

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

 In the Matter of : DOCKET NO. 960007-EI
 :
 Environmental Cost :
 Recovery Clause :



PROCEEDINGS: HEARING

BEFORE: COMMISSIONER J. TERRY DEASON
 COMMISSION JULIA L. JOHNSON
 COMMISSIONER JOE GARCIA

DATE: Thursday, August 29, 1996

TIME: Commenced at 9:30 a.m.
 Concluded at 10:00 a.m.

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

REPORTED BY: H. RUTHE POTAMI, CSR, RPR
 Official Commission Reporter
 (904) 413-6734

DOCUMENT NUMBER-DATE
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5 on behalf of **Florida Power & Light Company**.

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9 **Florida Power Corporation**.

10 **JEFFREY A. STONE**, Beggs & Lane, P. O. Box
11 12950, Pensacola, Florida 32576-2950, Telephone No.
12 (904) 432-2451, appearing on behalf of **Gulf Power**
13 **Company**.

14 **JAMES D. BEASLEY** and **KENNETH R. HART**, Ausley
15 & McMullen, Post Office Box 391, Tallahassee, Florida
16 32302, Telephone No. (904) 224-9115, appearing on
17 behalf of **Tampa Electric Company**.

18 **VICKI GORDON KAUFMAN**, McWhirter, Reeves,
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21 No. (904) 222-2525, appearing on behalf of **Florida**
22 **Industrial Power Users Group**.

23
24
25

1 **APPEARANCES CONTINUED:**

2 **JOHN ROGER HOWE**, Deputy Public Counsel,
3 Office of Public Counsel, 111 West Madison Street,
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5 No. (904) 488-9330, appearing on behalf of the
6 **Citizens of the State of Florida.**

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8 Commission, Division of Legal Services, 2540 Shumard
9 Oak Boulevard, Tallahassee, Florida 32399-0870,
10 Telephone No. (904) 413-6199, appearing on behalf of
11 **the Commission Staff.**

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P R O C E E D I N G S

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

COMMISSIONER DEASON: Call the hearing to order. Can we have the notice read, please.

MS. JOHNSON: By notice issued July 31st, 1996, a hearing was set in Docket No. 960001-EI, Fuel and Purchase Power Cost Recovery Clause and Generating Performace Incentive Factor, and Docket No. 960007-EI, Environmental Cost Recovery Clause.

COMMISSIONER DEASON: Thank you. Take appearances.

MR. BEASLEY: Commissioners, I'm James D. Beasley, appearing with Lee L. Willis and Kenneth R. Hart, the law firm Ausley & McMullen, P.O. Box 391, Tallahassee, Florida 32302, appearing on behalf of Tampa Electric Company in Docket No. 960007. That's the only docket that we're noticing at this time.

MS. JOHNSON: Both dockets were noticed.

MR. BEASLEY: Okay. Then 01 as well.

COMMISSIONER DEASON: Very well.

MR. MCGEE: James McGee, Post Office Box 14042, St. Petersburg 33733, appearing on behalf of Florida Power Corporation in the 0001 docket.

MR. STONE: Jeffrey A. Stone and Russell A.

1 Badders of the law firm Beggs & Lane, Pensacola. The
2 address is stated correctly on the prehearing order,
3 and we're appearing on behalf of Gulf Power company in
4 both the 0001 and 007 docket.

5 MR. CHILDS: My name is Matthew M. Childs.
6 I'm appearing on behalf of Florida Power & Light
7 Company in both dockets.

8 MR. HOWE: I'm Roger Howe of the Office of
9 Public Counsel appearing on behalf of the Citizens of
10 the State of Florida. The address is as shown on the
11 prehearing statements. We're appearing in both
12 dockets, the 01 and the 07.

13 MS. KAUFMAN: Vicki Gordon Kauman, of the
14 law firm McWhirter, Reeves, McGlothlin, Davidson, Rief
15 and Bakas, 117 South Gadsden Street, Tallahassee,
16 appearing on behalf of the Florida Industrial Power
17 Users Group in the 01 and 07 dockets.

18 MS. JOHNSON: Vicki Johnson appearing on
19 behalf of the Commission Staff.

20 COMMISSIONER DEASON: Thank you.
21 Ms. Johnson, since the 07 docket has basically been
22 stipulated, would it be appropriate to take it up
23 first?

24 MS. JOHNSON: Yes, Commissioner. However,
25 there are some preliminary issues that should be

1 addressed. I believe Mr. Beasley and Mr. Stone have
2 some comments.

3 COMMISSIONER DEASON: Very well.

4 Mr. Beasley.

5 MR. BEASLEY: Commissioners, this Commission
6 entered its order No. PSC-96-1048-FOF-EI in Docket
7 No. 96088 approving the initial environmental cost
8 recovery factors for Tampa Electric. The last date to
9 protest that particular order was yesterday. The
10 clerk's office is preparing a certificate to the
11 effect that no protest was filed. We would like to
12 submit that as an exhibit in this docket in support of
13 stipulated Issue 12.

14 COMMISSIONER DEASON: Is there any
15 objection?

16 MR. BEASLEY: That's being prepared, and
17 when it is, I'll furnish it to the court reporter.

18 COMMISSIONER DEASON: Mr. Stone.

19 MR. STONE: Commissioner Deason, with regard
20 to the prehearing order that was issued, we recognize
21 that our witnesses were all stipulated and excused.

22 On Page 4 of the prehearing order, the
23 issues for Mr. Vick, they should include Issues 1, 2,
24 and 4. He also provided testimony in support of the
25 Company's position that was stipulated on those

1 issues.

2 In addition, I need to bring to the
3 Commission's attention that since the prehearing
4 conference, Gulf Power has determined that its Crist
5 Unit 7 flow monitors are showing symptoms in failure
6 and they're not performing as needed to, to comply
7 with the Clean Air Act amendments.

8 The result of this determination is that
9 they are in the process of upgrading or changing the
10 plant expenditure item for the Crist 6 flow monitors
11 that was approved in this stipulation to approve an
12 upgrade to the Crist 7 flow monitors.

13 We have determined that that change does not
14 affect the factors, and that we are comfortable
15 bringing the actual information to the Commission in
16 the true-up for the 07 docket; but we wanted to let
17 everyone know that we are, in fact, changing that
18 plant expenditure item to include an update to the
19 Crist 7 monitors.

20 The basis for that determination is roughly
21 the same as the Crist 6 monitors. The reason for
22 proceeding with the change at this time is to take
23 advantage of the fact that the contractor making the
24 change is on site.

25 We've also been under a negotiation

1 arrangement with the contractor that the first payment
2 for the Crist 7 monitors will not occur until after
3 the first of the year. They will also -- it will help
4 us in making sure that there's no impact on the
5 factors.

6 We have prepared revised schedules, if
7 that's the desire of the Commission, that would show
8 that we've included those expenditures in this
9 filing -- in this period, and it has no effect on the
10 factors. Otherwise, we can proceed and just deal with
11 this in the true-up.

12 COMMISSIONER DEASON: Ms. Johnson, is Staff
13 aware of this situation?

14 MS. JOHNSON: Staff is aware of the
15 situation. We have no objections. We would simply
16 ask that they provide the revised -- the projections.
17 They were not included in the original projections.

18 COMMISSIONER DEASON: Have Public Counsel
19 and FIPUG been advised of this situation?

20 MR. HOWE: I was not aware of the situation,
21 but I don't think I see any problem with it if the
22 factor does not change and it will be considered in
23 the true-up filings.

24 COMMISSIONER DEASON: Ms. Kaufman?

25 MS. KAUFMAN: Same would be true for FIPUG.

1 **COMMISSIONER DEASON:** Very well. Thank you
2 for bringing that to our attention, Mr. Stone. Any
3 other preliminary matters?

4 **MS. JOHNSON:** Commissioner Deason, there are
5 two corrections to the prehearing order in the 07
6 docket. Page 13, Issue 12, which are the factors, the
7 third line, GSD, GSDT, EVH rate class was omitted; and
8 on the next line, rate class SBFT was omitted.

9 **COMMISSIONER DEASON:** Same factors apply?

10 **MS. JOHNSON:** Yes.

11 **COMMISSIONER DEASON:** Very well. Have you
12 got another correction, or that was it?

13 **MS. JOHNSON:** That was it.

14 **MR. BEASLEY:** In agreement with that one.

15 **COMMISSIONER DEASON:** Any other preliminary
16 matters? We'll proceed then into the 07 docket. All
17 issues, as my understanding, have been stipulated, but
18 it is still necessary to have the prefiled testimony
19 inserted into the record, and that would be for four
20 witnesses, as shown on Page 4 of the prehearing order.

21 **MS. JOHNSON:** That's correct. Staff would
22 move that the testimony of the witnesses be inserted
23 into the record as though read.

