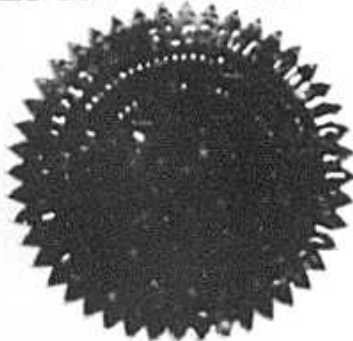


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

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

BEFORE: COMMISSIONER J. TERRY DEASON  
COMMISSIONER DIANE K. KIESLING  
COMMISSIONER JOE GARCIA

DATE: Wednesday, August 9, 1995

TIME: Commenced at 10:50 a.m.  
Concluded at 10:58 a.m.

PLACE: The Betty Easley Conference Center  
Hearing Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: ROWENA NASH HACKNEY  
Official Commission Reporter

DOCUMENT NUMBER-DATE  
07634 AUG 10 95  
FPSC-RECORDS/REPORTING

## 1 APPEARANCES:

2           **MATTHEW M. CHILDS**, Steel, Hector & Davis, 215 South  
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4 Telephone No. (904) 224-7595, appearing on behalf of Florida  
5 Power & Light Company.

6           **JEFFREY A. STONE** and **RUSSELL A. BADDERS**, Beggs &  
7 Lane, P. O. Box 12950, Pensacola, Florida 32576-2950,  
8 Telephone No. (904) 432-2451, appearing on behalf of Gulf  
9 Power Company.

10           **VICKI GORDON KAUFMAN**, McWhirter, Reeves, McGlothlin,  
11 Davidson Rief & Bakas, 315 South Calhoun Street, Suite 716,  
12 Tallahassee, Florida 32301, Telephone No. (904) 222-2525,  
13 appearing on behalf of Florida Industrial Power Users Group.

14           **JOHN ROGER HOWE**, Deputy Public Counsel, Office of  
15 Public Counsel, c/o of The Florida Legislature, 111 West  
16 Madison Street, Room 812, Tallahassee, Florida 32399-1400,  
17 Telephone No. (904) 488-9330, appearing on behalf of the  
18 Citizens of the State of Florida.

19           **VICKI JOHNSON**, Florida Public Service Commission,  
20 Division of Legal Services, 2540 Shumard Oak Boulevard,  
21 Tallahassee, Florida 32399-0850, Telephone No. (904) 413-6199,  
22 appearing on behalf of the Commission Staff.

23  
24  
25

1 APPEARANCES CONTINUED:

2           **PRENTICE P. PRUITT**, Florida Public Service  
3 Commission, Division of Legal Services, 2540 Shumard Oak  
4 Boulevard, Tallahassee, Florida 32399-0870, Telephone No.  
5 (904) 413-6199, appearing as Counsel to the Commissioners.

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1 MISCELLANEOUS

2 PAGE NO.

3 CERTIFICATE OF REPORTER

64

4

5 WITNESSES

6 NAME

7 BARRY T. BIRKETT

8 Prefiled Direct Testimony Inserted  
Into the Record by Stipulation

9

9 WILLIAM M. REICHEL

10 Prefiled Direct Testimony Inserted  
Into the Record by Stipulation

20

11 M. L. GILCHRIST

12 Prefiled Direct Testimony Inserted  
Into the Record by Stipulation

28

13 JAMES O. VICK

14 Prefiled Direct Testimony Inserted  
Into the Record by Stipulation

31

15 SUSAN D. CRANMER

16 Prefiled Direct Testimony Inserted  
Into the Record by Stipulation

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		EXHIBITS	
NUMBER		IDENTIFIED	ADMITTED
1			
2	1	BTB-1	8 8
3			
4	2	BTB-2	8 8
5			
6	3	BTB-3	8 8
7			
8	4	BTB-4	8 8
9			
10	5	BTB-5	8 8
11			
12	6	BTB-6	8 8
13			
14	7	BTB-7	8 8
15			
16	8	BTB-8	8 8
17			
18	9	WMR-1	8 8
19			
20	10	WMR-2	8 8
21			
22	11	WMR-3	8 8
23			
24	12	JOV-1	8 8
25			
	13	SDC-1	8 8
	14	SDC-1a (extracted from SDC-1, Exhibit 13)	8 8
	15	SDC-2	8 8
	16	(Cranmer) Gulf Power Responses to Staff's Interrogatory, Nos. 1-12	8 8
	17	Staff Audit Report	8 8

## P R O C E E D I N G S

(Hearing convened at 10:50 a.m.)

COMMISSIONER DEASON: Call the hearing to order.

Have the notice read, please.

MS. JOHNSON: By notice issued June 19, 1995, a hearing was set in Docket Nos. 950001-EI, Fuel and Purchased Power Cost Recovery Clause and Generating Performance Incentive Factor; in Docket No. 950007-EI, Environmental Cost Recovery Clause. The purpose of the hearing is set out in the notice.

COMMISSIONER DEASON: Okay. Now, as is evident from the Prehearing Orders that have been filed in these dockets, all issues have been stipulated.

MS. JOHNSON: That's correct.

COMMISSIONER DEASON: Okay. For purposes of appearances, I think it would just suffice to show that all the appearances that were taken at the prehearing conference would just be recognized for purposes of this hearing, realizing that the participants have been excused from actually making an appearance and presenting their witnesses; is that correct?

MS. JOHNSON: That's correct.

COMMISSIONER DEASON: I suppose the first order of business would be to identify all of the exhibits which have been preliminarily identified in the Prehearing Orders.

1 \* \* \* \* \*

2 COMMISSIONER DEASON: We can now move into the 07  
3 docket which is the environmental cost recovery clause. As we  
4 similarly did in the 0001 docket, we will need to identify the  
5 exhibits which are contained on Pages 13, 14 and 15 of the  
6 Prehearing Order. And according to my notes, that would be  
7 Exhibits 1 through 17; is that correct?

8 MS. JOHNSON: That is correct.

9 COMMISSIONER DEASON: With the Staff audit report  
10 being the last exhibit, which would be Exhibit 17.

11 MS. JOHNSON: Correct.

12 COMMISSIONER DEASON: Show that those exhibits are  
13 identified as Exhibits 1 through 17 respectively, and the  
14 testimony of the witnesses has also been stipulated. And that  
15 would be testimony for the witnesses identified on Pages 4 and  
16 5 of the Prehearing Order. And I take it that Staff is moving  
17 that that testimony be inserted into the record?

18 MS. JOHNSON: Yes, we are.

19 COMMISSIONER DEASON: Okay. That testimony has been  
20 stipulated without any objection. That testimony is inserted  
21 into the record. And I assume that Staff is likewise moving  
22 into evidence Exhibits 1 through 17?

23 MS. JOHNSON: That's correct.

24 COMMISSIONER DEASON: Those exhibits also have been  
25 stipulated into the record, and show that they are now

1 admitted into the record. That being Exhibits 1 through 17.

2 (Exhibit Nos. 1 through 17 marked for identification  
3 and received in evidence.)  
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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION****FLORIDA POWER & LIGHT COMPANY****TESTIMONY OF BARRY T. BIRKETT****DOCKET NO. 950007-EI****May 19, 1995**

1       **Q.    Please state your name and address.**

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

4

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

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

8

9       **Q.    Have you previously testified in this docket?**

10      A.    Yes, I have.

11

12      **Q.    What is the purpose of your testimony?**

13      A.    The purpose of my testimony is to present for Commission review and  
14            approval the Environmental Compliance Costs associated with our Envi-  
15            ronmental Compliance activities for the period October 1994 through

1 March 1995.

2

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

5 A. Yes, I have. It consists of five documents, Document No. 1 reflects the  
6 final true-up to be carried forward to the October 1995 - March 1996  
7 period, Document No. 2 reflects the calculation of variances between  
8 actual and projected costs, Document 3 presents a summary of actual  
9 monthly costs for the period, Document 4, consists of the True-up calcula-  
10 tions for the period, and Document 5 consists of the calculation of  
11 depreciation expense and return on capital investment.

