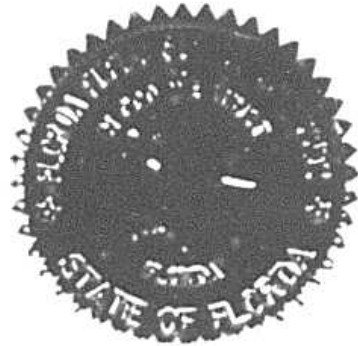


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of
Environmental Cost
Recovery Clause.

: DOCKET NO. 970007-EI
:
:



PROCEEDINGS: HEARING

BEFORE: CHAIRMAN JULIA L. JOHNSON
COMMISSIONER SUSAN F. CLARK
COMMISSIONER JOE GARCIA

DATE: Thursday, August 14, 1997

TIME: Commenced at 9:30 a.m.

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

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

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1 **APPEARANCES:**

2 **MATTHEW M. CHILDS**, Steel, Hector and Davis,
3 LLP, 215 South Monroe Street, Suite 601, Tallahassee,
4 Florida 32301, appearing on behalf of **Florida Power &**
5 **Light Company (FPL)**.

6 **JAMES McGEE**, P. O. Box 140642, 3201 34th Street,
7 St. Petersburg, Florida 33733, appearing on behalf of
8 **Florida Power Corporation**.

9 **JEFFREY A. STONE**, Beggs & Lane, 700 Blount
10 Building, 3 West Garden Street, Post Office Box 12950,
11 Pensacola, Florida 32576-2950, appearing on behalf of
12 **Gulf Power Company (Gulf)**.

13 **LEE L. WILLIS** and **HARRY LONG**, Ausley &
14 McMullen, Post Office Box 391, Tallahassee, Florida
15 32302, appearing on behalf of **Tampa Electric Company**
16 **(TECO)**.

17 **VICKI GORDON KAUFMAN**, McWhirter, Reeves,
18 McGlothlin, Davidson, Rief and Bakas, 117 South
19 Gadsden Street, Tallahassee, Florida 32301, appearing
20 on behalf of **Florida Industrial Power Users Group**
21 **(FIPUG)**.

22 **STEPHEN C. BURGESS**, Office of Public
23 Counsel, 111 West Madison Street, Room 812,
24 Tallahassee, Florida 32399-1400, appearing on behalf
25 of the **Citizens of the State of Florida (OPC)**. _

1 APPEARANCES CONTINUED:

2 LESLIE J. PAUGH, Florida Public Service
3 Commission, Division of Legal Services, 2540 Shumard
4 Oak Boulevard, Tallahassee, Florida 32399-0850,
5 appearing on behalf of the Commission Staff (Staff).

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I N D E X

MISCELLANEOUS

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P R O C E E D I N G S

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

CHAIRMAN JOHNSON: We're going to go on the record.

Counsel, could you read the notice?

MS. PAUGH: Pursuant to notice issued June 24th, 1997, this time and place have been set for these hearings. They are Docket 970001-EI, fuel and purchased power cost recovery clause and generating performance incentive factor, and Docket 970007-EI, environmental cost recovery clause.

CHAIRMAN JOHNSON: We'll take appearances.

MR. WILLIS: I'm Lee L. Willis of the firm of Ausley, McMullen, Post Office Box 391, Tallahassee, Florida 32302, appearing together with Harry Long, 702 North Franklyn Street, Tampa, Florida 33602, appearing on behalf of Tampa Electric Company.

MR. STONE: Jeffry A. Stone of the law firm of Beggs & Lane in Pensacola. The address is stated correctly on the Prehearing Order. And I'm appearing on behalf of Gulf Power Company.

MR. CHILDS: Matthew M. Childs of the firm of Steel, Hector & Davis. I'm appearing on behalf of Florida Power and Light Company.

MR. MCGEE: James McGee, appearing on behalf

1 of Florida Power Corporation in the fuel adjustment
2 docket.

3 **MR. WILLINGHAM:** Bill Willingham, law firm
4 of Rutledge, Ecenia, Underwood, Purnell & Hoffman.
5 Our address is correct on the Prehearing Order. I'm
6 here on behalf of Florida Public Utilities Company.

7 **MR. BURGESS:** Steve Burgess with the Office
8 of Public Counsel, 111 West Madison Street,
9 Tallahassee, here on behalf of the Citizens of the
10 State of Florida.

11 **MS. KAUFMAN:** Vicki Gordon Kaufman,
12 McWhirter, Reeves, McGlothlin, Davidson, Rief & Bakes,
13 117 South Gadsden. I'm appearing on behalf of the
14 Florida Industrial Power Users Group.

15 **MS. PAUGH:** Leslie Paugh, appearing on
16 behalf of Commission Staff.

17 **CHAIRMAN JOHNSON:** Very well. I just wanted
18 to set up the process and have the notice and
19 everything properly reflected in the order.

20 We're going to need to take a hour recess.
21 We will begin this proceeding at 10:30. Thank you.
22 We'll go off the record.

23 (Recess taken.)

24 **CHAIRMAN JOHNSON:** Back on the record.
25 Counsel, any preliminary matters?

1 **MS. PAUGH:** No preliminary matters. We do
2 have a wording change to one of the outstanding issues
3 in the 07 docket. My suggestion would be that we take
4 the 07 docket first, because with this change it's my
5 understanding that the entire docket can be agreed to
6 by the parties.

7 **CHAIRMAN JOHNSON:** Okay.

8 **MS. PAUGH:** Shall I go ahead with the
9 wording change?

10 **CHAIRMAN JOHNSON:** Please do.

11 **MS. PAUGH:** This is on Issue 9, it's the
12 company-specific Florida Power and Light issue.

13 At the end of Staff's position, the sentence
14 starts, "Therefore, an adjustment," we would request
15 to add the words "therefore, an adjustment of
16 \$700,295, for the 15-month period from July 1997 to
17 September 1998." And the remainder of the sentence
18 stays the same, "is required to avoid double
19 recovery." That is Staff's only change.

20 With this change the other outstanding
21 issues for Florida Power and Light are fallout issues
22 and are, therefore, resolved, except to the extent
23 that Staff has not had the opportunity to completely
24 check all of the numbers, and we'll be doing so in
25 forthcoming months.

1 **CHAIRMAN JOHNSON:** Any questions,
2 Commissioner?

3 **COMMISSIONER CLARK:** So that means we're
4 done with 007.

5 **MS. PAUGH:** That's the 07 docket.

6 **MR. CHILDS:** I think I need to technically
7 say we accept that change by the Staff, or agree with
8 it.

9 **COMMISSIONER CLARK:** All right. Maybe I'm
10 mistaken. Which one has the transmission, the 0 --

11 **MS. PAUGH:** That's the 01 docket.

12 **COMMISSIONER CLARK:** All right. Okay.

13 **MS. PAUGH:** My suggestion was we take 07
14 because with this change and agreement the entire
15 document can be stipulated.

16 **COMMISSIONER CLARK:** Now I'm paying
17 attention. Thank you.

18 **CHAIRMAN JOHNSON:** Florida Power and Light,
19 they stated for the record that they accept the
20 language as stated by Staff for that Issue 9.

21 **MR. CHILDS:** We do.

22 **CHAIRMAN JOHNSON:** Okay. Any other matters
23 on 07?