24 **COMMISSIONER DEASON:** Without objection,
25 that testimony will be inserted into the record.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

11

FLORIDA POWER & LIGHT COMPANY

REVISED TESTIMONY OF ROSEMARY MORLEY

DOCKET NO. 960007-EI

August 14, 1996

1 Q. Please state your name and address.

2 A. My name is Rosemary Morley and my business address is 9250
3 West Flagler Street, Miami, Florida 33174.

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 Acting Manager 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 provide corrections to the
14 Environmental Cost Recovery testimony filed by Barry T. Birkett on
15 June 24, 1996 and adopted as my own on July 30, 1996.

16

17 Q. Please describe the corrections.

18 A. True-up amounts have been divided into energy and demand

1 components based on actual project expenditures in order to
2 comply with Order No. PSC-96-0239-PHO-EI. In Mr. Birkett's
3 testimony filed on June 24, 1996 which I adopted as my own July
4 30, 1996, true-up costs were divided into energy and demand
5 components based on the proportion of demand and energy
6 amounts for the respective projection period.

7

8 **Q. Have you prepared any forms that reflect these corrections?**

9 A. Yes. I have provided two revised forms. Form 42-1P, Lines 2 and
10 3 and Form 42-7P, Columns (3) and (4) reflect the revised splits
11 between energy and demand based on actual project costs incurred
12 in the respective true-up periods.

13

14 **Q. Does this conclude your testimony.**

15 A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

SUPPLEMENTAL TESTIMONY OF ROSEMARY MORLEY

DOCKET NO. 960007-EI

July 30, 1996

- 1 Q. Please state your name and address.
- 2 A. My name is Rosemary Morley and my business address is 9250
3 West Flagler Street, Miami, Florida 33174.
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 acting Manager of Rates and Tariff Administration, taking the place
8 of Barry T. Birkett.
9
- 10 Q. Please describe your educational and professional background
11 and experience.
- 12 A. I received a Bachelor of Arts degree with honors in Economics from
13 the University of Maryland in 1979 and a Master of Arts degree in
14 Economics from Northwestern University in 1981. I joined FPL in
15 1983 as an analyst in the Load Forecasting Group. After holding
16 positions of increasing responsibility in various forecasting and
17 planning functions, I joined the Rate Department as a Senior Cost
18 of Service Analyst in 1987. Since that time, I have held various

1 positions in the department including Supervisor of Cost of Service
2 Studies (1990-1993), Principal Rate Analyst (1993-1996) and Rate
3 Development Manager (1996).

4

5 **Q. What are your responsibilities and duties as acting Manager of**
6 **Rates and Tariff Administration?**

7 A. I am responsible for FPL's retail and wholesale rates and cost of
8 service activities. In addition, I will sponsor rate related testimony
9 in dockets before the Florida Public Service Commission and the
10 Federal Energy Regulatory Commission (FERC).

11

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

13 A. The purpose of my testimony is to adopt Mr. Birkett's testimony and
14 supporting documents found in Docket No. 960007-EI,
15 Environmental Cost Recovery Final True-Up and Projections, which
16 were filed with the Commission on May 20, 1996 and June 24,
17 1996, respectively. I have independently reviewed Mr. Birkett's
18 testimony and supporting documents and adopt them as my own.

19

20 **Q. Are there any changes to the testimony and documents**
21 **sponsored by Mr. Birkett in Docket No. 960007-EI filed on June**
22 **24, 1996?**

23 A. Yes, there are. Corrections have been made to the following
24 documents sponsored by Mr. Birkett in the above referenced

1 docket:

2

3 Document

Correction

4 Form 42-1P

Line 1b, Line 2

5 Form 42-3P, Page 1 of 2

Line 1.7

6 Form 42-3P, Page 2 of 2

Line 1.7

7 Form 42-4P, Page 9 of 22

Line 6

8 Form 42-4P, Page 10 of 22

Line 6

9 Form 42-7P

Columns 3, 4, 5, and 7

10 Form 42-1E

Lines 1 and 2

11 Form 42-2E

Lines 4a and 4b

12 Form 42-3E

Lines 1 and 2

13 Form 42-6E

Column 1, Lines 1.2 and 1.16

14 Form 42-7E

Lines 1.2 and 1.16

15 Form 42-8E, Page 1 of 10

Line 6

16 Form 42-8E, Page 10 of 10

Lines 1 and 2

17

18 Corrected documents are attached.

19

20 Q. Does this conclude your testimony.

21 A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**FLORIDA POWER & LIGHT COMPANY****TESTIMONY OF BARRY T. BIRKETT****DOCKET NO. 960007-EI****May 20, 1996**

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, 33174.

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
15 Environmental Compliance activities for the period October 1995 through

1 March 1996.

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 eight forms. Form 42-1A reflects the final true-
6 up to be carried forward to the October 1996 - March 1997 period, Form
7 42-2A consists of the final true-up calculation for the period, Form 42-3A
8 consists of the calculation of the Interest Provision for the period, Form 42-
9 4A reflects the calculation of variances between actual and projected costs
10 for O & M Activities, Form 42-5A presents a summary of actual monthly
11 costs for the period for O & M Activities, Form 42-6A reflects the
12 calculation of variances between actual and projected costs for Capital
13 Investment Projects, Form 42-7A presents a summary of actual monthly
14 costs for the period for Capital Investment Projects and Form 42-8A
15 consists of the calculation of depreciation expense and return on capital
16 investment.

17

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

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

1 prescribed by this Commission.

2

3 **Q. What is the actual true-up amount which FPL is requesting for the**
4 **six-month period October 1995 through March 1996?**

5 A. FPL has calculated and is requesting approval of an underrecovery of
6 \$2,087,436 as the actual true-up amount for the six-month period.

7

8 **Q. What is the adjusted net true-up amount which FPL is requesting for**
9 **the October 1995 through March 1996 period which is to be carried**
10 **over and refunded in the next projection period?**

11 A. FPL has calculated and is requesting approval of an underrecovery of
12 \$65,778 as the adjusted net true-up amount for the six-month period. This
13 adjusted net true-up amount is the difference between the actual
14 underrecovery of \$2,087,436 for the period October 1995 through March
15 1996 and the estimated/actual true-up for the same period of an
16 underrecovery of \$2,021,658, approved in FPSC Order No. PSC-96-0361-
17 FOF-EI. This is shown on Form 42-1A.

18

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

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

1 Recovery Clause.

2

3 Q. Are all costs listed in Forms 42-4A through 42-8A attributable to
4 Environmental Compliance projects approved by the Commission?

5 A. Yes they are.

6

7 Q. How did actual expenditures for October 1995 through March 1996
8 compare with FPL's estimated/actual projections as presented in
9 previous testimony and exhibits?

10 A. Overall, costs were \$139,884 higher than estimated/actual projections.
11 O & M Activities were \$183,417 higher and Capital Investment Projects
12 were \$43,533 lower than estimated/actual projections. Below are variance
13 explanations for those O & M Activities and Capital Investment Projects
14 with variances greater than \$30,000. All variances are provided in detail
15 on Forms 42-2A through 42-8A.

16

17 Significant variances by project were as follows:

18

19 1. CONTINUOUS EMISSION MONITORING SYSTEMS - O & M
20 Project expenditures were \$82,157 less than projected. This
21 variance was due primarily to fewer replacement parts and gases
22 purchased during the first quarter of 1996 than originally
23 anticipated.

1 2. MAINTENANCE OF STATIONARY ABOVE GROUND FUEL
2 STORAGE TANKS - O & M

3 Project expenditures were \$255,957 less than projected. This
4 variance was due to changes in the timing of the work undertaken.

5

6 3. MAINTENANCE OF STATIONARY ABOVE GROUND FUEL
7 STORAGE TANKS - SPILL ABATEMENT

8 Project expenditures were \$225,313 more than projected. This
9 variance was primarily due to more soil being removed at the
10 Sanford Plant metering tanks than originally anticipated.

11

12 4. RCRA CORRECTIVE ACTION - O & M

13 Project expenditures were \$342,654 more than projected. This
14 variance was due to unanticipated clean-up required at the Fort
15 Myers and Sanford Plant sites.

16

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

18 A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**FLORIDA POWER & LIGHT COMPANY****TESTIMONY OF BARRY T. BIRKETT****DOCKET NO. 960007-EI****JUNE 24, 1996**

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, 33174.

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 1996 through September 1997 billing period, including the

1 costs to be recovered through the clause. In addition, I am presenting the
2 estimated/actual costs for the April 1996 through September 1996 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-EI,**
6 **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-96-
10 0361-FOF-EI dated March 13, 1996.