12

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

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

20

21 **Q. What is the actual true-up amount which FPL is requesting for the**  
22 **October 1994 through March 1995 period?**

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

1 \$882,358 as the actual true-up amount for the period.

2

3 **Q. What is the adjusted net true-up amount which FPL is requesting for**  
4 **the October 1994 through March 1995 period which is to be carried**  
5 **over and refunded in the October 1995 through March 1996 period?**

6 A. FPL has calculated and is requesting approval of an overrecovery of  
7 \$419,418 as the adjusted net true-up amount for the period. The adjusted  
8 net true-up of an overrecovery of \$419,418 is the difference between the  
9 actual true-up of an overrecovery of \$882,358 and the estimated/actual  
10 true-up of an overrecovery of \$462,940 approved by the Commission at  
11 the March 1995 hearing. This is shown on Document No. 1.

12

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

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

19

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

22 A. Yes they are.

23

1 Q. How did actual expenditures for October 1994 through March 1995  
2 compare with FPL's project projections as presented in previous  
3 testimony and exhibits?

4 A. Overall, costs were \$295,731 lower than projected. The largest variances  
5 were associated with the following projects:

6 1. LOW NOx BURNER TECHNOLOGY - CAPITAL

7 Project expenditures, depreciation and return, were \$91,298 less  
8 than projected. This variance was a result of in-service delays on  
9 the burners at Turkey Point Unit 2. Originally the burners were  
10 estimated to be placed in-service in December 1994, but are  
11 delayed until February 1995.

12  
13 2. RCRA CORRECTIVE ACTION - O&M

14 Project expenditures were \$55,000 less than projected. This  
15 variance is due to delays in the completion of activities which  
16 began during the period.

17  
18 3. CONTINUOUS EMISSION MONITORING SYSTEMS - CAPITAL

19 Project expenditures, depreciation and return, were \$39,625 less  
20 than projected. The variance was due to delays on the in-service  
21 dates for three of the seventeen units which were estimated to be  
22 place in-service in December 1994. The three units, Scherer Unit  
23 4 and St. Johns River Power Park Units 1 and 2, were actually

1 placed in-service in January and February 1995.

2

3 4. CLEAN CLOSURE EQUIVALENCY - O&M

4 Project expenditures were \$37,969 less than projected. This  
5 variance was mainly due to delays caused by resource constraints  
6 and additional time required for resolution of technical issues being  
7 negotiated with the EPA.

8

9 5. OIL SPILL CLEANUP/RESPONSE EQUIPMENT - O&M

10 Project expenditures were \$32,882 less than projected. This is due  
11 to delays in some expenditures. The costs are now anticipated to  
12 be incurred in June when the Corporate Oil Spill Drill is scheduled  
13 to be held.

14

15 **Q. Does this conclude your testimony?**

16 **A. Yes, it does.**

17

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION****FLORIDA POWER & LIGHT COMPANY****TESTIMONY OF BARRY T. BIRKETT****DOCKET NO. 950007-EI****JUNE 20, 1995**

1 Q. Please state your name and address.

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

4

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

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

8

9 Q. Have you previously testified in this docket?

10 A. Yes, I have.

11

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

13 A. The purpose of my testimony is to present for Commission review and  
14 approval proposed Environmental Cost Recovery Clause (ECRC) factors  
15 for the October 1995 through March 1996 billing period, including the costs

1 to be recovered through the clause. In addition, I am presenting the  
2 estimated/actual costs for the April 1995 through September 1995 period  
3 together with an explanation of significant project variances.

4

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

7 A. Yes, it is. The costs being submitted for recovery for the projected period  
8 are consistent with that order. The costs reflected in the true-up amount  
9 are those approved for recovery by the Commission in Order No. PSC-95-  
10 0384-FOF-EI dated March 21, 1995.

11

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

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

21

22 **Q. Please describe Document No. 1.**

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

1 recovery through the Environmental Cost Recovery Clause. Total recov-  
2 erable environmental costs amount to \$7,681,233, and include \$7,292,645  
3 of environmental project costs increased by a net underrecovery of  
4 \$266,954 reflected on line 18. The net underrecovery of \$266,954 in-  
5 cludes the final overrecovery of \$419,418 for the period October 1994  
6 through March 1995 and the estimated/actual underrecovery of \$686,372  
7 for the April 1995 - September 1995 period.

8  
9 In addition, Document No. 1 presents the method of classifying costs  
10 consistent with Order No. PSC-94-0393-FOF-EI.

11  
12 **Q. Are all costs listed in Document No. 1 attributable to Environmental**  
13 **Compliance projects previously approved by the Commission?**

14 **A.** Yes they are, with the exception of the NPDES Permit Fees O&M project  
15 reflected on line 14. This new project is discussed in the testimony of  
16 William M. Reichel.

17  
18 **Q. Please describe Document No. 2.**

19 **A.** Document No. 2 calculates the allocation factors for demand and energy  
20 at generation. The demand allocation factors are calculated by deter-  
21 mining the percentage each rate class contributes to the monthly system  
22 peaks. The energy allocators are calculated by determining the percent-  
23 age each rate contributes to total kWh sales, as adjusted for losses, for



1 each rate class.

2

3 **Q. Please describe Document No. 3.**

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

6

7 **Q. How do the estimated/actual project expenditures for April 1995  
8 through September 1995 period compare with the original projec-  
9 tion?**

10 A. As shown on Document 5, overall, costs were \$682,036 greater than  
11 projected. The largest variances were associated with the following  
12 projects:

13

14 **1. RCRA Corrective Action - O&M**

15 Project expenditures are estimated to be \$919,000 greater than originally  
16 projected. This variance is due to the acceleration of work at the Cape  
17 Canaveral site due to the availability of resources to perform the work  
18 earlier than had originally been projected.

19

20 **2. Low NOx Burner Technology - Capital**

21 Depreciation and Return are estimated to be \$261,404 less than previously  
22 projected. This variance is a result of delays in the completion of the work  
23 at Turkey Point Unit 2 caused by vendor delays with the turbine liner and

1 balancing.

2

3 **3. Continuous Emission Monitoring Systems - O&M**

4 Project expenditures are estimated to be \$101,347 greater than previously  
5 projected. This variance is a result of earlier than anticipated software  
6 upgrade requirements as a result of the new EPA rulings published in  
7 1995.

8

9 **4. NPDES Permit Fees - O&M**

10 Total estimated expenditures for the period for this new activity which was  
11 not included in the previous projection are \$95,958.

12

13 **5. Continuous Emission Monitoring Systems - Capital**

14 Depreciation and Return are estimated to be \$86,975 less than previously  
15 projected. This variance is due to delays in the completion of the projects  
16 at Scherer Unit 4 and St. Johns River Power Park Units 1&2 caused by  
17 vendor delays for the software and programming.

18

19 **6. Clean Closure Equivalency - O&M**

20 Project expenditures are estimated to be \$44,615 less than previously  
21 projected. This variance is due to delays caused by uncertainty which  
22 arose concerning the timing of the work at Turkey Point and Ft. Myers  
23 when the responsibility to oversee this program was transferred from the

1 EPA to the FDEP.

2

3 **7. Low Level Radioactive Waste Access Fees - O&M**

4 Project expenditures are estimated to be \$42,794 less than previously  
5 projected. This variance is a result of a lower volume of waste shipments  
6 than originally projected.

