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**REBUTTAL TESTIMONY OF BRUCE E. GANGNON  
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
ON BEHALF OF  
SOUTHERN STATES UTILITIES, INC.  
DOCKET NO. 950495-WS**

DOCUMENT NUMBER-DATE  
**03392 MAR 21 88**  
FPSC-RECORDS/REPORTING

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Bruce E. Gangnon. My business address  
3 is Minnesota Power, 30 West Superior Street,  
4 Duluth, Minnesota 55802.

5 Q. ARE YOU THE SAME BRUCE E. GANGNON WHO FILED DIRECT  
6 TESTIMONY IN THIS CASE (DOCKET NO. 950495-WS) ON  
7 BEHALF OF SOUTHERN STATES UTILITIES?

8 A. Yes, I am.

9 Q. ON PAGES 56 AND 57 OF HIS PREFILED DIRECT  
10 TESTIMONY, OPC WITNESS LARKIN PROPOSES TO REMOVE  
11 DEFERRED ITC'S FROM MP&L CAPITAL STRUCTURE WHEN  
12 CALCULATING THE PARENT DEBT ADJUSTMENT. DO YOU  
13 AGREE WITH MR. LARKIN'S PROPOSED CALCULATION?

14 A. No.

15 Q. WHY NOT?

16 A. To begin with, on page 56, line 15 of his  
17 testimony, Mr. Larkin mischaracterizes my  
18 deposition testimony. Had Mr. Larkin reviewed the  
19 entire deposition transcript, including the errata  
20 sheet referring specifically to my deposition  
21 testimony at page 55, line 4, he would have seen  
22 that my testimony was that the accumulated ITC's  
23 should not be removed because the FPSC requires  
24 inclusion of the ITC's as part of the capital  
25 structure. More specifically, Rule 25-14.004(3)

1 establishes a presumption regarding parent company  
2 capital structure components to be considered in  
3 the calculation.

4 A copy of the December 18, 1995 letter  
5 transmitting the errata sheet and affidavit to the  
6 court reporter and a copy of the pertinent page of  
7 the errata sheet and oath are attached as Exhibit  
8 \_\_\_\_\_ (BEG-1). Mr. Larkin ignores these facts.

9 In addition, in his testimony beginning at  
10 page 56, line 22, Mr. Larkin argues that any  
11 deferred ITC's at the MP&L parent company level  
12 relate to MP&L assets not Southern States assets  
13 and, therefore, should be removed from the MP&L  
14 capital structure for purposes of computing the  
15 parent debt adjustment. Mr. Larkin's proposal is  
16 inconsistent with what the Commission has decided  
17 in prior SSU cases, and I do not believe Mr.  
18 Larkin's conclusory statement about the ITC's  
19 should serve to overcome the presumption in Rule  
20 25-14.004(3). Moreover, Mr. Larkin's rationale for  
21 excluding MP&L's deferred ITC's can be said to  
22 apply equally to all components in MP&L's capital  
23 structure.

24 For instance, by Mr. Larkin's reasoning, the  
25 debt at the MP&L level is just as exclusively

1 related to MP&L's assets as the ITC's are in that  
2 the debt is a direct lien only on MP&L assets. If  
3 all the items in the MP&L capital structure relate  
4 to MP&L assets only there would be no need for a  
5 parent debt adjustment in the income tax  
6 calculation as provided by the rule.

7 **Q. IS MR. LARKIN'S PROPOSED TREATMENT OF THE DEFERRED**  
8 **ITC'S AT THE MP&L LEVEL CONSISTENT WITH THE REST OF**  
9 **HIS TESTIMONY?**

10 A. No. On lines 20 through 25, page 5 Mr. Larkin  
11 states,

12 "Minnesota Power & Light, like all  
13 utilities, raises funds both through  
14 equity and debt issuances. In  
15 addition, they have sources of funds  
16 through deferred taxes. The equity  
17 percentage of MP&L's capital  
18 structure, as shown in the Minimum  
19 Filing Requirements on Schedule C-8,  
20 page 1 of 2, is 45.25%. Correctly,  
21 the amount of equity investment in  
22 any investment that MP&L might make  
23 is 45.25% of the total dollar  
24 investment."

