWMU's and AOC's identified in the Governing Agreement to define the horizontal and vertical extent of contamination of environmental media by hazardous waste or constituents The cost of conducting an RFI at just one SWMU is estimated to be approximately $100,000.

4. The Corrective Measures Study (CMS)--For contamination which is present in an SWMU or AOC at levels which represent a threat to human health or the environment, the owner/operator of the facility must propose alternatives for restoring the impacted environmental media to a quality that removes the threat.

5. Corrective Measures Implementation (CMI)--The U.S. EPA selects the appropriate remediation alternative from among those proposed in the CMS, and the owner/operator implements that remedy and monitors the affected media to determine the effectiveness of the restoration actions. The cost of clean-up will depend upon the nature and extent of contamination, but could be considerable.

Q. Does FPL have any facilities with regulated units?

A. Yes. From at least 1980 (when the U.S. EPA promulgated the regulations implementing RCRA) until 1986, FPL operated neutralization basins to treat RCRA hazardous corrosive waste at nine of its power plants. FPL operated these basins during this period under the interim status provisions of RCRA. In 1987, the use of these basins for this purpose was terminated when treatment tanks, which are exempt from the RCRA regulations, were installed

Q. How is Corrective Action related to the Clean Closure Equivalency Demonstration program which is an activity that the Commission has already approved?

A. Corrective Action deals with the non-regulated units at a RCRA facility site, while a Clean Closure Equivalency Demonstration deals only with the regulated unit i.e., the former hazardous waste treatment, storage or disposal facility. FPL is currently engaged in a program to demonstrate to the U.S. EPA that the former hazardous waste treatment (neutralization) basins at its power plant sites have been "clean-closed"; i.e., there are no hazardous wastes or constituents remaining from the prior operation above levels representing a threat to human health or the environment. If FPL is unable to make this demonstration, it would be required to apply for an operation permit to impose post-closure care requirements

(e.g., long-term monitoring) upon the regulated unit. Pursuant to RCRA Section 3004(u), HSWA provides that any hazardous waste permit issued after HSWA's date of enactment must include requirements for Corrective Action applicable to the non-regulated units at the RCRA facility site. This permit would be the "Governing Agreement" noted earlier in my testimony.

Q. What happens in regard to Corrective Action if FPL can successfully demonstrate clean-closure at a particular site?

A. A successful demonstration of clean closure equivalency will allow the former hazardous waste treatment facility (neutralization basin) to exit RCRA as a regulated unit. The U.S. EPA's authority to implement Corrective Action via RCRA Section 3004(u) in conjunction with a RCRA operation permit would therefore be absent.

However, the U.S. EPA believes that it has residual authority under RCRA Section 3008(h) to require Corrective Action even at facilities which formerly had interim status, including ones which have clean-closed. It has already begun a program to identify all of the interim status facilities at which Corrective Action may be required, even those which are conducting a Clean Closure

Equivalency Demonstration. In April 1994, FPL was advised that the EPA intended to conduct RFA's at each of the nine FPL power plants which had operated hazardous waste treatment facilities under interim status.

Pursuant to a letter from the U.S. EPA, see Document No. 6, in October 1994, agency personnel conducted an RCRA Facility Assessment (RFA) at FPL's Martin Plant. Site visits for the other eight power plants remains to be scheduled. If, as a result of the RFA, the U.S. EPA were to determine that actual or potential releases of hazardous waste or constituents into the environment had occurred from SWMU's at any clean-closed FPL facility, it is likely that it would seek to impose Corrective Action requirements upon that facility via its RCRA Section 3008(h) authority, i.e., through the issuance of an administrative order.

Q. What will FPL be doing to respond to the potential imposition of Corrective Action?

A. At a minimum, FPL's response to the conduct of the RFA's is to comply with the U.S. EPA's requests for information concerning the operation of the power plant, the plant's waste streams, the former hazardous waste treatment facility and all of the SWMU's at the

plant. In that regard, FPL will need to provide information to the U.S. EPA demonstrating either that specific SWMU's did not manage hazardous waste or constituents or, if they did, that releases of these to the environment did not occur. As a matter of prudency, it may also be appropriate for FPL to conduct assessments of the human health risk resulting from possible releases in order to demonstrate that any residual contamination does not represent an undue threat to human health or the environment. These response actions will be necessary not only to be responsive to the agency but also to confirm that no further action is required. Although FPL will endeavor to utilize in-house resources to the maximum extent possible, each of these initial response actions may require the use environmental services contractors, as well as some outside legal support.

If FPL does find that it must follow the full Corrective Action process at a particular power plant, it may be appropriate for the company to undertake a voluntary clean-up of various SWMU's, i.e., in the absence of a Governing Agreement. The chief benefits are flexibility and the potential for reduced cost. As presently structured, the U.S. EPA's Corrective Action program is extremely cumbersome and requires long periods of time for the agency's

approval of plans and response actions. FPL would be precluded from undertaking prudent operating decisions involving any SWMU subject to Corrective Action until the U.S. EPA gave its approval. If through a voluntary clean-up of one or more SWMU's at a particular plant the imposition of Corrective Action can be avoided, the company could potentially reduce its costs, while also maintaining control of its assets.