7

8 **Q. Does this conclude your testimony?**

9 **A. Yes, it does.**

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

## FLORIDA POWER &amp; LIGHT COMPANY

## TESTIMONY OF W. M. REICHEL

DOCKET NO. 950007-EI

JUNE 20, 1995

1 Q. Please state your name.

2 A. My name is William M. Reichel and my business address is 700

3 Universe Boulevard, Juno Beach, Florida 33408.

4

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

6 A. I am employed by Florida Power & Light Company (FPL) as the

7 Manager of Operations Services in the Power Generation Business

8 Unit.

9

10 Q. Please summarize your educational background and professional  
11 experience.

12 A. I received my Bachelor of Science degrees in Aerospace

13 Engineering and Mechanical Engineering from the University of

14 Florida in 1970 and 1971, respectively. From January 1973 to date

15 I have been employed by FPL in the Power Generation area. I

16 started as Plant Engineer at the Lauderdale Power Plant and have

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

8

9 **Q. What is the purpose of your testimony?**

10 A. The purpose of my testimony is to submit for Commission Review  
11 and approval a description of one new environmental compliance  
12 action, National Pollutant Discharge Elimination System (NPDES)  
13 permit fees, and a clarification of the scope of one existing  
14 activity, Maintenance of Stationary Above Ground Fuel Storage  
15 Tanks. In addition, I am providing a project description and  
16 progress status for each environmental compliance activity.

17

18 **NPDES PERMIT FEES**

19

20 **Q. Please generally describe the scope of this project.**

21 A. FPL is seeking recovery of the cost of annual regulatory program  
22 and surveillance fees for wastewater permits. Specifically, these

1 fees have been established to recover from the regulated community  
2 the Florida Department of Environmental Protection's (FDEP) costs  
3 for administering the National Pollutant Discharge Elimination  
4 System (NPDES) program applicable to facilities and activities  
5 discharging to surface waters.

6

7 **Q. Describe the regulations that address the need for these**  
8 **expenditures.**

9 **A. The NPDES program was established by the U.S. Environmental**  
10 **Protection Agency (EPA) pursuant to the federal Clean Water Act.**  
11 **This program regulates discharges to surface waters from FPL**  
12 **facilities and had previously been administered by the EPA. Under**  
13 **the program, FPL had to apply for a permit (the NPDES permit) to**  
14 **make such discharges, and any discharges made had to be**  
15 **monitored, reported and maintained within certain limits, as**  
16 **specified in the permit. Coincident with this permitting program,**  
17 **the State of Florida regulated discharges of industrial wastewater**  
18 **from FPL facilities under a separate permitting program. On May**  
19 **1, 1995, the EPA approved the application by the State of Florida**  
20 **to administer the NPDES program in lieu of the EPA. This will**  
21 **replace the state's industrial wastewater program and will allow**  
22 **FPL's water discharges to be subject to a single regulatory program**

1           The State of Florida established Rule 62-4.052, F.A.C. (See  
2           Document 1) , which became effective on April 30, 1995, to require  
3           that annual regulatory program and surveillance fees be paid in  
4           addition to the application fees described in Rule 62-4.050. This  
5           requirement implements the legislative intent of Section 403.087(5),  
6           Florida Statutes, that the FDEP's cost of administering the NPDES  
7           program be borne by the regulated parties.

8

9           **Q.    How are these fees established?**

- 10          **A.    Rule 62-4.052(6) F.A.C. establishes a set of fees based upon the**  
11           **group classifications used in Rule 62-4.050(4)(c), F.A.C., and the**  
12           **classification of Minor or Major as defined in Rule 62-620.200(22),**  
13           **F.A.C. . FPL's power plants, except for the Turkey Point Plant, fall**  
14           **into Group 1 and are classified as Major, which sets their annual**  
15           **fee at \$11,500 each. The Turkey Point Plant is permitted to**  
16           **discharge to surface waters only for emergencies, and it is therefore**  
17           **subject to Rule 62-4.052(8)(c) F.A.C., which establishes an annual**  
18           **fee of \$200. Other FPL facilities subject to these fees include**  
19           **petroleum contaminated ground water clean up projects authorized**  
20           **to discharge to surface waters for more than 30 days under the**  
21           **general permit for petroleum fuel contaminated ground water clean**  
22           **up. According to Rule 62-4.052(9), the annual fee for each of these**

1 projects is \$2,850.

2

3 **Q. What are the total anticipated cost of these NPDES permit fees for**  
4 **FPL?**

5 **A. The fees for 1995 have been pro-rated to reflect the effective date**  
6 **of the NPDES program delegation to FDEP by the EPA, which**  
7 **occurred on May 1, 1995. The invoice for these fees from the**  
8 **FDEP is expected in the near future and must be paid before the**  
9 **end of July 1995. Based upon the 12 power plants with NPDES**  
10 **permits, and including Turkey Point Plant and two anticipated**  
11 **petroleum contaminated ground water clean up projects discharging**  
12 **to surface water, the pro-rated annual fee for 1995 is expected to be**  
13 **\$95,958. In 1996, FPL expects to pay \$132,400. Per Rule 62-**  
14 **4.052(2)(b), the 1996 fee will be due and payable no later than**  
15 **January 15, 1996.**

16

17

18 **MAINTENANCE OF STATIONARY ABOVE GROUND FUEL**  
19 **STORAGE TANKS**

20

21 **Q. Can you please clarify the scope of this project as relates to closure**  
22 **assessment?**



1 A. In my direct testimony in Docket 930661-EI, filed July 7, 1993  
2 requesting approval of the Maintenance of Stationary Above  
3 Ground Fuel Storage Tanks project, I indicated that the regulatory  
4 requirements pertaining to this project are contained in Chapter 62-  
5 762,F.A.C., which require a closure assessment prior to closure of  
6 above ground storage tanks or installation of secondary  
7 containment. These secondary containment structures and tank  
8 closures are part of FPL's Maintenance of Stationary Above Ground  
9 Fuel Storage Tank program.

10

11 In addition, Rule 62-762.820, F.A.C., (Document 2) requires that  
12 when evidence of a discharge from a storage tank system is  
13 discovered, e.g., through the conduct of a closure assessment, the  
14 owner or operator shall contain, remove and abate the discharge.  
15 Therefore, where it is necessary or appropriate to do so, FPL  
16 requests that the cost to clean up fuel oil discharges from its above  
17 ground fuel storage tanks should be included within the scope of  
18 the Maintenance of Above Ground Fuel Storage Tanks activity for  
19 which environmental cost recovery has been previously approved.

20

21 Q. How were discharges form above ground fuel storage tanks  
22 addressed prior to the promulgation of Chapter 62-762, F.A.C.?

1 A. In the past, following removal of recoverable product, FPL would  
2 allow discharges of Number 6 fuel oil to combine with the soil and  
3 remain in place. Number 6 fuel oil is extremely viscous and upon  
4 penetration of the soil it forms an asphalt-like material. In this  
5 form, it does not contribute to pollution, and our policy was  
6 therefore not believed to result in environmental degradation. Our  
7 current interpretation of Rule 62-762.820 is that FPL no longer has  
8 that option, but must notify the FDEP of positive responses from  
9 leak detection devices or evidence of a discharge, such as stained  
10 soil or odors observed during closure assessments. Once reported,  
11 the discharge must be cleaned up to the satisfaction of the FDEP.