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 fifteen forms. Form 42-1P summarizes the costs
15 being presented for recovery at this time, Form 42-2P, reflects the total
16 jurisdictional recoverable costs for O&M activities, Form 42-3P reflects the
17 total jurisdictional recoverable costs for capital investment projects, Form
18 42-4P consists of the calculation of depreciation expense and return on
19 capital investment, Form 42-5P gives the description and progress of
20 environmental compliance activities and projects to be recovered through
21 the clause for the projected period, Form 42-6P reflects the calculation of
22 the energy and demand allocation percentages by rate class and 42-7P
23 reflects the calculation of the ECRC factors. In addition, Forms 42-1E

1 through 42-8 E reflect the true-up and variance calculations for the prior
2 period.

3

4 **Q. Is FPL proposing any changes to the implementation of the Environ-**
5 **mental Cost Recovery Clause filing?**

6 A. Yes, it is. FPL is proposing that the Environmental Cost Recovery Clause
7 filing be made on an annual basis instead of the current semi-annual basis.

8

9 **Q. Please explain why FPL is proposing this change?**

10 A. Filing on an annual basis will greatly reduce the amount of paperwork
11 produced, filed and processed by FPL, the Commission, and other parties.
12 In addition, the impact of the clause on our customers' rates will be leveled
13 since seasonal fluctuations in sales will be avoided.

14

15 **Q. Does FPL have any concerns with an annual filing which it feels need**
16 **to be addressed?**

17 A. Yes. Under the current procedures for the clause, a project is to be
18 approved by the Commission prior to the expenditure of costs to be
19 recovered through the clause. If the filing is to be made on an annual basis,
20 this procedure could result in delays in the implementation of environmental
21 projects between filings due to the inability for the utility to recover the
22 project costs. In order to eliminate this problem, FPL is requesting that the
23 Commission allow the recovery of reasonable and prudent project costs

1 after they are expended, with Commission review and approval.

2

3 **Q. Please describe Form 42-1P.**

4 A. Form 42-1P provides a summary of the costs being requested for recovery
5 through the Environmental Cost Recovery Clause. Total recoverable
6 environmental costs, adjusted by revenue taxes, amount to \$12,874,283
7 and include \$12,635,744 of environmental project costs increased by the
8 estimated/actual overrecovery of \$31,106 for the April 1996 - September
9 1996 period minus the final underrecovery of \$65,778 for the period
10 October 1995 - March 1996.

11

12 **Q. Please describe Forms 42-2P and 42-3P.**

13 A. Form 42-2P presents the O&M activities to be recovered in the projected
14 period along with the calculation of total jurisdictional recoverable costs for
15 these activities, classified by energy and demand.

16

17 Form 42-3P presents the capital investment projects to be recovered in the
18 projected period along with the calculation of total jurisdictional recoverable
19 costs for these projects, classified by energy and demand.

20

21 Forms 42-2P and 42-3P present the method of classifying costs consistent
22 with Order No. PSC-94-0393-FOF-EI.

23

- 1 **Q. Are all costs listed in Forms 42-1P through 42-8P attributable to**
2 **Environmental Compliance projects previously approved by the**
3 **Commission?**
- 4 A. Yes they are, with the exception of the Disposal of Noncontainerized Liquid
5 Waste project reflected on Form 42-2P, line 1-17a and Form 42-3P, line 1-
6 17b. This new project is discussed in the testimony of William M. Reichel.
7
- 8 **Q. Please describe Form 42-6P.**
- 9 A. Form 42-6P calculates the allocation factors for demand and energy at
10 generation. The demand allocation factors are calculated by determining
11 the percentage each rate class contributes to the monthly system peaks.
12 The energy allocators are calculated by determining the percentage each
13 rate contributes to total kWh sales, as adjusted for losses, for each rate
14 class.
15
- 16 **Q. Please describe Form 42-7P.**
- 17 A. Form 42-7P presents the calculation of the proposed ECRC factors by rate
18 class.
19
- 20 **Q. How do the estimated/actual project expenditures for April 1996**
21 **through September 1996 period compare with original projections?**
- 22 A. Form 42-4E shows that total O&M activities were \$81,454 greater than
23 projected and Form 42-6E shows that total capital investment projects were

1 \$60,003 lower than projected. Below are variance explanations for those
2 O & M Activities and Capital Investment Projects with variances greater than
3 \$30,000. All variances are provided in detail on Forms 42-4E and 42-6E.
4 Return on Capital Investment, Depreciation and Taxes for each project for
5 the estimated/actual period April 1996 through September 1996 are
6 provided as Form 42-8E, pages 1 through 10.

7

8 **1. Continuous Emission Monitoring Systems - O & M**

9 Project expenditures are estimated to be \$105,611 greater than previously
10 projected. This variance is due to more spare parts and gasses purchased
11 than anticipated.

12

13 **2. Maintenance of Stationary Above Ground Fuel Storage Tanks -**
14 **O&M**

15 Project expenditures are estimated to be \$82,156 higher than previously
16 projected. This variance is a result of changes in the timing of the work
17 undertaken. The schedule for completing the inspections/repairs and
18 upgrades to FPL's fuel storage tanks is dictated by seasonal fuel throughput
19 considerations at the terminals and plant tank farms. It is also affected by
20 the ability to take tanks out-of-service in conjunction with plant outages.

21

22 **3. RCRA Corrective Action - O&M**

23 Project expenditures are estimated to be \$108,499 lower than previously

1 projected. This variance is due to an accelerated work schedule performed
2 earlier than projected.

3

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

5 Depreciation and Return are estimated to be \$52,449 lower than previously
6 projected. This variance is due to the timing of capital investments.

7

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

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF W.M. REICHEL

DOCKET NO. 960007-EI

June 24, 1996

1 Q. Please state your name and address.

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
8 Business Unit.

9

10 Q. Have you previously testified in this docket?

11 A. Yes, I have.

12

13 Q. What is the purpose of your testimony?

14 A. The purpose of my testimony is to submit for Commission review
15 and approval a description of two new environmental compliance

1 activities. One, Power Generation's Disposal of
2 Noncontainerized Liquid Waste Project, will begin shortly. The
3 other activity is one in which FPL is not requesting recovery at
4 this time. This latter submittal is for the purpose of reserving the
5 right to submit these expenditures for the Commission's approval
6 in the future. In addition, I am submitting a project description,
7 progress status, and projected expenditures for each
8 environmental compliance activity.

9

10 **Disposal of Noncontainerized Liquid Waste**

11

12 **Q. Can you describe the law or regulation requiring this process?**

13 **A.** Florida Administrative Code 62-701.300, effective January 2,
14 1994, states that noncontainerized liquid waste shall not be
15 placed in solid waste disposal units, such as landfills.
16 Accordingly, FPL's power plants need to dispose of their non-
17 containerized liquid waste in a manner which meets this
18 requirement. See Attachment 1, pp.1-5.

19

20 **Q. Please generally describe the scope of these compliance**
21 **activities.**

- 1 A. FPL is required to dispose of their noncontainerized liquid waste
2 in a manner which meets Florida Administrative Code 62-
3 701.300 (10). Ash generated during the production of electric
4 power falls into this category. See Attachment 1, pp.1-5.
5
- 6 **Q. Can you describe the process FPL uses in preparing their
7 noncontainerized liquid waste for disposal?**
- 8 A. FPL currently manages ash from heavy oil fired power plants by
9 using wet ash systems. In general, ash from the economizers
10 and dust collectors (soot hoppers) is sluiced to surface
11 impoundments (basins). In these basins the pH is adjusted to
12 precipitate metals. Sludge that accumulates in these basins are
13 then dewatered by a plate and frame filter press and transported
14 to a Class I landfill in accordance with FL Administrative Code
15 62-701.300. See Attachment 1, pp.1-5.
16
- 17 The frequency of basin clean-out is a function of basin capacity
18 of sludge/ash generation. Typically, FPL generates 10,000 tons
19 (@ 50% solids) of sludge per year.
20
- 21 **Q. What are the projected expenditures associated with this**

1 **compliance activity?**

2 A. The cost to have a Vendor dewater the ash to achieve at least
3 a 50% solid component is approximately \$58/ton based on
4 competitive bids from five suppliers. With FPL generating
5 approximately 10,000 tons, the expected per year expenditure
6 will be \$600,000. FPL is evaluating the feasibility of purchasing
7 the equipment necessary to dewater the ash using in-house
8 resources. Current projections reflect that with the purchase of
9 a mobile ash dewatering system for \$270,000, FPL will be able
10 to process the sludge for approximately 50% of contractor costs
11 resulting in an annual saving of about \$300,000. FPL is
12 requesting recovery of \$600,000 for vendor processing of current
13 ash stockpiles and \$270,000 (capital) to purchase the ash
14 dewatering system if it is determined to be cost-effective. If this
15 equipment is purchased, the annual expenditure would change
16 to \$300,000.