It is possible that the company would nonetheless be required to apply for a RCRA permit or enter into a administrative order with the agency, either of which would impose the full gamut of Corrective Action requirements at one or more of our power plants. If this occurs, FPL will endeavor to work with the agency to ensure that its response actions are reasonable and cost-effective.

Q. What costs are anticipated?

A. Costs are very difficult to project at this time, since the number of SWMU's which the agency believes may pose a problem and the nature and extent of contamination, if any, are currently unknown. Costs of $500,000 have been estimated for 1995, essentially to support the RFA's which the agency will be conducting, as well as to document through data or risk assessment that no further action

is warranted with regard to particular SWMU's. As noted earlier in my testimony, it may be appropriate for FPL to undertake voluntary clean-up of contamination at specific SWMU's in order to expedite the Corrective Action process, and thereby reduce its impacts. We have estimated that approximately $1,500,000 may be necessary to support Corrective Action activities in 1996. The entire Corrective Action process, if FPL is required to follow it, is quite lengthy, with the time from conduct of the RFA at a particular facility to completion of the CMI taking as long as ten years. The substantial portion of possible costs are associated with the CMI, which involves the actual clean-up and occurs towards the end of the Corrective Action process. Costs could be as high as several million dollars per year during this time frame.

Q. What alternatives has FPL considered?

A. FPL has no alternative but to comply with Corrective Action requirements, if it is necessary for FPL to address them. Alternatives may be available in the study approaches, scope of study and clean-up and disposal methods but they are dependent upon the site, the specific SWMU involved and the contamination present. It will be necessary for FPL to develop cost-effective alternatives and to work with the agency to ensure that these are

accepted in a timely manner and that other required activities are reasonable. It may be necessary to undertake legal action against the EPA if its requirements appear to be unreasonable or are not based upon proper authority. In any case, FPL is committed to undertaking response actions that both are cost-effective and will protect human health and the environment.

Q. Has FPL been responsible and prudent in fulfilling the environmental requirements relating to the hazardous waste sites?

A. Yes. The imposition of Corrective Action requirements upon any FPL facility does not suggest that FPL has failed to comply with any of its obligations. FPL has operated its facilities in ways that fully complied with the environmental laws, regulations and standards in effect at the time and that were the most cost-effective for its customers. The SWMU's at FPL's power plants, which would be the subject of the RFA and possible Corrective Action, have been designed and operated according to acceptable industry practice then in effect. FPL has adhered to appropriate standards of due diligence and prudency. Since the 1970's, the United States has seen an explosion of environmental laws and regulations establishing standards for protection of human health and the

environment and revising those standards to make them more stringent or adding new ones as research on human health effects provides new information and environmental detection and measurement capabilities improve. FPL's SWMU's are operating in accordance with environmental permits required under various laws and regulations, and FPL believes it has been in full compliance with all of these requirements. It should be recognized that environmental performance standards and expectations have changed over the past 25 years, and they are continuing to change. The U.S. EPA's Corrective Action program does not consider these changes to be of any relevance in its application. Its focus is on correcting any present problems that may have arisen as a result of past events or practices.

Q. Are you sponsoring any additional exhibits?

A. Yes, I am sponsoring Document No. 7 which provides detailed information concerning all the projects.

Q. Does this conclude your testimony?

A. Yes, it does.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony of
James O. Vick
Docket No. 950007-EI
Date of Filing January 17, 1995

Q. Please state your name and business address.

A. My name is James O. Vick and my business address is 500 Bayfront Parkway, Pensacola, Florida, 32501-0328.

Q. By whom are you employed and in what capacity?

A. I am employed by Gulf Power Company as the Supervisor of Environmental Affairs.

Q. Mr. Vick, will you please describe your education and experience?

A. I graduated from Florida State University, Tallahassee, Florida, in 1975 with a Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's Degree in Civil Engineering from the University of South Florida in Tampa, Florida. In addition, I have a Masters of Science Degree in Management from Troy State University, Pensacola, Florida. I joined Gulf Power Company in August 1978 as an Associate Engineer. I have since held various engineering positions such as Air Quality Engineer and Senior Environmental Licensing Engineer. In 1989, I assumed my present position as Supervisor of Environmental Affairs.

Q. What are your responsibilities with Gulf Power Company?

A. As Supervisor of Environmental Affairs, my primary responsibility is overseeing the activities of the Environmental Affairs section to ensure the Company is, and remains, in compliance with environmental laws and regulations, i.e., both existing laws and such laws and regulations that may be enacted or amended in the future. In performing this function, I have the responsibility for numerous environmental programs and projects.