12  
13 **Q. What costs does FPL anticipate for clean up of fuel discharges?**

14 A. We have not projected any costs at this time, but we do anticipate  
15 that costs of this type will be incurred in the future. In addition,  
16 the cost of some clean-up activities may qualify for reimbursement  
17 under either the state's Early Detection Incentive (EDI) or  
18 Petroleum Liability Insurance and Restoration Program (PLIRP)  
19 provisions. In those cases, only those portions of the costs not  
20 allowed by FDEP for reimbursement under either of those programs  
21 would be charged to the Environmental Cost Recovery Clause.

22

1 Q. Are you sponsoring any additional exhibits?

2 A. Yes, I am sponsoring Document No. 3 which provides detailed  
3 information concerning all the projects.

4

5 Q. Does this conclude your testimony?

6 A. Yes, it does.

## 1 GULF POWER COMPANY

2 Before the Florida Public Service Commission  
3 Prepared Direct Testimony of  
4 M. L. Gilchrist  
Docket No. 950007-EI  
Date of Filing June 16, 1995

5

6 Q. Please state your name and business address.

7 A. My name is M. L. Gilchrist, and my business address is 500 Bayfront  
8 Parkway, Pensacola, Florida, 32520-0328.

9

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

11 A. I am Manager of Fuel and Environmental Affairs for Gulf Power Company.

12

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

14 A. I graduated from Auburn University in 1958 with a Bachelor of Science  
15 Degree in Electrical Engineering. I joined Gulf Power Company in 1961  
16 as a Field Engineer. Since then, I have held various positions with the  
17 Company, including Power Sales Engineer, Division Sales Supervisor,  
18 Division Engineer, Supervisor of Fuel Supply, Assistant Plant Manager at  
19 Crist Electric Generating Plant, and Manager of Interchange and Fuel  
20 Supply. I was promoted to my present position June 1, 1989.

21

22 Q. What are your duties as Manager of Fuel and Environmental Affairs?

23 A. I manage the fuel supply and environmental compliance activities of the  
24 Company. My responsibilities include fuel procurement, fuel contract  
25 administration, and fuel budgeting. In addition, I serve as the Company's

1 Alternate Designated Representative for the Clean Air Act (CAA) and the  
2 Alternate Authorized Account Representative (AAAR) for CAA SO<sub>2</sub>  
3 emission allowance administration.  
4

5 Q. Are you the same Lane Gilchrist who has previously testified before this  
6 Commission on various fuel matters?

7 A. Yes.  
8

9 Q. Mr. Gilchrist, what is the purpose of your testimony in this docket?

10 A. The purpose of my testimony is to support Gulf Power Company's  
11 projection of CAA emission allowances expended during the period  
12 October 1, 1995 to March 31, 1996 and to be available to answer any  
13 questions that may occur concerning the Company's CAA allowance  
14 administration.  
15

16 Q. Has the Company included expenditures for emission allowances in its  
17 projection for this filing?

18 A. Yes. Phase I of the CAA became effective January 1, 1995, therefore,  
19 this projection includes an estimate of the cost of allowances to be  
20 expended during the period.  
21

22 Q. How is the number of allowances expected to be used projected?

23 A. The same fuel budget model that predicts the coal burn in units affected  
24 by CAA Phase I also forecasts the number of tons of sulfur in the coal  
25 burned, which is readily converted to tons of SO<sub>2</sub>.

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Q. How was the cost of allowances to be expended determined for the forecast?

A. The projected cost of allowances was determined by a method very similar to fuel inventory as specified by FERC procedures. In other words, allowances are held "in stock" at cost and are "issued" at the projected cost of allowances which is based on anticipated allowances granted net of allowance sales, purchases, and transfers.

Q. Did the Company project the purchase or sale of allowances during the forecast period?

A. No. The only transactions projected are the inventory adjustments for allowances surrendered to the EPA for 1995 emissions and the 1996 allowances allocated from the EPA.

Q. Mr. Gilchrist, does this conclude your testimony?

A. Yes.

## 1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Prepared Direct Testimony of

4 James O. Vick

Docket No. 950007-EI

Date of Filing: May 19, 1995

5 Q. Please state your name and business address.

6 A. My name is James O. Vick and my business address is 500 Bayfront  
7 Parkway, Pensacola, Florida, 32501-0328.8  
9 Q. By whom are you employed and in what capacity?10 A. I am employed by Gulf Power Company as the Supervisor of  
11 Environmental Affairs.12  
13 Q. Mr. Vick, will you please describe your education and experience?14 A. I graduated from Florida State University, Tallahassee, Florida in 1975  
15 with a Bachelor of Science Degree in Marine Biology. I also hold a  
16 Bachelor's Degree in Civil Engineering from the University of South  
17 Florida in Tampa, Florida. In addition, I have a Masters of Science  
18 Degree in Management from Troy State University, Pensacola, Florida. I  
19 joined Gulf Power Company in August 1978 as an Associate Engineer. I  
20 have since held various engineering positions such as Air Quality  
21 Engineer and Senior Environmental Licensing Engineer. In 1989, I  
22 assumed my present position as Supervisor of Environmental Affairs.

23

24

25

1 Q. What are your responsibilities with Gulf Power Company?

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

9  
10 Q. Are you the same James O. Vick who has previously testified before this  
11 Commission on various environmental matters?

12 A. Yes.

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

15 A. The purpose of my testimony is to support Gulf Power Company's true-up  
16 period ending March 31, 1995. In her testimony and schedules, Ms.  
17 Cranmer has identified the carrying costs (including depreciation  
18 expense) associated with environmental investment and the O&M  
19 expenses included in the true-up period. I will discuss the primary  
20 reasons for the variances between the projected and actual costs.

21  
22 Q. Please compare Gulf's project-to-date environmental capital expenditures  
23 included in the true-up calculation through March 1995 with the approved  
24 project amounts.

25 A. As reflected in Ms. Cranmer's Schedule 4, Page 1, the project-to-date



1 capital expenditures included in the true-up calculation total \$65,549,076.  
2 This results in a variance of \$744,076 above the projected amount of  
3 \$64,805,000. The reasons for the variance will be further explained in my  
4 testimony.

5  
6 Q. Mr. Vick, please explain in detail the capital projects which were  
7 responsible for the variance in projected-vs-actual costs for the period.

8 A. First, Line Item 2 on Ms. Cranmer's schedule, Crist 5, 6 & 7 Precipitator  
9 Projects resulted in a variance of \$1,055,425 under the projected amount  
10 of \$25,469,000. The variance is attributed to our initial estimated project  
11 costs being higher than actual costs. The project is basically complete  
12 with the exception of some minor work remaining.

13 Secondly, Line Item 4, Crist 6 & 7 Low NOx Burners had a variance  
14 of \$1,095,031 over the projected amount of \$15,486,000. This variance is  
15 the result of necessary modifications to the scope of work originally  
16 planned. The vendor man-power which was necessary for equipment  
17 installation exceeded estimates included in the contract which in turn  
18 increased total project costs. There were also delays in invoice  
19 processing during the period. Although the project is complete and in-  
20 service, we anticipate that additional equipment adjustments will be  
21 necessary in the future.

22 Line Item 11, Smith Stormwater Collection System, had a period-to-  
23 date variance of \$762,415 under the projected amount of \$2,947,000.  
24 This is attributed to poor weather conditions during the period which  
25 delayed the work schedule and consequently delayed invoice processing.

1           Nonetheless, the project remains scheduled for completion in mid-June  
2           at which time remaining invoices will be processed.