17

18 **St. Johns River Power Park NOx**

19

20 **Q. Which law or regulation is requiring this project?**

21 A. Under Title IV of the Clean Air Act Amendments of 1990, Public

1 Law 101-349, Phase II units must reduce NOx emissions to 0.45
2 lb/mbtu by the year 2000. Pursuant to 40 CFR 76.8, a unit can
3 elect to meet Phase I limits of 0.50 lb/mbtu in 1997 and keep
4 those limits until 2008, thus avoiding the more stringent 0.45
5 lb/mbtu limits in the year 2000. This is know as OPT-IN.

6

7 **Q. When is the OPT-IN advantageous for the utility?**

8 A. When a unit is over, but near the 0.50 lb/mbtu limit, it is probably
9 a good option. In this situation a less drastic and therefore less
10 costly countermeasure can be employed to reduce NOx to
11 achieve the more liberal 0.50 lb/mbtu limit. The countermeasure
12 would have to be implemented in 1997 instead of 2000 but the
13 cost could be millions of dollars less than achieving the more
14 stringent 0.45 lb/mbtu limit. St. Johns River Power Park (SJRPP)
15 is a good candidate for OPT-IN since the units are operating in
16 the 0.52 to 0.54 lb/mbtu level.

17

18 **Q. Please describe the NOx reduction project?**

19 A. A pilot project was undertaken at SJRPP Unit No. 1 to determine
20 if combustion system modifications could produce the necessary
21 NOx reductions. The modifications included movable air hoods

1 for the burners, instrumentation, automation of under air ports
2 and pulverizer internals work. After several months of
3 adjustments and monitoring, NOx levels between 0.46 and 0.50
4 lb/mbtu were achieved. With these results, there are plans to
5 modify the second unit. Other options considered were Separate
6 Overfire Air (SOFA), Selective Catalytic Reduction (SCR) and
7 Selective Non-Catalytic Reduction.

8

9 **Q. What is the cost of the project?**

10 A. The total O&M cost of this project, for both units, is \$645,000.
11 The cost of the alternatives ranged from \$2,000,000 to
12 \$16,000,000, representing FPL's 20% ownership share. The
13 estimated completion date for this project is January 1997.
14 However, it must first be approved by the SJRPP Operating
15 Committee in November 1996. Accordingly, FPL is not
16 requesting recovery at this time. FPL is requesting that the
17 Commission recognize this project for potential future recovery
18 after completion.

19

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

21 A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF W.M. REICHEL

DOCKET NO. 960007-EI

June 24, 1996

1 Q. Please state your name and address.

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

8 Business Unit.

9

10 Q. Have you previously testified in this docket?

11 A. Yes, I have.

12

13 Q. What is the purpose of your testimony?

14 A. The purpose of my testimony is to submit for Commission review

15 and approval a description of two new environmental compliance

1 activities. One, Power Generation's Disposal of
2 Noncontainerized Liquid Waste Project, will begin shortly. The
3 other activity is one in which FPL is not requesting recovery at
4 this time. This latter submittal is for the purpose of reserving the
5 right to submit these expenditures for the Commission's approval
6 in the future. In addition, I am submitting a project description,
7 progress status, and projected expenditures for each
8 environmental compliance activity.

9

10 **Disposal of Noncontainerized Liquid Waste**

11

12 **Q. Can you describe the law or regulation requiring this process?**

13 A. Florida Administrative Code 62-701.300, effective January 2,
14 1994, states that noncontainerized liquid waste shall not be
15 placed in solid waste disposal units, such as landfills.
16 Accordingly, FPL's power plants need to dispose of their non-
17 containerized liquid waste in a manner which meets this
18 requirement. See Attachment 1, pp.1-5.

19

20 **Q. Please generally describe the scope of these compliance**
21 **activities.**

1 A. FPL is required to dispose of their noncontainerized liquid waste
2 in a manner which meets Florida Administrative Code 62-
3 701.300 (10). Ash generated during the production of electric
4 power falls into this category. See Attachment 1, pp.1-5.

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6 **Q. Can you describe the process FPL uses in preparing their**
7 **noncontainerized liquid waste for disposal?**

8 A. FPL currently manages ash from heavy oil fired power plants by
9 using wet ash systems. In general, ash from the economizers
10 and dust collectors (soot hoppers) is sluiced to surface
11 impoundments (basins). In these basins the pH is adjusted to
12 precipitate metals. Sludge that accumulates in these basins are
13 then dewatered by a plate and frame filter press and transported
14 to a Class I landfill in accordance with FL Administrative Code
15 62-701.300. See Attachment 1, pp.1-5.

16

17 The frequency of basin clean-out is a function of basin capacity
18 of sludge/ash generation. Typically, FPL generates 10,000 tons
19 (@ 50% solids) of sludge per year.

20

21 **Q. What are the projected expenditures associated with this**

1 **compliance activity?**

2 A. The cost to have a Vendor dewater the ash to achieve at least
3 a 50% solid component is approximately \$58/ton based on
4 competitive bids from five suppliers. With FPL generating
5 approximately 10,000 tons, the expected per year expenditure
6 will be \$600,000. FPL is evaluating the feasibility of purchasing
7 the equipment necessary to dewater the ash using in-house
8 resources. Current projections reflect that with the purchase of
9 a mobile ash dewatering system for \$270,000, FPL will be able
10 to process the sludge for approximately 50% of contractor costs
11 resulting in an annual saving of about \$300,000. FPL is
12 requesting recovery of \$600,000 for vendor processing of current
13 ash stockpiles and \$270,000 (capital) to purchase the ash
14 dewatering system if it is determined to be cost-effective. If this
15 equipment is purchased, the annual expenditure would change
16 to \$300,000.

17

18 **St. Johns River Power Park NOx**

19

20 **Q. Which law or regulation is requiring this project?**

21 A. Under Title IV of the Clean Air Act Amendments of 1990, Public

4 adjustments and monitoring, NOx levels between 0.46 and 0.50
5 lb/mbtu were achieved. With these results, there are plans to
6 modify the second unit. Other options considered were Separate
7 Overfire Air (SOFA), Selective Catalytic Reduction (SCR) and
8 Selective Non-Catalytic Reduction.

9 **Q. What is the cost of the project?**

10 **A.** The total O&M cost of this project, for both units, is \$645,000.
11 The cost of the alternatives ranged from \$2,000,000 to
12 \$16,000,000, representing FPL's 20% ownership share. The
13 estimated completion date for this project is January 1997.
14 However, it must first be approved by the SJRPP Operating
15 Committee in November 1996. Accordingly, FPL is not
16 requesting recovery at this time. FPL is requesting that the
17 Commission recognize this project for potential future recovery
18 after completion.

19
20 **Q. Does this conclude your testimony?**

21 **A.** Yes, it does.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony of
James O. Vick
Docket No. 960007-EI
Date of Filing: May 20, 1996

1
2
3
4
5 Q. Please state your name and business address.

6 A. My name is James O. Vick and my business address is 500 Bayfront Parkway,
7 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 Affairs.

11
12 Q. Mr. Vick, will you please describe your education and experience?

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

21
22 Q. What are your responsibilities with Gulf Power Company?

23 A. As Supervisor of Environmental Affairs, my primary responsibility is overseeing the
24 activities of the Environmental Affairs section to ensure the Company is, and
25 remains, in compliance with environmental laws and regulations, i.e., both existing

1 laws and such laws and regulations that may be enacted or amended in the future.
2 In performing this function, I have the responsibility for numerous environmental
3 programs and projects.
4

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

7 A. Yes.
8

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

10 A. The purpose of my testimony is to support Gulf Power Company's true-up period
11 ending March 31, 1996. In her testimony and schedules, Ms. Cranmer has
12 identified the carrying costs (including depreciation expense and dismantlement
13 costs) associated with environmental investment and the O&M expenses included in
14 the true-up period. I will discuss the primary reasons for variances between the
15 projected and actual costs.
16

17 Q. Please compare Gulf's recoverable environmental capital costs included in the true-
18 up calculation for the period October through March 1996 with the approved project
19 amounts.

20 A. As reflected in Ms. Cranmer's Schedule 6A, the recoverable capital costs included in
21 the true-up calculation total \$4,536,342 as compared to the estimated true-up
22 amount of \$4,543,346. This resulted in a variance of (\$7,004). With the exception
23 of Line Item 1.16, SO2 Allowances, the variances in these projects/programs were
24 not significant and do not require further detailed explanation.
25

1 Q. Please explain the variance in SO2 Allowances during the recovery period.

2 A. Gulf did not project gains from the sale of withheld allowances from the EPA auction
3 held in March when preparing the projection filing. In March, Gulf sold vintage 1996
4 withheld allowances in the amount of \$91,239.46. This gain will be amortized over
5 the remaining ten months (\$9,124 per month from March-December) of fiscal 1996
6 which equates to the variance.

7
8 Q. How do Gulf's actual O&M expenses compare to the amounts included in the
9 estimated true-up?