Q. Are you the same James O. Vick who has previously testified before this Commission on various environmental matters?

A. Yes.

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

A. Yes. I have prepared an exhibit containing one schedule.

COUNSEL: We ask that Mr. Vick's exhibit, consisting of five schedules, be marked as Exhibit No. _____ (JOV-1).

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

A. The purpose of my testimony is to support Gulf Power Company's projection of environmental compliance amounts recoverable through the Environmental Cost Recovery (ECR) clause for the period April 1995, through September 1995. I will discuss the amounts included in the projection period for those compliance activities previously approved by the

Commission. I will also describe other environmental compliance activities undertaken by the Company for which Gulf seeks cost recovery through the ECR.

Q. Mr. Vick, please describe the contents of Schedule 1 of your exhibit.

A. Schedule 1 provides a listing of the environmental capital projects which have been included in Gulf's ECR calculations. The capital projects shown in Schedule 1 are listed according to the Company's Plant Expenditure (PE) reference number. Schedule 1 reflects the expenditures and clearings currently projected for these projects. All the projects listed on Schedule 1 of my exhibit have been previously approved in past proceedings for recovery through the ECR clause as capital projects. These past proceedings have been held in Docket No. 930613-EI and Docket No. 940042-EI.

Q. Have you tabulated the investment amounts for the capital projects identified for recovery through this filing?

A. Yes, these amounts are set forth by capital project on Schedule 1 of my exhibit. The amounts on Schedule 1 were provided to Ms. Cranmer, who has calculated the associated revenue requirements for our requested recovery.

Q. Please compare the Operation and Maintenance (O&M) programs and projects listed on your Schedule 2 to the O&M projects and programs approved for cost recovery in Docket 940042-EI.

A. With the exception of two new items, Title V Permitting (Line Item 4), and Daniel Groundwater Monitoring (included in Line Item 6), all the O&M

projects and programs listed on Schedule 2 of my exhibit reflect O&M projects and programs which were previously approved for recovery through the ECR in past proceedings. These O&M projects and programs are all on-going compliance activities and are grouped into four major categories--Air Quality, Water Quality, Environmental Programs Administration, and Solid and Hazardous Waste. I will discuss each O&M program and project within each of these major categories and the projected expenses later in my testimony.

Q. What O&M projects and programs are included in the Air Quality category?

A. There are six O&M projects/programs included in this category. The first, Sulfur (Line Item 1), reflects an ongoing operational expense associated with the burning of low sulfur coal. This item refers to the flue gas sulfur injection system needed to improve the collection efficiency of the Crist Unit 7 electrostatic precipitator and is required due to the burning of low sulfur coal at this unit pursuant to the sulfur dioxide requirements of the CAAA. The expenses projected for the recovery period total $24,000.

The second project/program listed on Schedule 2 of my exhibit, Air Emission Fees (Line Item 2), represents the costs projected for the annual fees required by the CAAA. The expenses projected for the recovery period total $123,500.

The third project/program on Schedule 2 of my exhibit is one of the new items I referred to earlier, Title V Permits. This item reflects projected expenses associated with the preparation of Title V permit applications and the subsequent implementation of the Title V permits. Title V of the federal

Clean Air Act Amendments of 1990 requires states to create federally enforceable air operation permit programs. A copy of the State's Title V program is attached as Schedule 4 of my exhibit. Under this new program, each major source of air pollution is required to obtain an air operation permit that addresses all federally enforceable requirements applicable to that particular source. The applications for these permits are due to the Florida Department of Environmental Protection by November, 1995. Preparation of the Title V applications for each affected facility is expected to involve approximately 3,000 man-hours for preparation. The expenses for which Gulf is seeking recovery during the projection period are the labor and materials necessary to complete these extensive applications. The total estimated expense for permit applications during the recovery period is $47,916.

The fourth project/program listed on Schedule 2 of my exhibit, Asbestos Fees (Line Item 4), reflects expenses associated with a new requirement that became effective in 1994. The fees were approved by the Commission in Docket No. 940042-EI. These notification fees are required to be paid to the Florida Department of Environmental Protection for the purpose of funding the State's asbestos removal program. The expenses projected for the next recovery period total $4,494.

The fifth project/program listed on Schedule 2 of my exhibit, Emission Monitoring (Line Item 6), reflects an ongoing operation and maintenance expense associated with the new Continuous Emission Monitoring Equipment (CEM) as required by the CAAA. These expenses are incurred in response to the federal Environmental Protection Agency's (EPA) requirements that the

Company perform quality assurance/quality control (QA/QC) testing for the CEMs, including Relative Accuracy Test Audits (RATA) and Linearity Tests. The RATA and Linearity Test expenses were previously approved under the heading Particulate Emission Testing in Docket No. 930613-EI. The Company now classifies these expenses as Emission Monitoring costs. Both RATA and Linearity Tests are QA/QC requirements of the CAAA for the CEMs and, as such, are more appropriately included in the Emission Monitoring program. The expenses projected to occur during the recovery period for these activities total $136,452.