3                       Finally, Line Item 13, Daniel Ash Management Project exceeded  
4           the projected amount by \$1,314,592. Although these expenditures are  
5           over projection, total recoverable costs remain under projection due to  
6           this interest-bearing project being cleared to service later than expected.

7  
8   Q.       Turning to the Company's O&M expenses, how do Gulf's actual O&M  
9           expenses compare to the projected levels?

10   A.       Ms. Cranmer's Schedule 3 reflects that Gulf incurred a total of \$1,169,100  
11           in recoverable expenses for the period as compared to the approved  
12           amount of \$1,294,532. There are several projects and programs which  
13           are responsible for the variance.

14  
15   Q.       Please explain the reasons for the variance in O & M expenses.

16   A.       There are four projects/programs that caused the variance for the six-  
17           month period. These are General Water Quality, Groundwater Monitoring  
18           Investigation, Environmental Auditing and Assessment and General Solid  
19           and Hazardous Waste.

20                       Under General Water Quality, expenses for the period were  
21           \$329,311 as compared to a projected level of \$515,672. The Plant Smith  
22           Soil Contamination project was delayed pending project approvals from  
23           the Florida Department of Environmental Protection. Once necessary  
24           project approvals have been obtained from that agency, the project will  
25           accelerate and expenses will, over time, be back on target.

1           The Groundwater Monitoring Investigation exceeded projections by  
2 a total of \$70,046. This variance is the result of Gulf's decision to  
3 purchase treatment equipment previously leased on a monthly basis from  
4 a contractor. The decision to purchase the previously leased equipment  
5 was made in order to reduce the revenue requirements for this project  
6 over time. In the short run, we incurred some increased costs related to  
7 advancing the processing of the previous vendor's invoices in order to  
8 cancel the contractual agreements. Through ownership of treatment  
9 equipment, future project costs will be reduced.

10           There were minimal activities in the Environmental Auditing and  
11 Assessment program which is reflected in a (\$42,301) variance for the  
12 period. The program will increase in scope later this year and expenses  
13 overall will be back on target.

14           Finally, General Solid and Hazardous Waste expenses exceeded  
15 the projected figure in the amount of \$16,266. Material transportation and  
16 disposal costs for this program will generally fluctuate according to the  
17 amounts of materials generated through our operations. These costs are  
18 expected to be back on target by year end.

19  
20 Q. Mr. Vick, does this conclude your testimony?

21 A. Yes.  
22  
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24  
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## 1 GULF POWER COMPANY

2 Before the Florida Public Service Commission  
3 Prepared Direct Testimony of  
4 James O. Vick  
Docket No. 950007-EI  
Date of Filing June 16, 1995

5 Q. Please state your name and business address.

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

8

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

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

12

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

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

23

24 Q. What are your responsibilities with Gulf Power Company?

25 A. As Supervisor of Environmental Affairs, my primary responsibility is

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

6

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

9 A. Yes.

10

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

13 A. Yes. I have prepared an exhibit containing five schedules.

14

15 COUNSEL: We ask that Mr. Vick's exhibit, consisting of five  
16 schedules, be marked as Exhibit No. 12 (JOV-1).

17

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

19 A. The purpose of my testimony is to support Gulf Power Company's projection  
20 of environmental compliance amounts recoverable through the  
21 Environmental Cost Recovery (ECR) clause for the period October 1995,  
22 through March 1996. I will discuss the amounts included in the projection  
23 period for those compliance activities previously approved by the  
24 Commission. I will also describe other environmental compliance activities  
25 undertaken by the Company for which Gulf seeks cost recovery through the

1 ECR. Finally, I will address new environmental compliance activities which  
2 are now projected to occur in the current period, April 1995 through  
3 September 1995.

4  
5 Q. Mr. Vick, please describe the contents of Schedule 1 of your exhibit.

6 A. Schedule 1 provides a listing of the environmental capital projects which have  
7 been included in Gulf's ECR calculations. The capital projects shown in  
8 Schedule 1 are listed according to the Company's Plant Expenditure (PE)  
9 reference number. Schedule 1 reflects the expenditures and clearings  
10 currently projected for these projects. All of these projects are associated  
11 with environmental compliance activities which have been previously  
12 approved in past proceedings for recovery through the ECR clause. These  
13 past proceedings have been held in Docket No. 930613-EI, Docket  
14 No. 940042-EI, and Docket No. 950007-EI. With the exception of PE 1007,  
15 Substation Contamination Mobile Groundwater Treatment System, all of the  
16 capital projects shown on my Schedule 1 have been specifically approved for  
17 recovery in the past ECR proceedings I have just described. The Mobile  
18 Groundwater Treatment System does not represent a new environmental  
19 compliance activity. This new capital project reflects the Company's decision  
20 to purchase equipment it had been leasing for use in connection with a  
21 previously approved environmental compliance activity.

22  
23 Q. You stated that the capital project described in PE 1007 is associated with a  
24 previously approved environmental compliance activity. What is that activity  
25



1 and when was it initially approved?

2 A. The equipment is used in connection with the Substation Contamination  
3 Investigation that was initially approved in Docket No. 930613-EI as part of  
4 the Company's first ECR filing. This activity has been included in all of the  
5 Company's ECR filings since that time. As previously discussed in my  
6 May 19 true-up testimony, (Page 5, Line 1), Gulf made the decision to  
7 purchase a groundwater treatment system which had been previously under  
8 a lease agreement with a contractor performing groundwater treatment  
9 services. This decision was based on cost-benefit analysis and, as stated in  
10 my previous testimony, will ultimately reduce future project costs.

11

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

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

17

18 Q. Please compare the Operation and Maintenance (O&M) programs and  
19 projects listed on your Schedule 2 to the O&M projects and programs  
20 approved for cost recovery in past ECR Dockets.

21 A. With the exception of two new items under Water Quality, State NPDES  
22 Administration (Line Item 8) and Lead and Copper Rule (Line Item 9), all the  
23 O&M projects and programs listed on Schedule 2 of my exhibit reflect O&M  
24 projects and programs which were previously approved for recovery through  
25 the ECR in past proceedings. These O&M projects and programs are all on-

1 going compliance activities and are grouped into four major categories--Air  
2 Quality, Water Quality, Environmental Programs Administration, and Solid  
3 and Hazardous Waste. I will discuss each O&M program and project within  
4 each of these major categories and the projected expenses later in my  
5 testimony.

6  
7 Q. What O&M projects and programs are included in the Air Quality category?

8 A. There are five O&M projects/programs included in this category. The first,  
9 Sulfur (Line Item 1), reflects an ongoing operational expense associated with  
10 the burning of low sulfur coal. This item refers to the flue gas sulfur injection  
11 system needed to improve the collection efficiency of the Crist Unit 7  
12 electrostatic precipitator and is required due to the burning of low sulfur coal  
13 at this unit pursuant to the sulfur dioxide requirements of the CAAA. The  
14 expenses projected for the recovery period total \$69,000.

15 The second project/program listed on Schedule 2 of my exhibit, Air  
16 Emission Fees (Line Item 2), represents the expenses projected for the  
17 annual fees required by the CAAA. The expenses projected for the recovery  
18 period total \$350,700.

19 The third project/program listed on Schedule 2 of my exhibit, Title V  
20 Permits (Line Item 3), represents projected expenses associated with the  
21 preparation of Title V permit applications and the subsequent implementation  
22 of the Title V permits. The total estimated expense for the Title V Program  
23 during the recovery period is \$44,805.