24 **MS. PAUGH:** No, Madam Chairman.

25 **COMMISSIONER CLARK:** Do we need a motion to

1 accept the stipulation?

2 MS. PAUGH: I'm sorry? What was your
3 question?

4 COMMISSIONER CLARK: Do we move to accept
5 the stipulation?

6 MS. PAUGH: Yes. The order will be -- the
7 docket as stipulated; the entire docket as stipulated.

8 CHAIRMAN JOHNSON: We don't need to go
9 issue-by-issue, we can just move the entire --

10 MS. PAUGH: All of the issues, it's my
11 understanding you can.

12 CHAIRMAN JOHNSON: As stipulated.

13 MS. PAUGH: Yes. We do need to number the
14 exhibits, however, for the docket.

15 The exhibits are listed on Page 18. They
16 start with KMD-1, taken in chronological order that
17 could be Exhibit 1. KMD-2 would be Exhibit 2.

18 CHAIRMAN JOHNSON: Okay.

19 MS. PAUGH: KMD-3 as Exhibit 3. SDC-1.

20 CHAIRMAN JOHNSON: SDC-1, 4.

21 MS. PAUGH: SCD-2, 5. That should be SDC.

22 JOV-1 should be Exhibit 6. KAB-1 is 7.

23 KAB-1 -- it should be 8.

24 CHAIRMAN JOHNSON: I'm sorry.

25 MS. PAUGH: There are two KAB-1s.

1 **CHAIRMAN JOHNSON:** Yes. Why don't we call
2 the other one KAB-2?

3 **MS. PAUGH:** All right. That will be the
4 short title and it will be Exhibit 8.

5 **MS. PAUGH:** Staff-1 is 9 and Staff 2-is 10.

6 **CHAIRMAN JOHNSON:** Okay. The exhibits have
7 been marked and identified at this time. Do you want
8 to go ahead and read those into the record?

9 **MS. PAUGH:** The exhibits as well as the
10 testimony, Madam Chairman.

11 **CHAIRMAN JOHNSON:** We will show the
12 testimony inserted into the record as though read, and
13 we will show Exhibits 1 through 10 admitted without
14 objection.

15 **MS. PAUGH:** That's correct.

16 (Exhibits 1 through 10 marked for
17 identification and received in evidence.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF KOREL M. DUBIN

DOCKET NO. 970007-EI

JUNE 23, 1997

1 Q. Please state your name and address.

2 A. My name is Korel M. Dubin 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 a Principal Rate
7 Analyst in the Rates and Tariff Administration Department

8

9 Q. Please state your education and business experience.

10 A. I received a Bachelor of Arts in Political Science from Emory University in
11 1980 and in 1982 I received a Master of Business Administration from Barry
12 University. In June 1982, I joined Florida Power & Light Company's Fossil
13 Fuel Section of the Fuel Resources Department. My responsibilities
14 included administration of fuel supply and operations contracts, development
15 of procurement procedures and research and analysis of transportation

1 options and by-product sales.

2

3 After holding positions of increasing responsibility in the Fuel Resources
4 Department (1982-1985) and Rates and Research Department (1985 -
5 1991), I joined the Regulatory Affairs Department as a Coordinator in July
6 1991 where I was primarily responsible for the coordination of the
7 Company's Fuel, Oil Backout, Capacity, Environmental Cost Recovery
8 Clause and Generating Performance Incentive Factor (GPIF) filings

9

10 In April 1997 I became Principal Rate Analyst in the Rates and Tariff
11 Administration Department where I am primarily responsible for the
12 development and support of the Company's Fuel, Capacity and
13 Environmental Cost Recovery Clause and GPIF Filings

14

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

16 A. The purpose of my testimony is to present for Commission review and
17 approval proposed Environmental Cost Recovery Clause (ECRC) factors
18 for the October 1997 through September 1998 billing period, including the
19 costs to be recovered through the clause. In addition, I am presenting the
20 estimated/actual costs for the October 1996 through September 1997 period
21 with an explanation of significant project variances.

22

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

1 A. Yes, it is. The costs being submitted for recovery for the projected period
2 are consistent with that order. The costs reflected in the true-up amount
3 are those approved for recovery by the Commission in Order No PSC-96-
4 0361-FOF-EI dated March 13, 1996.

5

6 **C. Have you prepared or caused to be prepared under your direction,
7 supervisor, or control an exhibit in this proceeding?**

8 A. Yes, I have. It consists of fifteen documents, PSC Forms 42-1P through
9 42-7P provided in Appendix I and PSC Forms 42-1E through 42-8E
10 provided in Appendix II. Form 42-1P summarizes the costs being presented
11 for recovery at this time, Form 42-2P, reflects the total jurisdictional
12 recoverable costs for O&M activities, Form 42-3P reflects the total
13 jurisdictional recoverable costs for capital investment projects, Form 42-4P
14 consists of the calculation of depreciation expense and return on capital
15 investment, Form 42-5P gives the description and progress of
16 environmental compliance activities and projects to be recovered through
17 the clause for the projected period, Form 42-6P reflects the calculation of
18 the energy and demand allocation percentages by rate class and 42-7P
19 reflects the calculation of the ECRC factors. In addition, Forms 42-1E
20 through 42-8 E reflect the true-up and variance calculations for the prior
21 period.

22

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

- 1 A. Form 42-1P provides a summary of the costs being requested for recovery
2 through the Environmental Cost Recovery Clause. Total recoverable
3 environmental costs, adjusted for revenue taxes, amount to \$22,964,468
4 and include \$20,385,084 of environmental project costs increased by the
5 estimated/actual underrecovery of \$2,285,342 for the October 1996 -
6 September 1997 period minus the final overrecovery of \$69,606 for the
7 period April 1996 - September 1996.
- 8
- 9 **Q. Please describe Forms 42-2P and 42-3P.**
- 10 A. Form 42-2P presents the O&M project costs to be recovered in the
11 projected period along with the calculation of total jurisdictional recoverable
12 costs for these projects, classified by energy and demand.
- 13
- 14 Form 42-3P presents the capital investment project costs to be recovered
15 in the projected period along with the calculation of total jurisdictional
16 recoverable costs for these projects, classified by energy and demand.
- 17
- 18 Forms 42-2P and 42-3P present the method of classifying costs consistent
19 with Order No. PSC-94-0393-FOF-EI.
- 20
- 21 **Q. Are all costs listed in Forms 42-1P through 42-8P attributable to**
22 **Environmental Compliance projects previously approved by the**
23 **Commission?**

- 1 A. Yes, with the exception of the Substation Pollutant Discharge Prevention
2 & Removal project which was filed with the Commission on June 16, 1997
3
- 4 **Q. Please describe Form 42-6P.**
- 5 A. Form 42-6P calculates the allocation factors for demand and energy at
6 generation. The demand allocation factors are calculated by determining
7 the percentage each rate class contributes to the monthly system peaks
8 The energy allocators are calculated by determining the percentage each
9 rate contributes to total kWh sales, as adjusted for losses, for each rate
10 class.
11
- 12 **Q. Please describe Form 42-7P.**
- 13 A. Form 42-7P presents the calculation of the proposed ECRC factors by rate
14 class.
15
- 16 **Q. How do the estimated/actual project expenditures for October 1996
17 through September 1997 period compare with original projections?**
- 18 A. Form 42-4E shows that total O&M project costs were \$2,173,245 greater
19 than projected and Form 42-6E shows that total capital investment project
20 costs were \$53,573 greater than projected. Below are variance
21 explanations for those O &M Projects and Capital Investment Projects with
22 variances greater than \$30,000. All variances are provided in detail on
23 Forms 42-4E and 42-6E. Return on Capital Investment, Depreciation and

1 Taxes for each project for the estimated/actual period October 1996 through
2 September 1997 are provided as Form 42-8E, pages 1 through 19

3

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

5 Project expenditures are estimated to be \$133,889 lower than previously
6 projected. This variance is a result of schedule changes which will have
7 no impact on meeting the regulatory requirements of this activity. This
8 technology is new and has resulted in a volatile schedule during the
9 developmental stages.