Q. What O&M projects/programs are included in Water Quality?

A. General Water Quality (Line Item 7), identified in Schedule 2 of my exhibit, includes Soil Contamination Studies, Dechlorination, Groundwater Monitoring Plan Revisions, Surface Water Studies, and a new item I referred to earlier, Daniel Groundwater Monitoring. These activities, excluding the Daniel Groundwater Monitoring Program, were undertaken pursuant to the renewal of the Company's Industrial Waste Water (IWW) permit and Chapter 17.750 F.A.C. These activities were all approved for environmental cost recovery in Docket No. 930613-EI. The projected expenses associated with the Daniel Groundwater Monitoring Program are in response to closure of the Plant Daniel Ash Pond. The capital expenditures associated with this project were approved in Docket No. 930613-EI. The capital expenditures were for the construction of a new dry fly ash collection system and landfill and the closure of the ash pond. The Mississippi Department of Environmental Quality required Mississippi Power to monitor the groundwater around the

ash pond for a period of five years. (See Schedule 5.) The expenses projected for the post-closure groundwater monitoring beginning January 1994 total $10,500. The expenses projected for all activities in General Water Quality total $630,408 during the six-month recovery period.

The second activity listed in the Water Quality Category, Groundwater Contamination Investigation (Line Item 8), was previously approved for environmental cost recovery in Docket No. 930613-EI. This activity is projected to incur incremental expenses totaling $358,632 during the recovery period.

Q. What projects/programs are included in the Environmental Affairs Administration Category?

A. Only one O&M program is included in this category on Schedule 2 of my exhibit. This item, Environmental Auditing/Assessment (Line Item 9), was previously approved for cost recovery in Docket No. 930613-EI. The Environmental Auditing/Assessment program is administered by Gulf to ensure that our operations remain in compliance with all existing laws, rules, and regulations, an effort which is of increasing importance as illustrated by the Federal Sentencing Guidelines. This program is an on-going compliance activity which is projected to incur expenses totaling $74,487 during the recovery period.

Q. What O&M projects/programs are included in the Solid and Hazardous Waste category?

A. Only one program, General Solid and Hazardous Waste (Line Item 10), is included in the Solid and Hazardous Waste category on Schedule 2 of my exhibit. This activity involves the proper identification, handling, storage, transportation and disposal of solid and hazardous wastes as required by Federal and State regulations. This activity was previously approved for environmental cost recovery in Docket No. 930613-EI. This program is an on-going compliance activity which is projected to incur incremental expenses totaling $57,420 during the recovery period.

Q. How did you derive the projected O&M expenses the Company identified in your exhibits for consideration in the Environmental Cost Recovery Clause?

A. We have based this information on the projected 1995 environmental expenses for the time frame of April 1995 to September 1995. O&M expenses resulting from environmental compliance activities projected to occur from April 1, 1995, through the end of the recovery period on September 30, 1995, are listed on Schedule 2. These O&M expenses are summarized by FERC account on Schedule 3. This information was provided to Ms. Cranmer for her to include in the calculation of the amount requested.

Q. Does this conclude your testimony?

A. Yes

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony of
James O. Vick
Docket No. 940042-EI
Date of Filing November 14, 1994

Q. Please state your name and business address.

A. My name is James O. Vick and my business address is 500 Bayfront Parkway, Pensacola, Florida, 32501-0328.

Q. By whom are you employed and in what capacity?

A. I am employed by Gulf Power Company as the Supervisor of Environmental Affairs.

Q. Mr. Vick, will you please describe your education and experience?

A. I graduated from Florida State University, Tallahassee, Florida in 1975 with a Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's Degree in Civil Engineering from the University of South Florida in Tampa, Florida. In addition, I have a Masters of Science Degree in Management from Troy State University, Pensacola, Florida. I joined Gulf Power Company in August 1978 as an Associate Engineer. I have since held various engineering positions such as Air Quality Engineer and Senior Environmental Licensing Engineer. In 1989, I assumed my present position as Supervisor of Environmental Affairs.

Q. What are your responsibilities with Gulf Power Company?

A. As Supervisor of Environmental Affairs, my primary responsibility is overseeing the activities of the Environmental Affairs section to ensure the Company is, and remains in compliance with environmental laws and regulations, i.e., both existing laws and such laws and regulations that may be enacted or amended in the future. In performing this function, I have the responsibility for numerous environmental programs and projects.

Q. Are you the same James O. Vick who has previously testified before this Commission on various environmental matters?

A. Yes.

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

A. I will address Gulf's environmental costs that were included in the true-up period ending September 30, 1994. In her testimony and schedules, Ms. Cranmer has identified the carrying costs (including depreciation expense) associated with environmental investment and the O&M expenses included in the true-up period. I will discuss the primary reasons for the variances between the projected and actual costs.

Q. Please compare Gulf's project-to-date environmental capital expenditures included in the true-up calculation through September 1994 with the approved projected amounts.