10 A. Ms. Cranmer's Schedule 4A reflects that Gulf incurred a total of \$1,720,285 in
11 recoverable O&M expenses for the period as compared to the amount included in
12 the estimated true-up of \$2,230,178. This results in a variance of (\$509,893). I will
13 address the variances for the O&M projects/programs.

14
15 Q. Please explain the variance in the Sulfur category (Line Item 1.1).

16 A. Expenses during the period totaled \$2,927 resulting in a variance of (\$21,073). This
17 variance was due to limited use of sulfur in the flue gas injection system during the
18 period. Crist Unit 7 being offline for a maintenance outage for almost two months of
19 the period contributed to the variance.

20
21 Q. Please explain the variances in the Air Emission Fees category (Line Item 1.2).

22 A. Air Emission Fees were projected at \$350,700 for the period as compared to actual
23 expenses of \$161,650 which resulted in a variance of (\$189,050). In February
24 1995, Gulf instituted an SO2 substitution plan which changed the status of Crist
25 Units 4 and 5 and Scholz Units 1 and 2 to Phase I substitution units. All of Gulf

1 Power's electric generating units except Crist Units 6 and 7 were initially designated
2 as Phase II units under the Clean Air Act Amendments of 1990. Air emission fees
3 were required by the State for all Phase II units. In early 1996 the Florida
4 Department of Environmental Protection (FDEP) agreed that substitution units were
5 not subject to air emission fees. The only units for which 1995 air emission fees
6 were due were for Crist Units 1-3 and Smith Units 1 and 2. The fees were paid in
7 February 1996 in the amount of \$161,500. The variance was a result of not having
8 to pay fees for the units that were redesignated at substitution units.

9
10 Q. Please explain the (\$26,687) variance in the Title V category (Line Item 1.3).

11 A. The Title V permitting is on-going. Expenses incurred during the period for the
12 permitting process were less than anticipated due to delays in the Title V program
13 implementation by FDEP.

14
15 Q. Please explain the (\$2,294) variance in the Asbestos Fees category (Line Item 1.4).

16 A. The projected amount included Asbestos Fee Notifications which were expected to
17 be incurred during the scheduled Crist Unit 7 outage. Less Asbestos Containing
18 Materials (ACM) were encountered during Crist Unit 7 outage than was anticipated
19 which resulted in the variance.

20
21 Q. Please explain the (\$29,472) variance in the Emission Monitoring category (Line
22 Item 1.5).

23 A. The projected amount included expenses for Relative Accuracy Test Audits
24 (RATA's), FPSC approved program. The projections were calculated using previous
25 year expense information which included several scheduled and unscheduled

1 additional tests. The required frequency for these Continuous Emission Monitoring
2 RATA tests is six months, or one year, depending upon the quality of the results of
3 the RATA. There are also requirements to perform "emergency" maintenance
4 activities. RATA quality results have been exceptional and qualify Gulf for testing on
5 an annual basis. This resulted in fewer RATA's being required during the period.
6 There were no incidences during the period which resulted in an emergency RATA.
7 The fewer RATA's during the period resulted in a decrease in expenses.

8
9 Q. Please explain the variance of (\$179,074) in the General Water Quality category
10 (Line Item 1.6).

11 A. Three projects within this category contributed to this variance. First, the
12 Groundwater Monitoring Plan for Plant Smith has not yet been approved by the
13 FDEP. This accounts for delays in projected expenses. Secondly, the Plant Smith
14 Soil Contamination Study is on-going, but expenses were less than anticipated
15 during the period. Lastly, the Surface Water Studies which are currently being
16 conducted at Plants Crist, Smith and Scholz are behind schedule. Activities and
17 expenses for each of these projects are expected to increase in the near future, and
18 expenses will level over time.

19
20 Q. Please explain the (47,015) variance in the Groundwater Monitoring Investigation
21 category (Line Item 1.7).

22 A. The FDEP has delayed approval of project activities in this category which
23 subsequently has delayed projected expenditures. Upon FDEP approval, these
24 activities and related expenses will commence.

25

1 Q. Please explain the variance of (19,404) in the Lead and Copper category (Line Item
2 1.9)

3 A. Delays in implementation of the Lead and Copper program at Plant Smith resulted
4 in expenses being less than projected. Implementation of the program is underway
5 at Plant Smith, and these expenses should be incurred in the future.
6

7 Q. Please explain the (\$2,564) variance in the Environmental Auditing/Assessment
8 Program (Line Item 1.10).

9 A. There was minimal activity in this program during the recovery period. Gulf
10 anticipates environmental assessment activities to increase later in the year.
11

12 Q. Please explain the \$6,740 variance in the General Solid and Hazardous Waste
13 category (Line Item 1.11)

14 A. This program historically encounters fluctuations in approved program activities
15 which are directly related to the quantities of solid and hazardous waste generated
16 through Gulf's operations which require proper disposal within regulatory guidelines.
17 During this recovery period, those quantities of waste requiring disposal exceeded
18 our projection.
19

20 Q. Does this conclude your testimony?

21 A. Yes.
22
23
24
25

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 James O. Vick
Docket No. 960007-EI
Date of Filing: June 24, 1996

- 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
15 a 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 1990, I assumed my present position as Supervisor
22 of 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 activities.

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

12 A. The purpose of my testimony is to support Gulf Power Company's projection
13 of environmental compliance amounts recoverable through the
14 Environmental Cost Recovery Clause (ECRC) for the period October 1996
15 through September 1997. I will discuss the amounts included in the
16 projection period for those compliance activities previously approved by the
17 Commission and one new project requested for inclusion in ECRC.
18 Additionally, I will provide testimony to support Gulf Power Company's
19 projection of Clean Air Act Amendments (CAAA) emission allowances
20 expended during the period October 1996 through September 1997 and will
21 be available to answer any questions concerning the Company's CAAA
22 allowance administration.

23
24 Q. Mr. Vick, please identify the capital projects included in Gulf's ECRC
25 calculations.

1 A. A listing of the environmental capital projects which have been included in
2 Gulf's ECRC calculations has been provided to Ms. Cranmer and includes
3 expenditures, clearings, retirements, and cost of removal currently projected
4 for each of these projects. These amounts were provided to Ms. Cranmer,
5 who has compiled Schedules 42-3P, 42-3PA, 42-4P, and 42-4PA of her
6 testimony. Schedules 42-4P and 42-4PA reflect the expenditures, clearings,
7 retirements, and cost of removal currently projected for each of these
8 projects. These amounts were provided to Ms. Cranmer, who calculated the
9 associated revenue requirements for our requested recovery. All the listed
10 projects are associated with environmental compliance activities which have
11 been previously approved for recovery through the ECRC by this
12 Commission in Docket No. 930613-EI and past proceedings in this ongoing
13 recovery docket.

14
15 Q. Are there any new capital projects included in the Company's projection for
16 which Gulf seeks recovery through the Environmental Cost Recovery
17 Clause?

18 A. Yes. One item, Upgrade Crist 6 CEMS Flow Monitors (PE 1164), is
19 requested for recovery through ECRC. The existing Crist 6 flow system, a
20 Clean Air Act Amendment requirement, is becoming more expensive to
21 maintain as it approaches the end of its life expectancy. The maintenance
22 costs of the existing system are anticipated to increase over the next four
23 years. Further, the accuracy and reliability of the existing system is
24 predicted to continue decreasing over the same time period. The upgraded
25 flow system will provide Gulf with the accuracy and reliability necessary to

1 maintain compliance with CAAA requirements. From an economic
2 standpoint, it is prudent for Gulf to upgrade the system at this time. The
3 expected savings from upgrading the system outweigh the expected
4 maintenance costs that would be incurred through maintenance of the
5 existing system over the next four years.

6
7 Q. Please compare the Environmental Operation and Maintenance (O & M)
8 activities listed on Schedules 42-2P and 42-2PA of Exhibit SDC-2 to the
9 O & M activities approved for cost recovery in past ECRC dockets.

10 A. The O & M activities listed on Schedules 42-2P and 42-PA have all been
11 approved for recovery through the ECRC in past proceedings. These O & M
12 activities are all on-going compliance activities and are grouped into four
13 major categories--Air Quality, Water Quality, Environmental Programs
14 Administration, and Solid and Hazardous Waste. I will discuss each O & M
15 activity within each of these major categories and the projected expenses
16 later in my testimony.

17
18 Q. What O & M activities are included in the Air Quality category?