10

11 **2. Maintenance of Stationary Above Ground Fuel Storage Tanks -**
12 **O&M**

13 Project expenditures are estimated to be \$50,058 higher than previously
14 projected. This variance is a result of minor schedule adjustments (variance
15 less than 4%) within the project which will not impact meeting the 1999
16 regulatory requirements for inspections, repairs and upgrades to fuel
17 storage tanks.

18

19 **3. Oil Spill Cleanup/Response Equipment - O&M**

20 Project expenditures are estimated to be \$59,612 higher than previously
21 projected. This variance is due to the continued compliance with OPA90
22 regulations by conducting Natural Resource Damage Assessments and
23 developing Oil Spill Trajectory Models.

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4. Resource Conservation and Recovery Act (RCRA) Corrective Action - O&M

Project expenditures are estimated to be \$369,467 higher than previously projected. This variance is due to additional contamination that was identified requiring more source (i.e. soil) removal than originally estimated at the Port Everglades, Manatee and Cape Canaveral Plants. As indicated in the original petition for this project, estimating the magnitude/scope of contaminated soil is difficult to do until the source removal begins and visual assessments and soil sampling beneath the surface can be done.

5. Disposal of Noncontainerized Liquid Waste - O&M

Project expenditures are estimated to be \$213,153 higher than previously projected. This variance is a result of additional sludge removal which was unanticipated. This additional sludge removal caused by historical accumulation should be a one-time expenditure.

6. Continuous Emission Monitoring System (CEMS) - Capital

Depreciation and Return are estimated to be \$88,269 higher than previously projected. This variance is less than 5% and is a result of under estimating the upgrades required to support a Microsoft NT platform conversion.

- 1 Q. Does this conclude your testimony?
- 2 A. Yes, it does.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **SUPPLEMENTAL TESTIMONY OF KOREL M. DUBIN**

4 **DOCKET NO. 970007-EI**

5 **JULY 22, 1997**

6

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

8 A. My name is Korel M. Dubin and my business address is 9250 West Flagler
9 Street, Miami, Florida 33174.

10

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

12 A. I am employed by Florida Power & Light Company (FPL) as a Principal Rate
13 Analyst in the Rates and Tariff Administration Department.

14

15 **Q. Have you previously testified in this Docket?**

16 A. Yes, I have.

17

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

19 A. The purpose of my testimony is to adopt Rosemary Morley's testimony and
20 supporting documents of Rosemary Morley in Docket No. 970007-EI,
21 Environmental Cost Recovery Final True-up for the period April 1996 through
22 September 1996, which were filed with the Commission on March 31, 1997.
23 I have independently reviewed Ms. Morley's testimony and supporting
24 documents and adopt them as my own.

1 Q. Are there any changes to the testimony and documents sponsored by Ms.
2 Morley in Docket No. 970007-EI filed on March 31, 1997?

3 A. No, there are not.

4

5 Q. Does this conclude your testimony?

6 A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**FLORIDA POWER & LIGHT COMPANY****TESTIMONY OF RANDALL R. LABAUVE****DOCKET NO. 970007-E!****June 23, 1997**

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

2 A. My name is Randall R. LaBauve 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 Director of Environmental Services in the General Counsel
8 Business Unit.

9

10 **Q. Please describe your educational and professional
11 background and experience.**

12 A. I received a Bachelor of Arts degree in Psychology from Louisiana
13 State University in 1983 and a Juris Doctor degree in Law from
14 Louisiana State University in 1986. I joined FPL in 1995 as an
15 Environmental Lawyer and in 1996 assumed the responsibility of
16 Director of Environmental Services. Prior to joining FPL I was the

1 Director of Environmental Affairs for Entergy Services,
2 Incorporated located in Little Rock, Arkansas and prior to that was
3 in private law practice with Milling, Benson, Woodward, Hillard,
4 Pierson and Miller in New Orleans, Louisiana.

5

6 **Q. What are your responsibilities and duties as Director of**
7 **Environmental Services ?**

8 A. I am responsible for directing the overall corporate environmental
9 planning, programs, licensing, and permitting activities to ensure
10 the basic objective of obtaining and maintaining the federal, state,
11 regional and local government approvals necessary to site,
12 construct and operate FPL's power plants, transmission lines, and
13 fuel facilities and maintain compliance with environmental laws.
14 Additionally, I will sponsor environmental related testimony in
15 dockets before the Florida Public Service Commission.

16

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

18 A. The purpose of my testimony is to submit a project description,
19 progress status, and projected expenditures for each
20 environmental compliance activity for the period October 1997
21 through September 1998 provided in Appendix I and revised

1 estimates for these activities for the period October 1996 through
2 September 1997 provided in Appendix II.

3

4 **Q. Are there currently projects proposed for interim review that**
5 **you are sponsoring?**

6

7 A. Yes. I am sponsoring the petition and affidavit filed on June 16,
8 1997 for the Substation Pollutant Discharge Prevention and
9 Removal Project. The amount submitted for this project for the
10 period October 1997 through September 1998 is \$9.3 million.

11

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

13 A. Yes, it does.

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Direct Testimony of
4 Susan D. Cranmer
5 Docket No. 970007-EI
6 Date of Filing: March, 24, 1997

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 32520. I hold
11 the position of Assistant Secretary and Assistant
12 Treasurer for Gulf Power Company. In this position, I
13 am responsible for supervising the Rates and
14 Regulatory Matters Department.

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 April 1996 through September 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 1997?

6 A. An amount to be refunded of \$525,673 was calculated as
7 shown on Schedule 1A of my exhibit.

8

9 Q. How was this amount calculated?

10 A. The \$525,673 was calculated by taking the difference
11 in the estimated April 1996 through September 1996
12 over-recovery of \$399,066 as approved in Order No.
13 PSC-96-1171-FOF-EI, dated September 18, 1996 and the
14 actual over-recovery of \$924,739, 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 April
20 1996 through September 1996. Schedule 3A of my
21 exhibit is the calculation of the interest provision
22 on the over-recovery. This is the same method of
23 calculating interest that is used in the Fuel Cost
24 Recovery (FCR) and Purchased Power Capacity Cost
25 (PPCC) Recovery 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 June 24, 1996.
5 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 June 24, 1996.
15 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 April 1996 through September 1996.
20 Schedule 7A provides the monthly carrying costs
21 associated with each project, along with the
22 calculation of the jurisdictional carrying costs.
23 There are no major variances in recoverable costs
24 related to environmental investment for this true-up
25 period.

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.