24 The fourth project/program listed on Schedule 2 of my exhibit,  
25 Asbestos Fees (Line Item 4), reflects expenses associated with a new



1 requirement that became effective in 1994. These notification fees are  
2 required to be paid to the Florida Department of Environmental Protection  
3 (FDEP) for the purpose of funding the State's asbestos removal program.  
4 The expenses projected for the next recovery period total \$4,494.

5 The fifth project/program listed on Schedule 2 of my exhibit, Emission  
6 Monitoring (Line Item 5), reflects an ongoing O&M expense associated with  
7 the new Continuous Emission Monitoring equipment (CEM) as required by  
8 the CAAA. These expenses are incurred in response to the federal  
9 Environmental Protection Agency's (EPA) requirements that the Company  
10 perform Quality Assurance/Quality Control (QA/QC) testing for the CEMs,  
11 including Relative Accuracy Test Audits (RATA) and Linearity Tests. The  
12 expenses projected to occur during the recovery period for these activities  
13 total \$137,642.

14  
15 Q. What O&M projects/programs are included in Water Quality?

16 A. The expenses projected for all activities in General Water Quality total  
17 \$886,493 during the six-month recovery period. General Water Quality (Line  
18 Item 6), identified in Schedule 2 of my exhibit, includes Soil Contamination  
19 Studies, Dechlorination, Groundwater Monitoring Plan Revisions, Surface  
20 Water Studies, and Daniel Groundwater Monitoring. All of the programs  
21 included in Line Item 6, General Water Quality, have been approved in past  
22 proceedings.

23 The second activity listed in the Water Quality Category, Groundwater  
24 Contamination Investigation (Line Item 7), was previously approved for  
25 environmental cost recovery in Docket No. 930613-EI. This activity is

1 projected to incur incremental expenses totaling \$451,182 during the  
2 recovery period.

3 Line Items 8 and 9 under the Water Quality section of Schedule 2  
4 represent new environmental compliance activities. Line Item 8, State  
5 NPDES Administration, is the result of a recent shift in activity from the  
6 Environmental Protection Agency (EPA) to the Florida Department of  
7 Environmental Protection (FDEP). In May of this year, the Environmental  
8 Protection Agency (EPA) delegated authority (See Schedule 4) for the  
9 Federal National Pollution Elimination Discharge Elimination System  
10 (NPDES) program to the Florida Department of Environmental Protection  
11 (FDEP). As a mechanism for funding the State's program, FDEP  
12 implemented an annual fee structure for affected facilities. Gulf has three  
13 generating plants in Florida, all of which are subject to these fees. Line  
14 Item 9, Lead and Copper Rule, is a program which is a direct result of recent  
15 environmental rulemaking. Chapter 62-551, F.A.C., (Schedule 5) requires  
16 any facility with a non-transient, non-community potable water supply system  
17 which services more than 25 employees to establish sampling and analytical  
18 protocols for lead and copper levels in drinking water. Plants Crist and Smith  
19 are subject to these requirements. Projected O&M costs of \$20,400 for the  
20 period are included in our request for recovery in this filing.

21  
22 Q. What projects/programs are included in the Environmental Affairs  
23 Administration Category?

24 A. Only one O&M program is included in this category on Schedule 2 (Line  
25 Item 10) of my exhibit. This Line Item refers to the Company's Environmental

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1           Audit/Assessment function. This program is an on-going compliance activity  
2           initially approved in Docket No. 930613-EI and is projected to incur expenses  
3           totaling \$3,000 during the recovery period.

4  
5           Q.    What O&M projects/programs are included in the Solid and Hazardous Waste  
6           category?

7           A.    Only one program, General Solid and Hazardous Waste (Line Item 11), is  
8           included in the Solid and Hazardous Waste category on Schedule 2 of my  
9           exhibit. This activity involves the proper identification, handling, storage,  
10          transportation and disposal of solid and hazardous wastes as required by  
11          Federal and State regulations. This program is an on-going compliance  
12          activity initially approved in Docket No. 930613-EI and is projected to incur  
13          incremental expenses totaling \$58,752 during the recovery period.

14  
15          Q.    How did you derive the projected O&M expenses the Company identified in  
16          your exhibits for consideration in the Environmental Cost Recovery Clause?

17          A.    We have based this information on the projected 1995 and 1996  
18          environmental expenses for the time frame of October 1995 through March  
19          1996. O&M expenses resulting from environmental compliance activities  
20          projected to occur from October 1, 1995, through the end of the recovery  
21          period on March 31, 1996, are listed on Schedule 2. These O&M expenses  
22          are summarized by FERC account on Schedule 3. This information was  
23          provided to Ms. Cranmer for her to include in the calculation of the total  
24          revenue requirements.

25

1 Q. During the period from April through September 1995, were there any  
2 compliance costs incurred by Gulf which were not previously projected but  
3 are included in this testimony.

4 A. Yes, the State NPDES Administration item listed under General Water  
5 Quality falls into this category and is reflected on my schedule (Line Item 8).  
6 The FDEP's initial fee assessment under the delegation of authority that  
7 occurred in May is due in July 1995. An additional fee was also imposed by  
8 FDEP for our Plant Smith's NPDES permit renewal application. This fee is  
9 due in August 1995. The combined amounts of these NPDES fees for the  
10 current period (April 1995 through September 1995) have been included by  
11 Ms. Cranmer in her schedules supporting these calculations of the proposed  
12 ECR funding for the projection period.

13  
14 Q. Does this conclude your testimony?

15 A. Yes.  
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## 1 GULF POWER COMPANY

2 Before the Florida Public Service Commission  
3 Direct Testimony of  
4 Susan D. Cranmer  
5 Docket No. 950007-EI  
6 Date of Filing: May 19, 1995

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

9 A. My name is Susan Cranmer. My business address is 500  
10 Bayfront Parkway, Post Office Box 1151, Pensacola,  
11 Florida 32520-1151. I hold the position of Supervisor  
12 of Rate Services for Gulf Power Company.

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

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

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

7

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

10 A. Yes, I have.

11 Counsel: We ask that Ms. Cranmer's Exhibit  
12 consisting of five schedules be marked as  
13 Exhibit No. 13 (SDC-1).

14

15 Q. Are you familiar with the Environmental Cost Recovery  
16 (ECR) True-up Calculation for the period of October  
17 1994 through March 1995 set forth in your exhibit?

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

20

21 Q. Do you have any comments with regard to the format of  
22 your exhibit?

23 A. Yes. Over the past several months, we have  
24 participated in discussions with the Commission Staff  
25 concerning their request that we consider changes from

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1 the format used in previous filings. The goal of the  
2 requested changes was to make the documentation easier  
3 to follow. We have in this filing attempted to fully  
4 address Staff's previous concerns with a new format.

5

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

9 A. Yes, I have.

10

11 Q. What is the amount to be refunded or collected in the  
12 recovery period beginning October 1995?

13 A. An amount to be refunded of \$101,428 was calculated as  
14 shown on Schedule 1 of my exhibit.

15

16 Q. How was this amount calculated?

17 A. The \$101,428 was calculated by taking the difference  
18 in the estimated October 1994 through March 1995 over-  
19 recovery of \$333,228 as approved in Order No.  
20 PSC-95-0384-FOF-EI, dated March 21, 1995 and the  
21 actual over-recovery of \$434,656, which is the sum of  
22 lines 5, 6, and 10-13 under the total column on page 1  
23 of Schedule 2.

24

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1 Q. Please describe Schedule 2 of your exhibit. 48

2 A. Schedule 2, page 1 shows the calculation of the actual  
3 over-recovery of environmental costs for the period  
4 October 1994 through March 1995. Schedule 2, page 2  
5 of my exhibit is the calculation of the interest  
6 provision on the over-recovery. This is the same  
7 method of calculating interest that is used in the  
8 Fuel Cost Recovery (FCR) and Purchased Power Capacity  
9 Cost (PPCC) Recovery clauses.