A. As reflected in Ms. Cranmer's Schedule 4, Page 1, the project-to-date capital expenditures included in the true-up calculation total $60,067,129. As stated

by Ms. Cranmer, this amount includes actual data through August 1994 and estimated data for September 1994. For simplicity, when I use the term "actual", I am referring to the data for the true-up period reflected on Ms. Cranmer's schedules. This amount is $2,133,871 less than the projected amount of $62,201,000. Ms. Cranmer has also identified the recoverable carrying costs associated with the net environmental investment. There are two projects (identified by "PE", or Plant Expenditure) that are primarily responsible for the variance between projected and actual recoverable costs related to environmental capital projects.

First, for PE 1243, Crist 6 Precipitator Replacement, project-to-date expenditures of $12,758,813 through September 1994 were included in the true-up calculation. This results in a variance of ($2,004,187) from the $14,763,000 projected for the period. Ms. Cranmer's Schedule 4, Page 1, reflects a variance in recoverable costs of ($126,964) related to this project. The variance resulted from expenses incurred for this project not being processed during the recovery period.

For PE 1258, Crist Unit 7 Over-Fired Air, this project has been canceled as it appears that Crist Unit 7 will be able to comply with the applicable NOx standards without the installation of over-fired air.

Q. Turning to the Company's O&M expenses, how do Gulf's actual O&M expenses compare to the projected levels?

A. As Ms. Cranmer's Schedule 5 reflects, Gulf incurred a total of $418,778 in recoverable O&M expenses from April 1994 through September 1994, compared to the approved projected amount of $904,441. The primary

reasons for this variance relate to Sulfur, General Air Quality, Particulate Emissions Monitoring, General Water Quality, Ash Pond Maintenance, and Groundwater Monitoring.

Q. What were the Company's actual O&M expenses for Sulfur and how do they compare with the projected levels?

A. Actual expenses were $40,994 compared to the projected amount of $9,498, resulting in a variance of $31,446. This variance is mainly attributable to factors pertaining to the maintenance of the sulfur trioxide flue gas conditioning system. Due to the highly corrosive nature of the chemicals used in this system, maintenance expenses have increased substantially over what was anticipated.

Q. During the period April 1994 through September 1994, what were the actual expenses for General Air Quality and how do they compare with the projected amount?

A. The actual expenses incurred for General Air Quality during the six-month period were $16,896. This represents a decrease of $68,104 from the projected amount of $85,000. The decrease is primarily due to the Plant Crist air emission fees being paid in February 1994 instead of September 1994 as originally projected. This was addressed on Page 6 of my May 20, 1994, true-up filing.

Q. During the period April 1994 through September 1994, what were the actual expenses for Emission Monitoring?

A. The actual expenses incurred for Emission Monitoring for the six-month period were $54,073. This represents an increase of $29,074 over the projected amount of $24,999. This increase is primarily due to expenses related to Relative Accuracy Test Audits and Linearity Tests. These expenses were originally projected to be incurred under the Particulate Emission Testing program, but have since been more appropriately expensed to the Emission Monitoring Program. (See Page 8 of my direct testimony filed on June 27, 1994.)

Q. During the period April 1994 through September 1994, why were there no actual expenses for Particulate Emission Testing?

A. This line item, as approved by the Commission in Order No. PSC-94-0044-FOF-EI, is for Relative Accuracy Test Audit (RATA) and Linearity Tests. As I stated above, the expenses for this item have been reclassified as Emission Monitoring expenses, therefore, all expenses for this program are included in the Emission Monitoring Program.

Q. How do the Company's actual expenses for General Water Quality compare to the projected levels?

A. Gulf had projected expenditures of $407,301 during the period; actual expenses were $242,892, resulting in a variance of ($164,409). Gulf has submitted groundwater monitoring plans to FDEP, and had anticipated Departmental approval for the plans during this period. Due to delays in plan approval, Gulf was unable to move ahead with these projects, which resulted in the variance.

Q. During the period April 1994 through September 1994, what were the actual expenses for Ash Pond Maintenance and how do they compare with the projected amount?

A. The actual expenses incurred for Ash Pond Maintenance during the six-month period were $28,539. This represents an increase of $24,789 over the projected amount of $3,750. In Docket No. 930613-EI, we had projected the majority of O&M expenditures to be incurred prior to January 1994. The project is two-phased: Phase I was maintenance expenses incurred as part of PE1535. Phase I was projected to be completed prior to January 1994, but was larger in scope than anticipated. This resulted in increased expenditures which were carried over into the recovery period. Phase II is monthly routine maintenance of the ash pond as was initially projected.

Q. During the six-month true-up period, what caused the variance of $269,275 for Groundwater Monitoring Investigation expenses?

A. The variance was caused by delays in delivery and start-up of groundwater remediation equipment. Basically, this is simply a matter of timing.