14

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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 970007-EI

Before me the undersigned authority, personally appeared Susan D. Cranmer, who being first duly sworn, deposes, and says that she is the Assistant Secretary and Assistant Treasurer of Gulf Power Company, a Maine corporation, that the foregoing is true and correct to the best of her knowledge, information, and belief. She is personally known to me.

Susan D. Cranmer
Susan D. Cranmer
Assistant Secretary and Assistant Treasurer

Sworn to and subscribed before me this 21st day of March

1997.

Linda C. Webb
Notary Public, State of Florida at Large



LINDA C. WEBB
Notary Public-State of FL
Comm. Exp: May 31, 1998
Comm. No: CC 362703

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Direct Testimony of
4 Susan D. Cranmer
5 Docket No. 970007-EI
6 Date of Filing: June 23, 1997

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 32520-0780. I
11 hold 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 12 month period of October 1997 through
17 September 1998.

18

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

21 A. Yes, I have. My exhibit consists of 15 schedules,
22 each of which were prepared under my direction,
23 supervision, or review.

24

25

1 Counsel: We ask that Ms. Cranmer's Exhibit consisting
2 of 15 schedules be marked as Exhibit
3 No. 5 (SDC-2).
4

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

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

17
18 Q. What has Gulf calculated as the total true-up to be
19 applied in the period October 1997 through September
20 1998?

21 A. The total true-up for this period is a decrease of
22 \$616,319. This includes a final true-up over-recovery
23 of \$525,673 for the period April 1996 through
24 September 1996 as shown on line 3 of Schedule 42-1P.
25 It also includes an estimated over-recovery of \$90,646

1 for the period October 1996 through September 1997, as
2 shown on line 2 of Schedule 42-1P. The detailed
3 calculations supporting the estimated true-up are
4 contained in Schedules 42-1E through 42-8E.

5
6 Q. How was the amount of O & M expenses to be recovered
7 through the ECRC calculated?

8 A. Mr. Vick has provided me with projected recoverable
9 O & M expenses for October 1997 through September
10 1998. Schedule 42-2P of my exhibit shows the
11 calculation of the recoverable O & M expenses broken
12 down between the demand-related and energy-related
13 expenses. Also, Schedule 42-2P provides the
14 appropriate jurisdictional factors and amounts related
15 to these expenses. All O & M expenses associated with
16 compliance with the Clean Air Act Amendments of 1990
17 were considered to be energy-related, consistent with
18 Commission Order No. PSC-94-0044-FOF-EI. The
19 remaining expenses were broken down between demand and
20 energy consistent with Gulf's last approved cost-of-
21 service methodology in Docket No. 891345-EI.

22
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24
25

1 Q. Please describe Schedules 42-3P and 42-4P of your
2 exhibit.

3 A. Schedule 42-3P summarizes the monthly recoverable
4 revenue requirements associated with each capital
5 investment for the recovery period. Schedule 42-4P
6 shows the detailed calculation of the revenue
7 requirements associated with each investment. These
8 schedules also include the calculation of the
9 jurisdictional amount of recoverable revenue
10 requirements. Mr. Vick has provided me with the
11 expenditures, clearings, retirements, and cost of
12 removal related to each capital project and the
13 monthly costs for emission allowances. From that
14 information, I calculated Plant-in-Service and
15 Construction Work In Progress-Non Interest Bearing
16 (CWIP-NIB). Depreciation and dismantlement expense
17 and the associated accumulated depreciation balances
18 were calculated based on Gulf's latest approved
19 depreciation rates and dismantlement accruals. The
20 capital projects identified for recovery through the
21 ECRC are those environmental projects which are not
22 included in the approved projected 1990 test year on
23 which present base rates were set.

24
25

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

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

15

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

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

1 the ECRC was approved by the Commission in Order No.
2 PSC-94-0044-FOF-EI dated January 12, 1994 in Docket
3 No. 930613-EI.

4

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

7 A. The investment-related costs associated with
8 compliance with the Clean Air Act Amendments of 1990
9 (CAAA) were considered to be energy-related,
10 consistent with Commission Order No. PSC-94-0044-FOF-
11 EI, dated January 12, 1994 in Docket No. 930613-EI.
12 The remaining investment-related costs of
13 environmental compliance not associated with the CAAA
14 were allocated 12/13th based on demand and 1/13th
15 based on energy, consistent with Gulf's last cost-of-
16 service study. The calculation of this breakdown is
17 shown on Schedule 42-4P and summarized on
18 Schedule 42-3P.

19

20 Q. What is the total amount of projected recoverable
21 costs related to the period October 1997 through
22 September 1998?

23 A. The total projected jurisdictional recoverable costs
24 for the period October 1997 through September 1998 are
25 \$11,728,579 as shown on line 1c of Schedule 42-1P.

1 This includes costs related to O & M activities of
2 \$3,420,868 and costs related to capital projects of
3 \$8,307,711 as shown on lines 1a and 1b of Schedule
4 42-1P.

5

6 Q. What is the total recoverable revenue requirement and
7 how was it allocated to each rate class?

8 A. The total recoverable revenue requirement including
9 revenue taxes is \$11,291,056 for the period October
10 1997 through September 1998 as shown on line 5 of
11 Schedule 42-1P. This amount includes the recoverable
12 costs related to the projection period and the total
13 true-up cost to be refunded. Schedule 42-1P also
14 summarizes the energy and demand components of the
15 requested revenue requirement. I allocated these
16 amounts to rate class using the appropriate energy and
17 demand allocators as shown on Schedules 42-6P and
18 42-7P.

19

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

22 A. The demand allocation factors used in the
23 Environmental Cost Recovery Clause were calculated
24 using the 1995 load data filed with the Commission in
25 accordance with FPSC Rule 25-6.0437. The energy

1 allocation factors were calculated based on projected
2 KWH sales for the period adjusted for losses. The
3 calculation of the allocation factors for the period
4 is shown in columns 1 through 9 on Schedule 42-6P.
5

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

9 A. As I described earlier in my testimony, Schedule
10 42-1P summarizes the energy and demand portions of the
11 total requested revenue requirement. The energy-
12 related recoverable revenue requirement of \$6,154,247
13 for the period October 1997 through September 1998 was
14 allocated using the energy allocator, as shown in
15 column 3 on Schedule 42-7P. The demand-related
16 recoverable revenue requirement of \$5,136,809 for the
17 period October 1997 through September 1998 was
18 allocated using the demand allocator, as shown in
19 column 4 on Schedule 42-7P. The energy-related and
20 demand-related recoverable revenue requirements are
21 added together to derive the total amount assigned to
22 each rate class, as shown in column 5.
23

24 Q. What is the monthly amount related to environmental
25 costs recovered through this factor that will be

1 included on a residential customer's bill for 1,000

2 kwh?

3 A. The environmental costs recovered through the clause
4 from the residential customer who uses 1,000 kwh will
5 be \$1.38 monthly for the period October 1997 through
6 September 1998.

7

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

10 A. The factors would apply to October 1997 through March
11 1998 billings beginning with Cycle 1 meter readings
12 scheduled on October 1, 1997 and ending with meter
13 readings scheduled on September 29, 1998.