19 A. There are five O & M activities included in this category:

20 The first, Sulfur (Line Item 1.1), refers to the flue gas sulfur injection
21 system needed to improve the collection efficiency of the Crist Unit 7
22 electrostatic precipitator when burning low sulfur coal. As stated in previous
23 testimony, the injection of raw sulfur into the flue gas enhances the
24 collection efficiency of the electrostatic precipitator when burning low sulfur
25 coal. Presently, the coal supply at Crist is of such quality in sulfur content

1 that sulfur injection is not necessary to meet the sulfur dioxide emission
2 requirements of the CAAA. Consequently, Gulf has not projected any
3 expenditures for this line item for the period since the availability of the
4 present fuel supply is expected to continue. However, sulfur injection is
5 dependent upon the quality of fuel, and might once again be required
6 depending upon the quality of a particular coal supply.

7 The second activity listed on Schedules 42-2P and 42-2PA, Air
8 Emission Fees (Line Item 1.2), represents the expenses projected for the
9 annual fees required by the CAAA. The expenses projected for the six-month
10 recovery period total \$162,093 and for the annual recovery period total
11 \$229,593.

12 The third activity listed on Schedules 42-2P and 42-2PA, Title V
13 Permits (Line Item 1.3), represents projected expenses associated with the
14 implementation of the Title V permits. The total estimated expenses for the
15 Title V Program during the recovery period are \$48,853 and \$97,989 for the
16 six-month and 12-month periods, respectively.

17 The fourth activity listed on Schedules 42-2P and 42-2PA, Asbestos
18 Notification Fees (Line Item 1.4), are required to be paid to the Florida
19 Department of Environmental Protection (FDEP) for the purpose of allowing
20 planned and emergency asbestos abatement activities at Gulf's facilities.
21 The expenses projected for the recovery periods total \$3,246 for six- months
22 and \$5,000 for 12-months.

23 The fifth activity listed on Schedules 42-2P and 42-2PA, Emission
24 Monitoring (Line Item 1.5), reflects an ongoing O & M expense associated
25 with the new Continuous Emission Monitoring equipment (CEM) as required

1 by the CAAA. These expenses are incurred in response to the federal
2 Environmental Protection Agency's (EPA) requirements that the Company
3 perform Quality Assurance/Quality Control (QA/QC) testing for the CEMs,
4 including Relative Accuracy Test Audits (RATA) and Linearity Tests. The
5 expenses projected to occur during the recovery period for these activities
6 total \$152,485 for six-months and \$305,773 for 12-months.

7
8 Q. What O & M activities are included in Water Quality?

9 A. General Water Quality (Line Item 1.6), identified in Schedules 42-2P and
10 42-2PA, includes Soil Contamination Studies, Dechlorination, Groundwater
11 Monitoring Plan Revisions, Surface Water Studies, and Daniel Groundwater
12 Monitoring. All the programs included in Line Item 1.6, General Water
13 Quality, have been approved in past proceedings. The expenses projected
14 to occur during the recovery period for these activities total \$299,532 and
15 \$543,340 for the six-month and 12-month periods, respectively.

16 The second activity listed in the Water Quality Category, Groundwater
17 Contamination Investigation (Line Item 1.7), was previously approved for
18 environmental cost recovery in Docket No. 930613-EI. This activity is
19 projected to incur incremental expenses totaling \$530,212 and \$979,551
20 during the six-month and 12-month recovery periods.

21 Line Item 1.8, State NPDES Administration, was previously approved
22 for recovery in the ECRC and reflects expenses associated with the filing of
23 two permit applications. These expenses are expected to incur \$49,500
24 during the recovery period.

1 Finally, Line Item 1.9, Lead and Copper Rule, was also previously
2 approved for ECRC recovery and reflects sampling and analytical costs for
3 lead and copper in drinking water. These expenses are expected to total
4 \$4,133 and \$8,127 during the six-month and 12-month recovery periods.
5

6 Q. What activities are included in the Environmental Affairs Administration
7 Category?

8 A. Only one O & M activity is included in this category on Schedules 42-2P and
9 42-2PA (Line Item 1.10). This Line Item refers to the Company's
10 Environmental Audit/Assessment function. This program is an on-going
11 compliance activity previously approved and is projected to incur expenses
12 totaling \$5,076 and \$7,230 during the six-month and 12-month recovery
13 periods, respectively.
14

15 Q. What O & M activities are included in the Solid and Hazardous Waste
16 category?

17 A. Only one program, General Solid and Hazardous Waste (Line Item 1.11), is
18 included in the Solid and Hazardous Waste category on Schedules 42-2P
19 and 42-2PA. This activity involves the proper identification, handling,
20 storage, transportation and disposal of solid and hazardous wastes as
21 required by Federal and State regulations. This program is an on-going
22 compliance activity previously approved and is projected to incur incremental
23 expenses totaling \$89,537 for the six-month period and \$180,509 during the
24 12-month recovery period.
25

1 Q. How did you derive the O & M expenses the Company identified in
2 Ms. Cranmer's exhibits for consideration in the Environmental Cost Recovery
3 Clause?

4 A. We have based this information on projected 1996-1997 environmental
5 expenses for the time frame of October 1996 through September 1997.
6 O & M expenses resulting from environmental compliance activities for the
7 period October 1996 through March 1997 are listed on Schedule 42-2P and
8 for the period October 1996 through September 1997 are listed on Schedule
9 42-2PA. This information was provided to Ms. Cranmer for her to include in
10 the calculation of the total revenue requirements.
11

12 Q. For the period April 1996 through September 1996, do you expect significant
13 variances in O & M expenses, and if so, please explain these variances.

14 A. Yes. Gulf's best estimate is that nine categories are expected to have
15 variances during this period. These expected variances are based on two
16 months of actual and four months of projected data. However, these
17 variances are subject to change depending on the level of activity during the
18 remainder of the period.

19 The first category Sulfur, reflects an expected variance of (\$11,496).
20 This variance is the result of the current fuel supply at Plant Crist being of
21 such quality that sulfur injection is not necessary to meet emission
22 requirements of the CAAA.

23 The second category, Air Emission Fees, reflects a variance of
24 (\$86,500). The projected emission fees for Plant Daniel were significantly
25 less than originally expected, which resulted in the variance.

1 Line item 1.4, Asbestos Fees, reflects a variance of (\$832). This
2 variance resulted from a smaller quantity of asbestos-containing material
3 (ACM) being encountered during the planned spring outage at Plant Crist.

4 Line item 1.5, Emission Monitoring, reflects a variance of
5 (\$16,349). The variance is the result of fewer Relative Accuracy Test Audits
6 (RATA's) being performed at Plant Crist due to the performance of the
7 continuous emission monitoring system (CEMS). When a RATA indicates an
8 accuracy of 95 percent or greater for a CEM system, only one RATA per year
9 is required instead of the normal two.

10 Line item 1.7, Groundwater Contamination Investigation, reflects a
11 variance of (\$124,326). This variance is simply the result of scheduling.
12 Planned activities within this category have yet to commence pending FDEP
13 approval of proposed action plans. Once FDEP has approved these plans,
14 activities in this project will resume as anticipated.

15 Line item 1.8, NPDES Administration, reflects a variance of (\$15,000).
16 This variance is the result of the submittal of the NPDES application fees for
17 Plant Crist and Scholz being moved to March 1997.

18 Line item 1.9, Lead and Copper Rule, reflects a variance of (\$5,242).
19 The variance is the result of actual program costs at Plant Smith being less
20 than projected. The quantity of chemicals anticipated for use at Plant Smith
21 are less than originally expected.

22 Line item 1.10, Environmental Auditing/Assessment, reflects a
23 variance of (\$846). The variance is the result of no environmental
24 assessment activities being performed during the period.

1 Line item 1.11, General Solid and Hazardous Waste, reflects a
2 variance of (\$18,282). The variance is the result of projected quantities of
3 waste generated being less than projected.
4

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

7 A. Yes. Phase I of the CAA became effective January 1, 1995; therefore, this
8 projection includes an estimate of the cost of allowances to be expended
9 during the period October 1996 through September 1997.
10

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

12 A. The same fuel budget model that predicts the coal burn in units affected by
13 CAA Phase I also forecasts the number of tons of sulfur in the coal burned,
14 which is readily converted to tons of SO₂.
15

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

17 A. The projected cost of allowances was determined by a method very similar to
18 fuel inventory as specified by FERC procedures. In other words, allowances
19 are held "in stock" at cost and are "issued" at the projected cost of
20 allowances which is based on anticipated allowances granted net of
21 allowance sales, purchases, and transfers.
22

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

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

4

5 Q. Does this conclude your testimony?

6 A. Yes.

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GULF POWER COMPANY

Before the Florida Public Service Commission
Direct Testimony of
Susan D. Cranmer
Docket No. 960007-EI
Date of Filing: May 20, 1996

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

8 A. My name is Susan Cranmer. My business address is 500
9 Bayfront Parkway, Pensacola, Florida 32501. I hold
10 the position of Assistant Secretary and Assistant
11 Treasurer for Gulf Power Company. In this position, I
12 am responsible for supervising the Rates and
13 Regulatory Matters Department.