10

11 Q. Please describe Schedule 3 of your exhibit.

12 A. Schedule 3 shows the variance in O & M expenses for  
13 the six month period by activity. Mr. Vick describes  
14 the main reasons for the variances in O & M expenses  
15 in his true-up testimony.

16

17 Q. Please describe Schedule 4 of your exhibit.

18 A. Page 1, column 1 of Schedule 4 provides the amounts  
19 spent on recoverable environmental capital projects  
20 included in the true-up calculation. This includes  
21 actual expenditures through February 1995 and  
22 estimated expenditures for March 1995. (As noted on  
23 page 1 of Schedule 4, the plant-in-service and  
24 construction work in progress - non-interest bearing  
25 (CWIP-NIB) amounts for March 1995 are estimated since



1 these amounts are not determined on an actual basis in  
2 time to be used in the true-up calculation.) These  
3 expenditures are then compared to the projected  
4 project-to-date amounts through March 1995 as shown in  
5 column 2. Columns 4 and 5 on page 1 of Schedule 4  
6 provide the actual and projected jurisdictional  
7 carrying costs related to investment (including return  
8 on investment, depreciation expense, property tax, and  
9 cost of emission allowances) associated with each  
10 environmental capital project for the period October  
11 1994 through March 1995. In his testimony, Mr. Vick  
12 describes the reasons for the major variances in  
13 recoverable costs related to environmental investment.  
14 Page 2 of Schedule 4 provides the investment-related  
15 costs by month.

16  
17 Q. Please describe Schedule 5 of your exhibit.

18 A. Schedule 5 provides the calculation of the recoverable  
19 costs associated with each capital project. As I  
20 stated earlier, these costs include return on  
21 investment, depreciation expense, property tax, and  
22 the cost of emission allowances. Pages 1 through 14  
23 of Schedule 5 show the investment and associated costs  
24 related to capital projects, while page 15 shows the  
25 investment and costs related to emission allowances.

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

2 A. Yes, it does.

3

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## 1 GULF POWER COMPANY

2 Before the Florida Public Service Commission  
3 Direct Testimony of  
4 Susan D. Cranmer  
5 Docket No. 950007-EI  
6 Date of Filing: June 16, 1995

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

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

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

15 A. I graduated from Wake Forest University in  
16 Winston-Salem, North Carolina in 1981 with a Bachelor  
17 of Science Degree in Business and from the University  
18 of West Florida in 1982 with a Bachelor of Arts Degree  
19 in Accounting. I am also a Certified Public  
20 Accountant licensed in the State of Florida. I joined  
21 Gulf Power Company in 1983 as a Financial Analyst. I  
22 have held various positions with Gulf including  
23 Computer Modeling Analyst and Senior Financial  
24 Analyst. In 1991, I assumed the position of  
25

1 Supervisor of Rate Services and presently serve in  
2 that capacity.

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

7

8 Q. Have you previously filed testimony before this  
9 Commission in connection with Gulf's Environmental  
10 Cost Recovery Clause (ECRC)?

11 A. Yes, I have.

12

13 Q. What is the purpose of your testimony?

14 A. The purpose of my testimony is to present both the  
15 calculation of the revenue requirements and the  
16 development of the environmental cost recovery factors  
17 for the period October 1995 through March 1996.

18

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

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

24

25

1 Counsel: We ask that Ms. Cranmer's Exhibit consisting  
2 of five schedules be marked as Exhibit  
3 No. 15 (SDC-2).  
4

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

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

17

18 Q. Please describe Schedule 1 of your exhibit.

19 A. Schedule 1 summarizes the revenue requirements  
20 associated with capital investment and operating  
21 expenses for the period October 1995 through March  
22 1996 and calculates the total recoverable revenues for  
23 the projection period, including the final true-up for  
24 the period October 1994 through March 1995 and the

25

1 estimated true-up for the period April 1995 through  
2 September 1995.

3

4 Q. In his testimony, Mr. Vick made reference to some new  
5 NPDES fees that are being assessed by the FDEP  
6 beginning in July and August 1995. Where are these  
7 reported on your schedule?

8 A. These amounts are shown on Schedule 1b, page 2 of 3,  
9 on line 7 and on Schedule 2, line 8.

10

11 Q. What has Gulf calculated as the total true-up to be  
12 applied in the period October 1995 through March 1996?

13 A. The total true-up for this period is a decrease of  
14 \$529,584 as shown on Schedule 1a. This includes a  
15 final true-up over-recovery of \$101,428 for the period  
16 October 1994 through March 1995. It also includes an  
17 estimated over-recovery of \$428,156 for the period  
18 April 1995 through September 1995, as calculated on  
19 Schedule 1b. The resulting recovery amount for the  
20 period October 1995 through March 1996, including the  
21 projected amounts and the total true-up including  
22 revenue taxes is \$5,462,827.

23

24

25

- 1 Q. How was the amount of O & M expenses to be recovered  
2 through the ECRC calculated?
- 3 A. Mr. Vick has provided me with projected recoverable  
4 O & M expenses for October 1995 through March 1996.  
5 Schedule 2 of my exhibit shows the calculation of the  
6 recoverable O & M expenses broken down between the  
7 demand-related and energy-related expenses. Also,  
8 Schedule 2 provides the appropriate jurisdictional  
9 factors and amounts related to these expenses. All  
10 O & M expenses associated with compliance with the  
11 Clean Air Act Amendments of 1990 were considered to be  
12 energy-related, consistent with Commission Order No.  
13 PSC-94-0044-FOF-EI. The remaining expenses were  
14 broken down between demand and energy consistent with  
15 Gulf's last approved cost-of-service methodology in  
16 Docket No. 891345-EI. Finally, Schedule 2 shows the  
17 calculation of the revenue requirements associated  
18 with O & M expenses by applying the revenue expansion  
19 factor of 1.01609.  
20
- 21 Q. Please describe Schedules 3 and 4 of your exhibit.
- 22 A. Schedule 3 summarizes the monthly recoverable revenue  
23 requirements associated with each capital investment.  
24 Schedule 4 shows the detailed calculation of the  
25 revenue requirements associated with each investment.

1 Mr. Vick has provided me with the expenditures and  
2 clearings related to each capital project and  
3 Mr. Gilchrist has provided me with the monthly costs  
4 of emission allowances. From that information, I  
5 calculated plant-in-service and Construction Work In  
6 Progress-Non Interest Bearing (CWIP-NIB).  
7 Depreciation expense and the associated accumulated  
8 depreciation balances were calculated based on Gulf's  
9 latest approved depreciation rates. The capital  
10 projects identified for recovery through the ECRC are  
11 those environmental projects which are not included in  
12 the approved projected 1990 test year on which present  
13 base rates were set.

14

15 Q. Has Gulf requested the recovery of dismantlement costs  
16 associated with environmental investment approved for  
17 recovery through the ECRC?