Q. Does this conclude your testimony?

A. Yes.

GULF POWER COMPANY

Before the Florida Public Service Commission
Direct Testimony of
Susan D. Cranmer
Docket No. 950007-EI
Date of Filing: January 17, 1995

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

A. My name is Susan Cranmer. My business address is 500 Bayfront Parkway, Pensacola, Florida 32501. I hold the position of Supervisor of Rate Services for Gulf Power Company.

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

A. I graduated from Wake Forest University in Winston-Salem, North Carolina in 1981 with a Bachelor of Science Degree in Business and from the University of West Florida in 1982 with a Bachelor of Arts Degree in Accounting. I am also a Certified Public Accountant licensed in the State of Florida. I joined Gulf Power Company in 1983 as a Financial Analyst. I have held various positions with Gulf including Computer Modeling Analyst and Senior Financial Analyst. In 1991, I assumed the position of

Supervisor of Rate Services and presently serve in that capacity.

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

Q. Have your previously filed testimony before this Commission in connection with Gulf's Environmental Cost Recovery (ECR) Clause?

A. Yes, I have.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present both the calculation of the revenue requirements and the development of the environmental cost recovery factors for the period April 1995 through September 1995.

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

A. Yes, I have. My exhibit consists of four schedules, each of which were prepared under my direction and supervision.

Counsel: We ask that Ms. Cranmer's Exhibit consisting of four schedules be marked as Exhibit No. 18 (SDC-2).

Q. What environmental costs is Gulf requesting for recovery through the Environmental Cost Recovery Clause?

A. As discussed in the testimony of J. O. Vick, Gulf is requesting recovery for certain environmental compliance operating expenses and capital costs that are consistent with both the decision of the Commission in Docket No. 930613-EI and with past proceedings in this ongoing recovery docket. The costs we have identified for recovery through the ECR Clause are not currently being recovered through base rates or any other recovery mechanism.

Q. Please describe Schedule 1 of your exhibit.

A. Page 1 of Schedule 1 shows the calculation of the revenue requirements associated with capital investment and operating expenses for the period April 1995 through September 1995. Pages 2 and 3 of Schedule 1 show the calculation of the revenue requirements associated with the energy-related and

demand-related investment and expenses, which I will discuss later in my testimony.

Q. How were the Net Environmental Investment and Depreciation/Amortization Expense shown on Schedule 1 derived?

A. The Net Environmental Investment shown on line 5 includes plant-in-service, accumulated depreciation, Construction Work In Progress-Non Interest Bearing (CWIP-NIB), and working capital-allowances. Pages 1 through 3 of Schedule 2 provide additional detail of the plant-related amounts by project. Schedule 2, page 4, provides a breakdown of depreciation and amortization expense by project. Depreciation expense was calculated based on Gulf's latest approved depreciation rates. The capital projects identified for recovery through the ECR Clause are those environmental projects which are not included in the approved projected 1990 test year on which present base rates were set.

Q. How was the amount of Property Taxes to be recovered through the ECR Clause derived?

A. Property taxes were calculated by applying the applicable tax rate to taxable investment. In

Florida, pollution control facilities are taxed based only on their salvage value. For the recoverable environmental investment located in Florida, the amount of property taxes is estimated to be $0. In Mississippi, there is no such reduction in property taxes for pollution control facilities. Therefore, property taxes related to recoverable environmental investment at Plant Daniel are calculated by applying the applicable millage rate to the assessed value of the property.

Q. What capital structure and return on equity were used to develop the rate of return used to calculate the revenue requirements?

A. The rate of return used is based on Gulf's capital structure as approved in Gulf's last rate case, Docket No. 891345-EI, Order No. 23573, dated October 3, 1990. This rate of return incorporates a return on equity of 12.0% as approved by Commission Order No. PSC-93-0771-FOF-EI, dated May 20, 1993. The use of this rate of return for the calculation of revenue requirements for the ECR Clause was approved by the Commission in Order No. PSC-94-0044-FOF-EI dated January 12, 1994 in Docket No. 930613-EI.

Q. How was the amount of O & M expenses to be recovered through the Environmental Cost Recovery Clause calculated?

A. Mr. Vick has provided me with projected recoverable O & M expenses for April 1995 through September 1995. Schedule 3 of my exhibit shows the calculation of the recoverable O & M expenses broken down between the demand-related and energy-related expenses. All O & M expenses associated with compliance with the Clean Air Act Amendments of 1990 were considered to be energy-related, consistent with Commission Order No. PSC-94-0044-FOF-EI. The remaining expenses were broken down between demand and energy consistent with Gulf's last approved cost-of-service methodology in Docket No. 891345-EI.

Q. What is the total environmental revenue requirement for the period April 1995 through September 1995 to be recovered through the Environmental Cost Recovery Clause?

A. Gulf is requesting approval to recover $6,147,000, excluding the true-up, through the Environmental Cost Recovery Clause during the period April 1995 through September 1995.

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Q. What has Gulf calculated as the total true-up to be applied in the period April 1995 through September 1995?