14

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

16 A. Yes, it does.

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AFFIDAVIT

STATE OF FLORIDA)
)
 COUNTY OF ESCAMBIA)

Docket No 970007-EI

Before me the undersigned authority, personally appeared Susan D Cranmer, who being first duly sworn, deposes, and says that she is the Assistant Secretary and Assistant Treasurer of Gulf Power Company, a Maine corporation, that the foregoing is true and correct to the best of her knowledge, information, and belief She is personally known to me.

Susan D. Cranmer
 Susan D Cranmer
 Assistant Secretary and Assistant Treasurer

Sworn to and subscribed before me this 26th day of June

1997.

Linda C. Webb
 Notary Public, State of Florida at Large



LINDA C. WEBB
 Notary Public, State of FL
 Comm. Exp: May 31, 1998
 Comm. No: CC 302703

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Prepared Direct Testimony of

4 James O. Vick

5 Docket No. 970007-E1

6 Date of Filing: March 24, 1997

7 Q. Please state your name and business address.

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

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

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

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 1996, I assumed my
20 most recent position as Manager of Environmental Affairs.

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

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

1 laws and such laws and regulations that may be enacted or amended in the
2 future. In performing this function, I have the responsibility for numerous
3 environmental 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 September 30, 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
14 included in the true-up period. I will discuss the primary reasons for variances
15 between the projected and actual costs.
16

17 Q. Please compare Gulf's recoverable environmental capital costs included in the
18 true-up calculation for the period April through September 1996.

19 A. As reflected in Ms. Cranmer's Schedule 6A, the recoverable capital costs
20 included in the true-up calculation total \$4,465,117 as compared to the
21 estimated true-up amount of \$4,488,630. This resulted in a variance of
22 (\$23,513). Variances in these projects/programs were not significant and do not
23 require further detailed explanation.
24
25

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

3 A. Ms. Cranmer's Schedule 4A reflects that Gulf incurred a total of \$819,118 in
4 recoverable O&M expenses for the period as compared to the amount included
5 in the estimated true-up of \$1,233,132. This results in a variance of (\$414,014).
6 I will address the variances for the O&M projects/programs.

7

8 Q. Please explain the reasons for the variances in O & M expenses during the
9 period April through September 1996.

10 A. With the exception of three categories with insignificant variances, Emission
11 Monitoring (Line Item 1.5), State NPDES Administration (Line Item 1.8) and
12 Environmental Auditing/Assessment (Line Item 1.10), each of the categories
13 contributing to the variances will specifically be discussed in my testimony.

14

15 Q. Please explain the \$2,230 variance in the Sulfur (Line Item 1.1) category.

16 A. As explained in previous testimony, the injection of raw sulfur into the flue gas
17 enhances the collection efficiency of the Crist Unit 7 electrostatic precipitator
18 when burning low sulfur coal. Sulfur use is dependent upon the quality and
19 content of the fuel supply at Crist. Expenses during this period were for a
20 service visit to Plant Crist to review the SO₃ system performance and provide a
21 written report on system status and recommendations on system maintenance
22 and improvements.

23

24 Q. Please explain the (\$67,500) variance in Air Emission Fees (Line Item 1.2).

25 A. Air Emission Fees for Plant Daniel were projected to be \$67,500 for Plant Daniel

1 during the period as compared to \$0 actual expenses. No fees were required for
2 Daniel during 1996 due to implementation of SO₂ substitution plans. The
3 substitution plan resulted in the redesignation of Daniel Units 1 & 2 as Phase I
4 substitution unit. The Clean Air Act Amendments of 1990 do not require
5 emission fees for Phase I substitution units.
6

7 Q. Please explain the (\$6,077) variance in the Title V category (Line Item 1.3).

8 A. The Title V permitting is on-going. Expenses incurred during the period for the
9 permitting process were less than anticipated due to delays in the
10 implementation of the Title V program by the Florida Department of
11 Environmental Protection (FDEP). Gulf Power anticipates receiving draft Title V
12 permits in 1997 and can expect additional expenses from the permitting process.
13

14 Q. Please explain the (\$1,664) variance in the Asbestos Fees category (Line Item
15 1.4).

16 A. Asbestos Fee Notifications were anticipated to be incurred during routine
17 maintenance activities. No asbestos containing materials (ACM) were
18 encountered during normal maintenance activities for which notification fees
19 would have been required, resulting in zero expenditures for the period.
20

21 Q. Please explain the variance of (\$161,964) in the General Water Quality category
22 (Line Item 1.6).

23 A. One approved ECRC project, Smith CT Soil Contamination, primarily contributed
24 to this variance. Gulf was successful in modifying, and in some cases
25 eliminating, certain design elements to the Florida Department of Environmental

1 Protection (FDEP) approved project remediation system. These modifications,
2 in conjunction with minor delays in remediation system start-up, resulted in the
3 variance. Modifications to the remediation system resulted in a substantial cost
4 savings to Gulf, and significantly reduced projected O & M costs for the period.
5

6 Q. Please explain the (\$168,328) variance in the Groundwater Monitoring
7 Investigation category (Line Item 1.7).

8 A. Delays in the Substation Contamination Investigation project as of September
9 1996 have since been resolved and project activities and subsequent expenses
10 were on target with projected expenses at year end 1996.
11

12 Q. Please explain the variance of (\$2,870) in the Lead and Copper category (Line
13 Item 1.9).

14 A. A review of O & M costs associated with this program revealed that a reduction
15 in chemical use could be implemented without jeopardizing regulatory
16 compliance. The reduction in chemical purchases resulted in the variance.
17

18 Q. Please explain the (\$10,749) variance in the General Solid and Hazardous
19 Waste category (Line Item 1.11).

20 A. This program historically encounters fluctuations in approved program activities,
21 which are directly related to the quantities of solid and hazardous waste
22 generated through Gulf's operations and which require proper disposal within
23 regulatory guidelines. During this recovery period, those quantities of waste
24 requiring disposal were less than expected.
25

1 Q. Does this conclude your testimony?

2 A. Yes.

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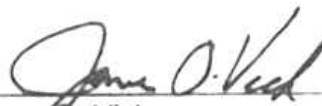
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AFFIDAVIT

STATE OF FLORIDA)
)
 COUNTY OF ESCAMBIA)

Docket No. 970007-EI

Before me the undersigned authority, personally appeared James O. Vick, who being first duly sworn, deposes, and says that he is the Manager of Environmental Affairs of Gulf Power Company, a Maine corporation, and that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.



James O. Vick
 Manager of Environmental Affairs

Sworn to and subscribed before me this 24th day of March 1997.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:



GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony of
James O. Vick
Docket No. 970007-EI
June 23, 1997

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
7 Parkway, Pensacola, Florida, 32520

8
9 Q. By whom are you employed and in what capacity?

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

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

14 A. I graduated from Florida State University, Tallahassee, Florida, in 1975 with a
15 Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's
16 Degree in Civil Engineering from the University of South Florida in Tampa,
17 Florida. In addition, I have a Masters of Science Degree in Management
18 from Troy State University, Pensacola, Florida. I joined Gulf Power Company
19 in August 1978 as an Associate Engineer. I have since held various
20 engineering positions such as Air Quality Engineer and Senior Environmental
21 Licensing Engineer. In 1996, I assumed my present position as Manager of
22 Environmental Affairs.

23
24 Q. What are your responsibilities with Gulf Power Company?