18 A. Yes. As shown on page 16 of Schedule 4, Gulf is  
19 requesting the recovery of a fixed dismantlement  
20 accrual, offset by the revenue requirements on the  
21 accumulated reserve balance. This represents a change  
22 in the method used to calculate recoverable  
23 dismantlement costs. In previous ECRC filings, Gulf  
24 has included dismantlement expense calculated as a  
25 percent of recoverable investment, in the same manner



**57**

1 as depreciation expense is calculated. As a result of  
2 discussions with FPSC Staff, Gulf agrees that the  
3 amount of dismantlement expense recoverable through  
4 the ECRC should be a flat amount, consistent with  
5 Commission Order No. PSC-93-1808-FOF-EI in Docket  
6 No. 930221-EI. This is the order that approved Gulf's  
7 current depreciation rates and dismantlement accrual.  
8 Gulf's proposed fixed amount of ECRC dismantlement was  
9 calculated based on the ratio of recoverable  
10 environmental investment included in the dismantlement  
11 study to the total investment in the dismantlement  
12 study. This ratio was applied to the total fixed  
13 dismantlement accrual to determine a fixed levelized  
14 annual amount appropriate for recovery through the  
15 ECRC. Gulf has adjusted the over-recovery of ECRC  
16 costs to reflect this change in methodology effective  
17 January 1994, when the new dismantlement accrual  
18 became effective. This adjustment reflects the impact  
19 of the change in methodology from January 1994 through  
20 May 1995 and is shown on line 13, page 1 of  
21 Schedule 1b. The new methodology was then used in the  
22 estimated true-up and projection from June 1995  
23 forward.

24

25

1 Q. How was the amount of Property Taxes to be recovered  
2 through the ECRC derived?

3 A. Property taxes were calculated by applying the  
4 applicable tax rate to taxable investment. In  
5 Florida, pollution control facilities are taxed based  
6 only on their salvage value. For the recoverable  
7 environmental investment located in Florida, the  
8 amount of property taxes is estimated to be \$0. In  
9 Mississippi, there is no such reduction in property  
10 taxes for pollution control facilities. Therefore,  
11 property taxes related to recoverable environmental  
12 investment at Plant Daniel are calculated by applying  
13 the applicable millage rate to the assessed value of  
14 the property.

15

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

19 A. The rate of return used is based on Gulf's capital  
20 structure as approved in Gulf's last rate case, Docket  
21 No. 891345-EI, Order No. 23573, dated October 3, 1990.  
22 This rate of return incorporates a return on equity of  
23 12.0% as approved by Commission Order No. PSC-93-0771-  
24 FOF-EI, dated May 20, 1993. The use of this rate of

25

1 return for the calculation of revenue requirements for  
2 the ECRC was approved by the Commission in Order No.  
3 PSC-94-0044-FOF-EI dated January 12, 1994 in Docket  
4 No. 930613-EI.

5

6 Q. Please describe how the total revenue requirement was  
7 allocated to each rate class.

8 A. Schedule 1 summarizes the energy and demand components  
9 of the requested revenue requirement. I allocated  
10 these amounts to rate class using the appropriate  
11 energy and demand allocators as shown on Schedule 5.

12

13 Q. How was the breakdown between demand-related and  
14 energy-related investment costs determined?

15 A. The investment-related costs associated with  
16 compliance with the Clean Air Act Amendments of 1990  
17 (CAAA) were considered to be energy-related,  
18 consistent with Commission Order No.  
19 PSC-94-0044-FOF-EI, dated January 12, 1994 in Docket  
20 No. 930613-EI. The remaining investment-related costs  
21 of environmental compliance not associated with the  
22 CAAA were allocated 12/13th based on demand and 1/13th  
23 based on energy, consistent with Gulf's last cost-of-  
24 service study. The calculation of this breakdown is  
25 shown on Schedule 4 and summarized on Schedule 3.

1

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

4 A. The demand allocation factors used in the  
5 Environmental Cost Recovery Clause were calculated  
6 using the 1993 load data filed with the Commission in  
7 accordance with FPSC Rule 25-6.0437. The energy  
8 allocation factors were calculated based on projected  
9 KWH sales for the period October 1995 through March  
10 1996 adjusted for losses. The calculation of the  
11 allocation factors is shown in columns A through I on  
12 page 1 of Schedule 5.

13

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

17 A. As I described earlier in my testimony, Schedule 1  
18 summarizes the energy and demand portions of the total  
19 requested revenue requirement. The energy-related  
20 recoverable revenue requirement of \$3,429,872 for the  
21 period October 1995 through March 1996 was allocated  
22 using the energy allocator, as shown in column C on  
23 page 2 of Schedule 5. The demand-related recoverable  
24 revenue requirement of \$2,032,955 for the period  
25 October 1995 through March 1996 was allocated using

1 the demand allocator, as shown in column D on page 2  
2 of Schedule 5. The energy-related and demand-related  
3 recoverable revenue requirements are added together to  
4 derive the total amount assigned to each rate class,  
5 as shown in column E.

6

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

11 A. The environmental costs recovered through the clause  
12 from the residential customer who uses 1,000 kwh will  
13 be \$1.57 monthly for the period October 1995 through  
14 March 1996.

15

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

18 A. These factors will apply to October 1995 through March  
19 1996 billings beginning with Cycle 1 meter readings  
20 scheduled on September 28, 1995 and ending with meter  
21 readings scheduled on March 28, 1996.

22

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

24 A. Yes, it does.

1 COMMISSIONER DEASON: Staff?

2 MS. JOHNSON: Staff would also request the  
3 Commission approve the stipulated issues as identified in the  
4 Prehearing Order.

5 COMMISSIONER KIESLING: And I so move.

6 COMMISSIONER DEASON: And we have a motion from  
7 Commissioner Kiesling to approve all stipulated issues in the  
8 07 docket. Is there a second?

9 COMMISSIONER GARCIA: Second.

10 COMMISSIONER DEASON: That motion has been made and  
11 seconded. Show that that is approved unanimously and those  
12 stipulations are accepted. And I believe that would conclude  
13 all business in the 07 docket.

14 MS. JOHNSON: Yes, it does.

15 COMMISSIONER DEASON: Okay. Is there anything  
16 further to come before the Commission at this time?

17 MS. JOHNSON: Nothing that I'm aware of.

18 COMMISSIONER DEASON: Okay. I would just like to  
19 take this opportunity to congratulate the Staff and the  
20 parties on the work. I know what we've done here this morning  
21 seems like it didn't take much time -- and I guess it  
22 didn't -- but this is a culmination of many hours of work that  
23 has taken place at the Staff level and by all the parties that  
24 have participated in this docket. And this is one of those  
25 rare occasions when everything can be concluded, as far as

1 hearing time is concerned, in a short period of time.

2           If there's nothing else, this hearing is adjourned.

3 Thank you all.

4           (Thereupon, the hearing concluded at 10:58 a.m.)

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1 STATE OF FLORIDA)  
2 COUNTY OF LEON )

## CERTIFICATE OF REPORTER

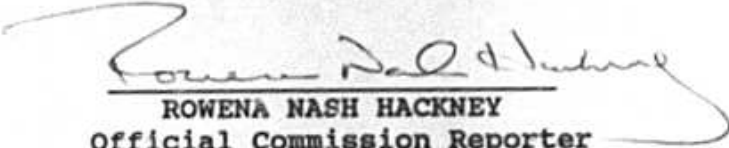
3 I, ROWENA NASH HACKNEY, Official Commission  
4 Reporter,

5 DO HEREBY CERTIFY that the Hearing in Docket No.  
6 950007-EI was heard by the Florida Public Service Commission  
7 at the time and place herein stated; it is further

8 CERTIFIED that I stenographically reported the said  
9 proceedings; that the same has been transcribed under my  
10 direct supervision; and that this transcript, consisting of 63  
11 pages, constitutes a true transcription of my notes of said  
12 proceedings.

13 DATED this 10th day of August, 1995.

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12 ROWENA NASH HACKNEY  
13 Official Commission Reporter  
14 (904) 413-6736