A. The total true-up for this period is a decrease of $384,447 as shown on Schedule 1a. This includes a final true-up over-recovery of $72,442 for the period April 1994 through September 1994. It also includes an estimated over-recovery of $312,005 for the period October 1994 through March 1995, as calculated on Schedule 1b. The resulting recovery amount for the period April 1995 through September 1995, including the projected amounts and the total true-up including revenue taxes is $5,756,000.

Q. Please describe how the total revenue requirement was allocated to each rate case.

A. First, I determined the energy and demand components of the requested revenue requirement as shown on pages 2 and 3 of Schedule 1, respectively. Then, I allocated these amounts to rate class using the appropriate energy and demand allocators as shown as Schedule 4.

Q. How was the breakdown between demand-related and energy-related investment and expenses determined?

A. The net investment and expenses associated with compliance with the Clean Air Act Amendments of 1990 (CAAA) were considered to be energy-related, consistent with Commission Order No. PSC-94-0044-FOF-EI, dated January 12, 1994 in Docket No. 930613-EI. The remaining plant-in-service, CWIP-NIB, accumulated depreciation and depreciation expense related to environmental compliance not associated with the CAAA were allocated 12/13th based on demand and 1/13th based on energy, consistent with Gulf's last cost-of-service study. In order to calculate the revenue requirements associated with the demand-related and energy-related portions, I have shown the energy-related portion of the investment, depreciation expense, and property taxes on page 2 of Schedule 1 and the demand-related portion on page 3 of Schedule 1. Pages 2 and 3 of Schedule 1 also include the energy- and demand-related O & M expenses as shown on Schedule 3. I have then calculated the revenue requirements associated with the energy-related and demand-related investment and expenses.

Q. How were the allocation factors calculated for use in the Environmental Cost Recovery Clause?

A. The demand allocation factors used in the Environmental Cost Recovery Clause were calculated using the 1993 load data filed with the Commission in accordance with FPSC Rule 25-6.0437. The energy allocation factors were calculated based on projected KWH sales for the period April 1995 through September 1995 adjusted for losses. The calculation of the allocation factors is shown in columns A through I on page 1 of Schedule 4.

Q. How were these factors applied to allocate the requested recovery amount properly to the rate classes?

A. As I described earlier in my testimony, pages 2 and 3 of Schedule 1 show the calculation of the energy and demand portions of the total requested revenue requirement. The energy-related recoverable revenue requirement of $3,521,000 for the period April 1995 through September 1995 was allocated using the energy allocator, as shown in column C on page 2 of Schedule 4. The demand-related recoverable revenue requirement of $2,235,000 for the period April 1995 through September 1995 was allocated using the demand

allocator, as shown in column D on page 2 of Schedule 4. The energy-related and demand-related recoverable revenue requirements are added together to derive the total amount assigned to each rate class, as shown in column E.

Q. What is the monthly amount related to environmental costs recovered through this factor that will be included on a residential customer's bill for 1,000 kwh?

A. The environmental costs recovered through the clause from the residential customer who uses 1,000 kwh will be $1.36 monthly for the period April 1995 through September 1995.

Q. When does Gulf propose to collect these new environmental cost recovery charges?

A. These factors will apply to April 1995 through September 1995 billings beginning with Cycle 1 meter readings scheduled on March 30, 1995 and ending with meter readings scheduled on September 27, 1995.

Q. Ms. Cranmer, does this conclude your testimony?

A. Yes, it does.

GULF POWER COMPANY
Before the Florida Public Service Commission
Prepared Direct Testimony of
Susan D. Cranmer
Docket No. 940042-EI
Date of Filing: November 14, 1994

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

A. My name is Susan Cranmer. My business address is 500 Bayfront Parkway, Post Office Box 1151, Pensacola, Florida, 32520-1151. I hold the position of Supervisor of Rate Services.

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

A. I graduated from Wake Forest University in Winston-Salem, North Carolina in 1981 with a Bachelor of Science Degree in Business and from the University of West Florida in 1982 with a Bachelor of Arts Degree in Accounting. I am also a Certified Public Accountant licensed in the State of Florida. I joined Gulf Power Company in 1983 as a Financial Analyst. I have held various positions with Gulf including Computer Modeling Analyst and Senior Financial Analyst. In 1991, I assumed the position of Supervisor of Rate Services and presently serve in that capacity.

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

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

A. Yes, I have.

Counsel: We ask that Ms. Cranmer's Exhibit consisting of five schedules be marked as Exhibit No. 17 (SDC-1).

Q. Are you familiar with the Environmental Cost Recovery (ECR) True-up Calculation for the period of April 1994 through September 1994 set forth in your exhibit?