25 The MP&L capital structure shown in the referenced

1           Schedule C-8 which Mr. Larkin concedes is correct,  
2           includes the MP&L deferred ITC's. I disagree with  
3           Mr. Larkin's statement concerning source of funds,  
4           but I note that he has included MP&L ITC's for one  
5           purpose, that of calculating an alleged equity  
6           investment in SSU, yet excluded them for another,  
7           the parent debt adjustment. I believe this  
8           inconsistency illustrates the flaws in Mr. Larkin's  
9           reasoning.

10       **Q. DO YOU BELIEVE THAT THE PARENT DEBT ADJUSTMENT IN**  
11       **THE MFRS IS COMPUTED IN ACCORDANCE WITH COMMISSION**  
12       **REQUIREMENTS?**

13       A. Yes.

14       **Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?**

15       A. Yes, at this time. However, I reserve the right to  
16       update my rebuttal testimony if OPC's witnesses  
17       update their direct testimony.



Southern States Utilities • 1000 Color Place • Apopka, FL 32703 • 407/880-0058

December 18, 1995

Joy Kelly, CSR, RPR  
Chief Bureau of Reporting  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Re: Docket No. 950495-WS

Dear Ms. Kelly:

Enclosed please find the original Errata Sheets and Affidavits of Deponents for Charles Sweat, Judith J. Kimball, Bruce E. Gangnon and Arend J. Sandbulte in the above referenced matter.

If you require any further information, please contact me at (407) 880-0058, ext. 267.

Sincerely,

A handwritten signature in cursive script that reads "Donna L. Henry".

Donna L. Henry  
Paralegal

Enclosures

## ERRATA SHEET

PAGE 2 OF 3

DOCKET NO. 950495-WS  
 NAME: BRUCE E. GANGNON  
 DATE: November 2, 1995

Page	Line	
53	10	after "deferred income tax" insert "expense"
54	7	after "Because" insert "for"
54	8	after "not in the rate" delete "case" and insert "base"
55	4	delete "It shouldn't be. It was a mistake" and insert "The FPSC requires that deferred ITC be included as part of the capital structure."
55	6	delete "Yes." and insert "No."
58	12	after "from" delete "--" and insert "1991"
58	13	after "that year of the" delete "--" and insert "COP consolidated group"
58	23	after "so in essence of" delete "--" and insert "the AMT credit utilized SSU is utilizing \$373,592."
59	4	after "comes from" delete "--" and insert "SSU's allocation of and"
59	18	after "the line" delete "--" and insert "is the difference between the regular tax and the AMT tax"
60	6	after "and Power" delete "B&I, and Center Tech." and insert "BNI, and Synertec."
60	20	after "so on" delete "X2" and insert "X-1"
60	22	after "Power" delete "B&I, Center Tech," and insert "BNI, Synertec."
61	2	after "Minnesota Paper" insert ";" after "Incorporated" delete ";" WLXP and insert ". SWLXP"
61	3	after "and Power" delete ";" B&I" and insert "Company. BNI"
61	4	delete "B&I Coal Limited. I believe it's limited. It's" and insert "BNI Coal, LTD."
61	5	delete "either limited or incorporated, I'm not 100% sure."
61	6	delete "And Center Tech Incorporated -- Center Tech" and insert "Synertec" before "would be"
61	7	delete "Center Tech Incorporated. ELC" and insert before "would be" "Synertec, Incorporated. ENLD"

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This is to certify that I, BRUCE E. GANGNON have read the foregoing transcription of my testimony, Page 1 through 109, given on November 2, 1995, in Docket No. 950495-WS, and find the same to be true and correct, with the exceptions, and/or corrections, if any, as shown on the errata sheet attached hereto.

*Bruce E. Gangnon*  
BRUCE E. GANGNON

Sworn to and subscribed before me this 13<sup>th</sup> day of December, 1995  
Jeannette A. Atkinson  
NOTARY PUBLIC  
State of Minnesota  
My Commission Expires: Jan. 31, 2000