25 A. As Manager 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 Environmental
14 Cost Recovery Clause (ECRC) for the period October 1, 1997 through
15 September 30, 1998. I will discuss the amounts included in the projection
16 period for those compliance activities previously approved by the
17 Commission.

18
19 Q. Mr. Vick, please identify the capital projects included in Gulf's ECRC
20 calculations.

21 A. A listing of the environmental capital projects which have been included in
22 Gulf's ECRC calculations has been provided to Ms. Cranmer and is included
23 in Schedules 42-3P and 42-4P of her testimony. Schedule 42-4P reflects the
24 expenditures, clearings, retirements, and cost of removal currently projected
25 for each of these projects. These amounts were provided to Ms. Cranmer,

1 who has compiled the schedules and calculated the associated revenue
2 requirements for our requested recovery. All the listed projects are
3 associated with environmental compliance activities which have been
4 previously approved for recovery through the ECRC by this Commission in
5 Docket No. 930613-EI and past proceedings in this ongoing recovery docket.
6

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

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

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

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

20 The first, Sulfur (Line Item 1.1), reflects operational expenses
21 associated with the burning of low sulfur coal. This item refers to the flue gas
22 sulfur injection system needed to improve the collection efficiency of the Crist
23 Unit 7 electrostatic precipitator and is required due to the burning of low sulfur
24 coal at this unit pursuant to the sulfur dioxide requirements of the Clean Air
25

1 Act Amendments (CAAA). Due to the quality of the coal supply for Plant
2 Crist, there are no expenses projected to be incurred.

3
4 The second activity listed on Schedule 42-2P, Air Emission Fees (Line
5 Item 1.2), represents the expenses projected for the annual fees required by
6 the CAAA. The expenses projected for the recovery period total \$209,500.

7
8 The third activity listed on Schedule 42-2P, Title V Permits (Line Item
9 1.3), represents projected expenses associated with the implementation of
10 the Title V permits. The total estimated expense for the Title V Program,
11 during the recovery period is \$58,005.

12
13 The fourth activity listed on Schedule 42-2P, Asbestos Fees (Line Item
14 1.4), is required to be paid to the Florida Department of Environmental
15 Protection (FDEP) for the purpose of funding the State's asbestos removal
16 program. The expenses projected for the recovery period total \$4,123.

17
18 The fifth activity listed on Schedule 42-2P, Emission Monitoring (Line
19 Item 1.5), reflects an ongoing O&M expense associated with the new
20 Continuous Emission Monitoring equipment (CEM) as required by the CAAA.
21 These expenses are incurred in response to the federal Environmental
22 Protection Agency's (EPA) requirements that the Company perform Quality
23 Assurance/Quality Control (QA/QC) testing for the CEMs, including Relative
24 Accuracy Test Audits (RATA) and Linearity Tests. The expenses projected to
25 occur during the recovery period for these activities total \$312,063.

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

2 A. General Water Quality (Line Item 1.6), identified in Schedule 42-2P, includes
3 Soil Contamination Studies, Dechlorination, Groundwater Monitoring Plan
4 Revisions and Surface Water Studies. All the programs included in Line Item
5 1.6, General Water Quality, have been approved in past proceedings. The
6 expenses projected to occur during the recovery period for these activities
7 total \$582,539.

8

9 The second activity listed in the Water Quality Category, Groundwater
10 Contamination Investigation (Line Item 1.7), was previously approved for
11 environmental cost recovery in Docket No. 930613-EI. This activity is
12 projected to incur incremental expenses totaling \$1,305,801 during the
13 recovery period.

14

15 Line Item 1.8, State NPDES Administration, was previously approved for
16 recovery in the ECRC and reflects expenses associated with annual fees for
17 Gulf's three generating facilities. These expenses are expected to be
18 \$34,500 during the recovery period.

19

20 Finally, Line Item 1.9, Lead and Copper Rule, was also previously approved
21 for ECRC recovery and reflects sampling, analytical and chemical costs
22 related to lead and copper in drinking water. These expenses are expected
23 to total \$8,000 during the recovery period.

24

25

1 Q. What activities are included in the Environmental Affairs Administration
2 Category?

3 A. Only one O&M activity is included in this category on Schedule 42-2P (Line
4 Item 1.10) of my exhibit. This Line Item refers to the Company's
5 Environmental Audit/Assessment function. This program is an on-going
6 compliance activity previously approved and is projected to incur expenses
7 totaling \$2,106 during the recovery period.

8

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

11 A. Only one program, General Solid and Hazardous Waste (Line Item 1.11), is
12 included in the Solid and Hazardous Waste category on Schedule 42-2P.
13 This activity involves the proper identification, handling, storage,
14 transportation and disposal of solid and hazardous wastes as required by
15 Federal and State regulations. This program is an on-going compliance
16 activity previously approved and is projected to incur incremental expenses
17 totaling \$1,034,322 during the recovery period.

18

19 Q. Are there any project or program expenditures resulting from either new or
20 more stringent environmental regulations which may significantly increase
21 O&M costs for the recovery period October 1, 1997 through September 30,
22 1998?

23 A. Yes, one category, General Solid and Hazardous Waste will be affected by
24 the implementation of a more stringent environmental regulation.
25 Specifically, Chapter 62-762 Florida Statutes, requires that existing

1 field-erected above ground storage tank systems for hazardous pollutants,
2 i.e., petroleum fuel products, be inspected for tank integrity and upgraded
3 with secondary containment by January 1, 2000. Each of Gulf's electric
4 generating plants will incur environmental expenses in order to comply with
5 this rule. We anticipate these expenses to be \$680,000 through the recovery
6 period which are included in Line item 1.11.

7
8 Q. How did you derive the O&M expenses the Company identified in
9 Ms. Cranmer's exhibits for consideration in the ECRC?

10 A. We have based this information on projected environmental expenses for the
11 recovery period October 1997 through September 1998, as shown on
12 Schedule 42-2P. This information was provided to Ms. Cranmer for her to
13 include in the calculation of the total revenue requirements.

14
15 Q. For the period October 1996 through September 1997, do you anticipate
16 significant variances in O&M expenses and if so, please explain these
17 variances.

18 A. With the exception of one category on Ms. Cranmer's schedule 42-4E, State
19 NPDES Administration (Line Item 1.8), all other categories have estimated
20 variances. Each category is discussed in more detail as follows:

21
22 Sulfur, (Line Item 1.1) has a projected variance of \$5,000. Service calls to
23 review system performance were responsible for the variance during the
24 period.

1 Air Emission Fees, (Line Item 1.2), has a projected variance of
2 (\$52,643). This variance is the result of a reduction of Gulf's proportionate
3 share of Plant Daniel's emission fees.

4
5 The projected (\$48,437) variance in Title V, (Line Item 1.3) is the result of
6 delays in receiving the Title V draft permit from the FDEP. The original
7 projection for October 1996 - September 1997 included expenses related to
8 the review of the draft permit. Gulf has not yet received the draft permit.

9
10 Asbestos Fees. (Line Item 1.4) reflect a variance of (\$3,300). This variance
11 is the result of delays in plant projects and outages due to budget constraints.
12 Therefore, the anticipated removal of Asbestos Containing Materials (ACM)
13 at the plants has been delayed.

14
15 Emission Monitoring, (Line Item 1.5), has an expected variance of (\$33,137).
16 This variance is the result of an expected increase in contractor maintenance
17 for the continuous emission monitoring system (CEMs) during the period
18 which did not occur due to delays in finalizing the contract.