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

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

1 Modeling Analyst, Senior Financial Analyst, and
2 Supervisor of Rate Services.

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

8

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

11 A. Yes, I have.

12 Counsel: We ask that Ms. Cranmer's Exhibit
13 consisting of eight schedules be marked as
14 Exhibit No. 4 (SDC-1).

15

16 Q. Are you familiar with the Environmental Cost Recovery
17 Clause (ECRC) True-up Calculation for the period of
18 October 1995 through March 1996 set forth in your
19 exhibit?

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

22

23 Q. Have you verified that to the best of your knowledge
24 and belief the information contained in these

1 documents is correct?

2 A. Yes, I have.

3

4 Q. What is the amount to be refunded or collected in the
5 recovery period beginning October 1996?

6 A. An amount to be refunded of \$686,617 was calculated as
7 shown on Schedule 1A of my exhibit.

8

9 Q. How was this amount calculated?

10 A. The \$686,617 was calculated by taking the difference
11 in the estimated October 1995 through March 1996
12 under-recovery of \$669,968 as approved in Order No.
13 PSC-96-0361-FOF-EI, dated March 13, 1996 and the
14 actual over-recovery of \$16,649, which is the sum of
15 lines 5, 6, and 10 on Schedule 2A.

16

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

18 A. Schedule 2A shows the calculation of the actual over-
19 recovery of environmental costs for the period October
20 1995 through March 1996. Schedule 3A of my exhibit is
21 the calculation of the interest provision on the over-
22 recovery. This is the same method of calculating
23 interest that is used in the Fuel Cost Recovery (FCR)
24 and Purchased Power Capacity Cost (PPCC) Recovery
25 clauses.

1 Q. Please describe Schedules 4A and 5A of your exhibit.

2 A. Schedule 4A compares the actual O & M expenses for the
3 period with the estimated/actual O & M expenses
4 included in the estimated true-up filed January 22,
5 1996. Schedule 5A shows the monthly O & M expenses by
6 activity, along with the calculation of jurisdictional
7 O & M expenses. Mr. Vick describes the main reasons
8 for the variances in O & M expenses in his true-up
9 testimony.

10

11 Q. Please describe Schedules 6A and 7A of your exhibit.

12 A. Schedule 6A compares the actual carrying costs related
13 to investment with the estimated/actual amount
14 included in the estimated true-up filed January 22,
15 1996. The recoverable costs include the return on
16 investment, depreciation expense, dismantlement
17 accrual, property tax, and cost of emission allowances
18 associated with each environmental capital project for
19 the period October 1995 through March 1996. Schedule
20 7A provides the monthly carrying costs associated with
21 each project, along with the calculation of the
22 jurisdictional carrying costs. In his testimony,
23 Mr. Vick describes the reason for the major variance
24 in recoverable costs related to environmental
25 investment.

1 Q. Please describe Schedule 8A of your exhibit.

2 A. Schedule 8A provides the monthly calculation of the
3 recoverable costs associated with each capital
4 project. As I stated earlier, these costs include
5 return on investment, depreciation expense,
6 dismantlement accrual, property tax, and the cost of
7 emission allowances. Pages 1 through 15 of
8 Schedule 8A show the investment and associated costs
9 related to capital projects, while page 16 shows the
10 investment and costs related to emission allowances.

11

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

13 A. Yes, it does.

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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. 960007-EI
6 Date of Filing: June 24, 1996

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 Assistant Secretary and Assistant
12 Treasurer 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.
22 Prior to assuming my current position, I have held
23 various positions with Gulf including Computer
24 Modeling Analyst, Senior Financial Analyst, and
25 Supervisor of Rate Services.

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

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

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 both the
14 calculation of the revenue requirements and the
15 development of the environmental cost recovery factors
16 for the six month period of October 1996 through March
17 1997. I will also discuss Gulf's proposal to change
18 its ECRC factors from semi-annual to annual factors.
19 To support this proposed change, I have also
20 calculated the revenue requirements and developed the
21 ECRC factors for the 12-month period of October 1996
22 through September 1997.
23

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

1 A. Yes, I have. My exhibit consists of 22 schedules,
2 each of which were prepared under my direction,
3 supervision, or review.

4 Counsel: We ask that Ms. Cranmer's Exhibit consisting
5 of 22 schedules be marked as Exhibit
6 No. 5 (SDC-2).
7

8 Q. Why is Gulf proposing to change its ECRC factors from
9 a six-month to a one-year cycle?

10 A. First, changing to a one-year cycle would levelize the
11 ECRC factor, which increases customer satisfaction.
12 Currently, using a six-month factor, Gulf's ECRC
13 factor goes down in the summer by 10-12 percent and
14 back up in the winter by 10-12 percent simply because
15 the summer kilowatt-hours used to calculate the factor
16 are higher than the winter kilowatt-hours. Also, Gulf
17 projects its operating and maintenance (O & M)
18 expenses on an annual basis. From one 12-month period
19 to the next, expenses related to many of Gulf's O & M
20 activities do not vary widely. However, from month to
21 month there may be variances due to the timing of
22 payments for such things as annual permit fees or
23 licenses. Using a 12-month projection period would
24 even out the possible factor fluctuation caused by
25 incurring such annual expenses in one six-month period

1 and not the next. Finally, by changing to a one-year
2 cycle, administrative costs associated with the filing
3 - legal fees, regulatory review, hearings, etc. - are
4 decreased for both the Company and the Commission
5 Staff. Schedules 42-1PA through 42-7PA provide annual
6 data for the period October 1996 through September
7 1997, corresponding to Schedules 42-1P through 42-7P
8 for the semi-annual period. In the remainder of my
9 testimony, I will refer to both the semi-annual (P)
10 and annual (PA) projection schedules when discussing
11 Gulf's requested amounts and factors.

12

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

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

25

- 1 Q. What has Gulf calculated as the total true-up to be
2 applied in the period October 1996 through March 1997?
- 3 A. The total true-up for this period is a decrease of
4 \$1,085,683. This includes a final true-up over-
5 recovery of \$686,617 for the period October 1995
6 through March 1996 as shown on line 3 of Schedules
7 42-1P and 42-1PA. It also includes an estimated over-
8 recovery of \$399,066 for the period April 1996 through
9 September 1996, as shown on line 2 of Schedules 42-1P
10 and 42-1PA. The detailed calculations supporting the
11 estimated true-up are contained in Schedules 42-1E
12 through 42-8E. The calculation of the total true-up
13 is the same for the annual recovery factors, if
14 approved.
15
- 16 Q. How was the amount of O & M expenses to be recovered
17 through the ECRC calculated?
- 18 A. Mr. Vick has provided me with projected recoverable
19 O & M expenses for October 1996 through September
20 1997. Schedules 42-2P and 42-2PA of my exhibit show
21 the calculation of the recoverable O & M expenses
22 broken down between the demand-related and energy-
23 related expenses. Also, Schedules 42-2P and 42-2PA
24 provide the appropriate jurisdictional factors and
25 amounts related to these expenses. All O & M expenses

1 associated with compliance with the Clean Air Act
2 Amendments of 1990 were considered to be energy-
3 related, consistent with Commission Order No.
4 PSC-94-0044-FOF-EI. The remaining expenses were
5 broken down between demand and energy consistent with
6 Gulf's last approved cost-of-service methodology in
7 Docket No. 891345-EI.

- 8
- 9 Q. Please describe Schedules 42-3P, 42-3PA, 42-4P, and
10 42-4PA of your exhibit.
- 11 A. Schedules 42-3P and 42-3PA summarize the monthly
12 recoverable revenue requirements associated with each
13 capital investment for the semi-annual and annual
14 recovery periods. Schedules 42-4P and 42-4PA show the
15 detailed calculation of the revenue requirements
16 associated with each investment. These schedules also
17 include the calculation of the jurisdictional amount
18 of recoverable revenue requirements. Mr. Vick has
19 provided me with the expenditures, clearings,
20 retirements, and cost of removal related to each
21 capital project and the monthly costs of emission
22 allowances. From that information, I calculated
23 plant-in-service and Construction Work In Progress-Non
24 Interest Bearing (CWIP-NIB). Depreciation and
25 dismantlement expense and the associated accumulated

1 depreciation balances were calculated based on Gulf's
2 latest approved depreciation rates and dismantlement
3 accruals. The capital projects identified for
4 recovery through the ECRC are those environmental
5 projects which are not included in the approved
6 projected 1990 test year on which present base rates
7 were set.

8
9 Q. How was the amount of Property Taxes to be recovered
10 through the ECRC derived?

11 A. Property taxes were calculated by applying the
12 applicable tax rate to taxable investment. In
13 Florida, pollution control facilities are taxed based
14 only on their salvage value. For the recoverable
15 environmental investment located in Florida, the
16 amount of property taxes is estimated to be \$0. In
17 Mississippi, there is no such reduction in property
18 taxes for pollution control facilities. Therefore,
19 property taxes related to recoverable environmental
20 investment at Plant Daniel are calculated by applying
21 the applicable millage rate to the assessed value of
22 the property.