A. Yes. These documents were prepared under my supervision.

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

A. Yes, I have.

Q. What is the amount to be refunded or collected in the period April 1995 through September 1995?

A. An amount to be refunded of $71,672 was calculated as shown on Schedule 1 of my exhibit.

Q. How was this amount calculated?

A. The $71,672 was calculated by taking the difference in the estimated April 1994 through September 1994 over-recovery of $2,756,286 as approved in Order No. PSC-94-1207-FOF-EI, dated October 3, 1994 and the actual over-recovery of $2,827,958, which is the sum of lines 19 and 20 under the total column on page 1 of Schedule 2.

Q. Please describe Schedules 2 and 3 of your exhibit.

A. Schedule 2 shows the calculation of the actual over-recovery of environmental costs for the period April 1994 through September 1994. Schedule 3 of my exhibit is the calculation of the interest provision on the over-recovery. This is the same method of calculating interest that is used in the Fuel Cost Recovery (FCR) and Purchased Power Capacity Cost (PPCC) Recovery clauses.

Q. Please describe Schedule 4 of your exhibit.

A. Page 1, column 1 of Schedule 4 provides the amounts spent on recoverable environmental capital projects included in the true-up calculation. This includes actual expenditures through August 1994 and estimated expenditures for September 1994. (As noted on pages 2 and 3 of Schedule 4, the plant-in-service and construction work in progress - non-interest bearing (CWIP-NIB) amounts for September 1994 are estimated since these amounts are not determined on an actual basis in time to be used in the true-up calculation.) These expenditures are then compared to the projected project-to-date amounts through September 1994 as shown in column 2. Columns 4 and 5 on page 1 of Schedule 4 provide the actual and projected jurisdictional carrying costs (including depreciation expense) associated with each environmental capital project for the period April 1994 through September 1994. In his testimony, Mr. Vick describes the reasons for the major variances in recoverable costs related to environmental investment. Pages 2 through 5 of Schedule 4 provide the plant-in-service, CWIP-NIB, accumulated depreciation, and depreciation expense by project for the true-up period.

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Q. Please describe Schedule 5 of your exhibit.

A. Schedule 5 of my exhibit provides the actual and projected O & M expenses for the period April 1994 through September 1994 by activity and by FERC account. Mr. Vick describes the main reasons for the variances in O & M expenses in his true-up testimony.

Q. Does this complete your testimony?

A. Yes, it does.

MS. BROWN: And Staff recommends that the Commission approve the stipulations that have been reached with respect to each issue.

COMMISSIONER DEASON: Commissioners, is it your desire to act upon those stipulations at this time, or do you wish to wait until later in the proceedings to act on those stipulations? I guess, if you're ready, I'm asking for a motion. If you're not ready, we can wait.

CHAIRMAN CLARK: I'm willing to make the motion so we can dispose of at least that part.

COMMISSIONER DEASON: A motion has been made to accept all stipulations in the 07 docket. That motion has been made and seconded without objection. Hearing no objection, those stipulations are approved.

And I believe that would conclude the 07 docket.

MS. BROWN: That does conclude it, Commissioner.

COMMISSIONER DEASON: Very well.

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MS. BROWN: Commissioner Deason, before Mr. Kaufmann gets started, I forgot that I needed to mention something. The Clerk has a question on the number of exhibits in the 07 docket. She is concerned

that we identified only 19 when there are actually 21. I can't remember what we did.

COMMISSIONER DEASON: Okay, let's go back and take a quick look at that, then, to make sure the record is accurate and complete.

According to my list of exhibits, we identified and admitted 19 exhibits in the 07 docket. And that was supposed to have included all of the exhibits identified within the prehearing order.

MS. BROWN: You're right, now that I look at it. Commissioner, when we take a break, I'll go discuss it with her and see where the problem lies.

COMMISSIONER DEASON: Okay. Now, in the 03 docket, there were only 17, but there were 19 in the 07.

If you could find out where, if there is a discrepancy, if there is a problem, we'll get it corrected. I just don't know that there is a problem right now.

MS. BROWN: The only thing I can think of is perhaps she's working from an earlier draft. I'll check it out.

COMMISSIONER DEASON: Very well.

(Thereupon, the hearing concluded at 9:45 a.m.)

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STATE OF FLORIDA)
:
COUNTY OF LEON)

CERTIFICATE OF REPORTER

I, JOY KELLY, Chief, Bureau of Reporting, Commission Reporter,

DO HEREBY CERTIFY that the Hearing in Docket No. 950007-EI was heard by the Florida Public Service Commission at the time and place herein stated; it is further

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CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript, consisting of 70 pages, constitutes a true transcription of my notes of said proceedings.

DATED this 13th day of March, 1995.

JOY KELLY
Official Commission Reporter
(904) 488-5981

STATE OF FLORIDA)
:
COUNTY OF LEON)

The foregoing certificate was acknowledged before me this 13th day of March, 1995, by JOY KELLY, who is personally known to me.

PATRICIA A. CHURCH
Notary Public - State of Florida
My Commission No. CC-90785
Notary Public, State of Florida
My Commission Expires April 20, 1995
Bonded Thru Troy Fain - Insurance Inc.