19
20 The variance of (\$168,176) for General Water Quality (Line Item 1.6), is the
21 result of timing differences. Expenses for this program are expected to
22 increase later this year.

23
24 Groundwater Contamination Investigation (Line Item 1.7) reflects a variance
25 of \$412,576 for the period. The variance is due to timing, as site assessment

1 activities within this category have not yet begun. These site assessments
2 will commence later in the year.

3
4 Lead and Copper (Line Item 1.9), reflects a variance of (\$984) for the period.
5 The variance results from reduced water consumption at our facilities,
6 specifically, the removal of certain water uses from the potable water supply.
7 The reduced potable water consumption resulted in a decrease in chemical
8 purchase costs which resulted in the variance.

9
10 Environmental Auditing and Assessment (Line Item 1.10) has a projected
11 variance of (\$3,940). This variance is the result of Gulf not performing any
12 audits/assessments during the period. These activities are scheduled for
13 later in the year.

14
15 General Solid & Hazardous Waste (Line Item 1.11) has a projected variance
16 of (\$40,054). This is due to fluctuations in the quantities of wastes requiring
17 handling and disposal, which are difficult to project.

18
19 Q. Are there any variances in recoverable costs related to capital investment
20 projects during the period?

21 A. Yes. As shown on Schedule 42-6E, three projects reveal variances and are
22 explained in more detail as follows:

23
24 Crist 5, 6 & 7 Precipitator Projects (Line Item 1.2) has a projected variance of
25 (\$49,523) for the period. This variance results from a past FPSC audit of

1 ECRC, which revealed that certain costs associated with these projects
2 should not have been capitalized. The agreed upon reduction in the plant-in-
3 service balance resulted in the variance.

4
5 The (\$8,175) variance in CEMS (Line Item 1.5) is the result of delays in the
6 installation of the Crist 6 & 7 flow monitor upgrade.

7
8 SO2 Allowances, (Line Item 1.16) has a projected variance of (\$112,719) due
9 to gains from the sale of withheld allowances from the EPA auction held
10 annually in March. These gains were not included in the projection filings.

11
12 Q. Does this conclude your testimony?

13 A. Yes.

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

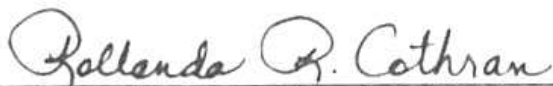
Docket No. 970007-EI

Before me the undersigned authority, personally appeared James O. Vick, who being first duly sworn, deposes, and says that he is the Manager of Environmental Affairs of Gulf Power Company, a Maine corporation, and that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.



James O. Vick
Manager of Environmental Affairs

Sworn to and subscribed before me this 20th day of June, 1997.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:



1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **KAREN A. BRANICK**

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

7
8 **A.** My name is Karen A. Branick. My business address is 702
9 North Franklin Street, Tampa, Florida 33602. I am employed
10 by Tampa Electric Company in the position of Director -
11 Electric Regulatory Affairs.

12
13 **Q.** Please provide a brief outline of your educational
14 background and business experience.

15
16 **A.** I received a Bachelor of Science Degree in Chemical
17 Engineering and Chemistry from the University of
18 Pittsburgh, Pittsburgh, Pennsylvania in 1986. In 1987 I
19 was employed as a chemist for Florida Power & Light Company
20 (FPL). In 1990, I became a performance engineer; in 1991
21 a laboratory supervisor; and in 1992 an operations
22 supervisor for FPL. My career at Tampa Electric began in
23 1992 in the Production Department. My responsibilities
24 included insurance of proper boiler chemistry and chemical
25 engineering support during normal operations and

1 maintenance outages. I led projects related to alternate
2 fuel test burns and waste water management. In 1994, I
3 transferred to the Bulk Power & Market Development
4 Department where I managed the customer accounts of
5 approximately 30 of Tampa Electric's large industrial
6 customers. I also participated in developing proposals for
7 long term off-system sales of wholesale power. In October
8 1996, I was promoted to Manager-Energy Issues in the
9 Regulatory and Business Strategy Department. In June of
10 1997 I was promoted to my current position of Director. My
11 present responsibilities include the areas of fuel
12 adjustment filings, capacity costs recovery filings,
13 environmental cost recovery filings, pricing and rate
14 design and issues under the Federal jurisdiction.

15

16 Q. What is the purpose of your testimony?

17

18 A. The purpose of my testimony is to present, for Commission
19 review and approval, both the calculation of the revenue
20 requirements and the development of the environmental cost
21 recovery factors for the billing period October 1997
22 through March 1998. My testimony also addresses the
23 recovery of costs associated with the environmental
24 compliance activities for this period as well as the
25 estimated/actual costs for the April 1997 through September

1 1997 period. Finally, my testimony provides an explanation
2 of significant project variances.

3

4 Q. Do you wish to sponsor an exhibit in support of your
5 testimony?

6

7 A. Yes, I do. My exhibit No. 8 (KAB-1) consisting of 16
8 documents, was prepared under my direction and supervision.
9 Form 42-1P summarizes the costs being presented for
10 recovery at this time; Form 42-2P reflects the total
11 jurisdictional recoverable costs for O & M activities; Form
12 42-3P reflects the total jurisdictional recoverable costs
13 for capital investment projects; Form 42-4P, pages 1
14 through 3, consists of the calculation of depreciation
15 expense and return on capital investment for each project;
16 Form 42-5P gives the description and progress of
17 environmental compliance activities to be recovered through
18 the clause for the projected period; Form 42-6P reflects
19 the calculation of the energy and demand allocation
20 percentages by rate class and Form 42-7P reflects the
21 calculation of the ECRC factors. In addition, Forms 42-1E
22 through 42-8E reflect the true-up and variance calculation
23 for the prior period.

24

25 Q. What has Tampa Electric calculated as the total true-up to

- 1 be applied in the period October 1997 through March 1998?
2
- 3 A. The total true-up for this period is an underrecovery of
4 \$687,097. This true-up consists of a final true-up
5 overrecovery of \$156,449 as filed on May 20, 1997 and a two
6 month actual/four month estimated true-up underrecovery of
7 \$843,546 for the April 1997 through September 1997 period.
8 A detailed calculation supporting the estimated true-up is
9 shown on Schedules 42-1E through 42-8E of my Exhibit.
10
- 11 Q. How do the estimated/actual project expenditures for April
12 1997 through September 1997 period compare with the
13 original projection?
14
- 15 A. Form 42-4E shows the total O & M activities were \$797,659
16 greater than projected. The largest variances were
17 associated with the following projects:
18
- 19 1. BIG BEND UNIT 3 FLUE GAS DFSULFURIZATION INTEGRATION
20 (FGD) - O & M expenditures were \$105,133 (-12.0%)
21 lower than expected primarily due to lower than
22 expected maintenance expenses and lower than projected
23 utilization of the FGD system to treat flue gases from
24 Big Bend Unit 3. Big Bend Unit 3 continues to
25 experience more time operating de-integrated from the

1 FGD system than was originally projected. Any
2 operating problem that restricts FGD capability
3 results in having to de-integrate Unit 3.
4