23
24
25

- 1 Q. What capital structure and return on equity were used
2 to develop the rate of return used to calculate the
3 revenue requirements?
- 4 A. The rate of return used is based on Gulf's capital
5 structure as approved in Gulf's last rate case, Docket
6 No. 891345-EI, Order No. 23573, dated October 3, 1990.
7 This rate of return incorporates a return on equity of
8 12.0% as approved by Commission Order No. PSC-93-0771-
9 FOF-EI, dated May 20, 1993. The use of this rate of
10 return for the calculation of revenue requirements for
11 the ECRC was approved by the Commission in Order No.
12 PSC-94-0044-FOF-EI dated January 12, 1994 in Docket
13 No. 930613-EI.
14
- 15 Q. How was the breakdown between demand-related and
16 energy-related investment costs determined?
- 17 A. The investment-related costs associated with
18 compliance with the Clean Air Act Amendments of 1990
19 (CAAA) were considered to be energy-related, consis-
20 tent with Commission Order No. PSC-94-0044-FOF-EI,
21 dated January 12, 1994 in Docket No. 930613-EI. The
22 remaining investment-related costs of environmental
23 compliance not associated with the CAAA were allocated
24 12/13th based on demand and 1/13th based on energy,
25 consistent with Gulf's last cost-of-service study.

1 The calculation of this breakdown is shown on
2 Schedules 42-4P and 42-4PA and summarized on
3 Schedules 42-3P and 42-3PA.

4
5 Q. What is the total amount of projected recoverable
6 costs related to the semi-annual period October 1996
7 through March 1997 and the annual period October 1996
8 through September 1997?

9 A. The total projected jurisdictional recoverable costs
10 for the six-month period October 1996 through March
11 1997 are \$5,592,988 as shown on line 1c of Schedule
12 42-1P. This includes costs related to O & M
13 activities of \$1,295,262 and costs related to capital
14 projects of \$4,297,726 as shown on lines 1a and 1b of
15 Schedule 42-1P. The total projected jurisdictional
16 recoverable costs for the 12-month period October 1996
17 through September 1997 are \$10,901,818 as shown on
18 line 1c of Schedule 42-1PA. This includes costs
19 related to O & M activities of \$2,318,813 and costs
20 related to capital projects of \$8,583,005 as shown on
21 lines 1a and 1b of Schedule 42-1PA.

22
23 Q. What is the total recoverable revenue requirement and
24 how was it allocated to each rate class?

1 A. The total recoverable revenue requirement including
2 revenue taxes is \$4,579,828 for the period October
3 1996 through March 1997 as shown on line 5 of Schedule
4 42-1P. The total recoverable revenue requirement
5 including revenue taxes is \$9,974,077 for the 12-month
6 period October 1996 through September 1997 as shown on
7 line 5 of Schedule 42-1PA. These amounts include the
8 recoverable costs related to the projection period and
9 the total true-up cost to be refunded. Schedules 42-
10 1P and 42-1PA also summarize the energy and demand
11 components of the requested revenue requirement. I
12 allocated these amounts to rate class using the
13 appropriate energy and demand allocators as shown on
14 Schedules 42-6P, 42-6PA, 42-7P, and 42-7PA.

15

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

18 A. The demand allocation factors used in the
19 Environmental Cost Recovery Clause were calculated
20 using the 1995 load data filed with the Commission in
21 accordance with FPSC Rule 25-6.0437. The energy
22 allocation factors were calculated based on projected
23 KWH sales for the period adjusted for losses. The
24 calculation of the allocation factors for the six-
25 month period is shown in columns 1 through 9 on

1 Schedule 42-6P and for the 12-month period in columns
2 1 through 9 of Schedule 42-6PA.

3

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

7 A. As I described earlier in my testimony, Schedules
8 42-1P and 42-1PA summarize the energy and demand
9 portions of the total requested revenue requirement.
10 The energy-related recoverable revenue requirement of
11 \$2,824,770 for the period October 1996 through March
12 1997 and \$6,195,324 for the period October 1996
13 through September 1997 was allocated using the energy
14 allocator, as shown in column 3 on Schedules 42-7P and
15 42-7PA, respectively. The demand-related recoverable
16 revenue requirement of \$1,755,058 for the period
17 October 1996 through March 1997 and \$3,778,843 for the
18 period October 1996 through September 1997 was
19 allocated using the demand allocator, as shown in
20 column 4 on Schedules 42-7P and 42-7PA. The energy-
21 related and demand-related recoverable revenue
22 requirements are added together to derive the total
23 amount assigned to each rate class, as shown in
24 column 5.

25

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

5 A. The environmental costs recovered through the clause
6 from the residential customer who uses 1,000 kwh will
7 be \$1.28 monthly for the six-month period October 1996
8 through March 1997. If Gulf's request for annual ECRC
9 factors is approved, the amount recovered would be
10 \$1.24 monthly for the period October 1996 through
11 September 1997.

12

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

15 A. The six-month factors would apply to October 1996
16 through March 1997 billings beginning with Cycle 1
17 meter readings scheduled on September 27, 1996 and
18 ending with meter readings scheduled on March 28,
19 1997. If the Commission approves an annual recovery
20 period for the environmental costs, the annual ECRC
21 factors shown on Schedule 42-7PA would apply to
22 October 1996 through September 1997 billings beginning
23 with Cycle 1 meter readings schedule on September 27,
24 1996 and ending with Cycle 21 meter readings scheduled
25 on September 26, 1997.

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

2 A. Yes, it does.

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1 **COMMISSIONER DEASON:** Likewise, we need to
2 identify the exhibits, and those are contained on
3 Page 14 of the prehearing order.

4 **MS. JOHNSON:** That's correct.

5 **COMMISSIONER DEASON:** And those exhibits
6 will be numbered 1, 2, 3, 4, and 5 as shown on Page
7 14. And does Staff move the admission of those
8 exhibits?

9 **MS. JOHNSON:** That's correct, but I
10 understand that Mr. Beasley will be providing copies
11 of Exhibit 6 to all the parties.

12 **MR. BEASLEY:** And that would be a
13 certificate, Commissioner Deason. So you could either
14 take official notice of it or mark it as an exhibit,
15 whichever your preference.

16 **COMMISSIONER DEASON:** Well, we'll go ahead
17 and mark it as Exhibit 6. And you will be providing
18 copies to all the parties?

19 **MR. BEASLEY:** Yes, sir.

20 **COMMISSIONER JOHNSON:** What did you say it
21 was, Mr. Beasley?

22 **MR. BEASLEY:** That's a certificate from the
23 Division of Records and Reporting to the effect that
24 no protest was filed.

25 (Exhibits 1-6 marked for identification and

1 received in evidence.)

2 COMMISSIONER JOHNSON: Okay.

3 COMMISSIONER DEASON: So as of this point,
4 the prefiled testimony and the exhibits have been
5 admitted into the record and all cross-examination has
6 been waived; is that correct?

7 MS. JOHNSON: That's correct.

8 COMMISSIONER DEASON: Commissioners, the
9 issues are as identified in the prehearing order.
10 They have all been stipulated by the parties, but it's
11 still necessary for the Commission to take action on
12 these issues, and we can discuss them at this time or
13 if you feel a motion is in order, that would be fine,
14 too.

15 MS. JOHNSON: I don't have any questions on
16 any of the issues, so I'm prepared to move them all
17 unless someone else has questions.

18 COMMISSIONER DEASON: So there's a motion,
19 then, to approve the stipulations on all issues
20 contained in the 07 docket. Is there a second?

21 COMMISSIONER GARCIA: I second.

22 COMMISSIONER DEASON: Without objection,
23 then, show that those stipulations have been approved
24 unanimously. Any other business in the 07 docket?

25 MS. JOHNSON: Staff is not aware of any.

1 **COMMISSIONER DEASON:** Very well. That would
2 conclude the 07 docket.

3 (Hearing concluded at 10.00 a.m.)
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1 STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
2 COUNTY OF LEON)

3 I, RUTHE POTAMI, CSR, RPR Official
4 Commission Reporter,

5 DO HEREBY CERTIFY that the Hearing in Docket
6 No. 960007-EI was heard by the Florida Public Service
7 Commission at the time and place herein stated; it is
8 further

9 CERTIFIED that I stenographically reported
10 the said proceedings; that the same has been
11 transcribed under my direct supervision; and that this
12 transcript, consisting of 92 pages, constitutes a true
13 transcription of my notes of said proceedings and the
14 included prefiled testimony.

15 DATED this 3rd day of September, 1996.

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H. RUTHE POTAMI, CSR, RPR
Official Commission Reporter
(904) 413-6734