- 5 2. SO2 EMISSIONS ALLOWANCES - Consumption expense was
6 \$903,482 (115.9%) higher than projected. Tampa
7 Electric's strategy for compliance with Phase I and
8 Phase II of the 1990 Clean Air Act Amendments (CAAA)
9 has been one that will ensure compliance at the lowest
10 cost possible. By combining fuel switching
11 integration and SO2 Emissions Allowance consumption,
12 the company seeks to meet compliance standards while
13 delaying the addition of capital intensive compliance
14 technology for as long as possible. This compliance
15 strategy affords Tampa Electric's customers the
16 opportunity to realize savings associated with lower
17 generation costs. To the extent that Tampa Electric's
18 environmental requirements would not be compromised,
19 in instances where fuel switching costs are greater
20 than the cost of purchasing allowances, SO2 emission
21 allowances should be purchased and consumed instead.
22

23 Based on projected generation and fuel consumption,
24 company strategy for allowance purchases was to buy
25 only that amount of allowances needed to meet

1 compliance standards for 1997. However, due to an ever
2 changing market environment, Tampa Electric is in a
3 position to capitalize on an allowance market
4 currently characterized by declining prices. The
5 company's strategy for allowance purchases for 1997
6 changed to take advantage of the prevailing allowance
7 market by aggressively pursuing opportunities to lower
8 overall generation costs and meet current as well as
9 future environmental compliance standards at the
10 lowest possible cost.

11
12 As long as current market conditions for SO2 emission
13 allowances prevail, Tampa Electric will act to
14 safeguard it's customers from future risks associated
15 with increased costs in allowance transactions by
16 purchasing responsibly now.

17
18 Because the company is granted an initial allowance
19 inventory at no cost from the EPA, any purchases of
20 allowances increases the average dollar value of the
21 inventory available for consumption. This higher
22 dollar per allowance in turn impacts the amount
23 charged to expense for allowances consumed.

24

25 Q. What environmental compliance costs is Tampa Electric

1 requesting for recovery through the Environmental Cost
2 Recovery Clause for the period October 1997 through March
3 1998?

4
5 A. There are no new projects to report for the October 1997
6 through March 1998 period.

7
8 Q. Please describe Form 42-1P.

9
10 A. Form 42-1P provides a summary of the costs being requested
11 for recovery through the ECRC. Total recoverable revenue
12 requirements associated with environmental activities,
13 adjusted for taxes, are projected to be \$3,837,658 for the
14 period October 1997 through March 1998.

15
16 Q. Please describe Forms 42-2P and 42-3P.

17
18 A. Form 42-2P presents the O & M activities to be recovered in
19 the projected period along with the calculation of total
20 jurisdictional recoverable costs for these activities,
21 classified by energy and demand.

22
23 Form 42-3P presents the capital investment projects to be
24 recovered in the projected period along with the
25 calculation of total jurisdictional recoverable costs for

- 1 these projects, classified by energy and demand.
2
- 3 **Q.** Please describe Form 42-6P.
4
- 5 **A.** Form 42-6P calculates the allocation factors for demand and
6 energy at generation. The demand allocation factors are
7 calculated by determining the percentage each rate class
8 contributes to the monthly system peaks. The energy
9 allocators are calculated by determining the percentage
10 each rate class contributes to total kWh sales, as adjusted
11 for losses, for each rate class.
12
- 13 **Q.** Please describe Form 42-7P.
14
- 15 **A.** Form 42-7P presents the calculation of the proposed ECRC
16 factors by rate class.
17
- 18 **Q.** What is the total amount of projected recoverable costs
19 related to the period October 1997 through March 1998?
20
- 21 **A.** The total projected jurisdictional recoverable costs for
22 the period October 1997 through March 1998 are \$3,147,367
23 as shown on line 1c of Schedule 42-1P. This includes cost
24 related to O & M activities of \$2,230,196 and costs related
25 to capital projects of \$917,171 as shown on lines 1a and 1b

1 of Schedule 42-1P.

2

3 Q. What are the ECRC billing factor rates for which you are
4 seeking approval?

5

6 A. The computation of the billing factors is shown on Form 42-
7 7P of my Exhibit. In summary, the billing factors are:

8

9	<u>Rate Class</u>	<u>Factor (cents per kWh)</u>
10	RS, RST	0.054
11	GS, GST, TS	0.054
12		
13	GSD, GSDT	0.054
14	GSLD, GSLDT, SBF, SBFT	0.053
15	IS1, IST1, SBI1, SBIT1,	
16	IS3, IST3, SBI3, SBIT3	0.052
17	SL, OL	0.054

18

19 Q. When should the new charges go into effect?

20

21 A. The new charges should go into effect commensurate with the
22 first billing cycle in October 1997.

23

24 Q. Does this conclude your testimony?

25

1 | A. Yes, it does.

TAMPA ELECTRIC COMPANY
DOCKET NO. 970007-EI
SUBMITTED FOR FILING 5/20/97

BEFORE THE PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

KAREN A. BRANICK

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

A. My name is Karen A. Branick. My business address is 702 North Franklin Street, Tampa, Florida 33602. My position is Manager - Energy Issues in the Regulatory and Business Strategy Department of Tampa Electric Company ("Tampa Electric" or "the company").

Q. Have you previously testified in this docket?

A. Yes, I have.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present, for Commission review and approval, the actual true-up amount and the calculations thereof associated with the environmental compliance activities for the period October 1996 through March 1997.

1 Q. Do you wish to sponsor an exhibit in support of your
2 testimony?

3
4 A. Yes. My Exhibit No. 7 (KAB-1) consists of 8 forms which
5 were prepared under my direction and supervision. Form 42-
6 1A reflects the final true-up for the October 1996 - March
7 1997 period to be carried forward to the October 1997 -
8 March 1998 period; Form 42-2A consists of the final true-up
9 calculation for the period; Form 42-3A consists of the
10 calculation of the Interest Provision for the period; Form
11 42-4A reflects the calculation of variances between actual
12 and projected costs for O & M Activities; Form 42-5A
13 presents a summary of actual monthly costs for the period
14 for O & M Activities; Form 42-6A reflects the calculation
15 of variances between actual and projected costs for Capital
16 Investment Projects; Form 42-7A presents a summary of
17 actual monthly costs for the period for Capital Investment
18 Projects and Form 42-8A consists of the calculation of
19 depreciation expense and return on capital investment.

20
21 Q. What is the source of the data which you will present by
22 way of testimony or exhibits in this processing?

23
24 A. Unless otherwise indicated, the actual data is taken from
25 the books and records of Tampa Electric Company. The books

1 and records are kept in the regular course of our business
2 in accordance with generally accepted accounting principles
3 and practices, and provisions of the Uniform System of
4 Accounts as prescribed by this Commission.
5

6 **Q.** What is the actual true-up amount which Tampa Electric is
7 requesting for the six-month period October 1996 through
8 March 1997?
9

10 **A.** Tampa Electric has calculated and is requesting approval of
11 an overrecovery of \$1,110,336 as the actual true-up amount
12 for the six-month period.
13

14 **Q.** What is the adjusted net true-up amount which Tampa
15 Electric is requesting for the October 1996 through March
16 1997 period which is to be carried over and refunded in
17 the next projection period?
18

19 **A.** Tampa Electric has calculated and is requesting approval of
20 an overrecovery of \$156,449 as the adjusted net true-up
21 amount for the six-month period. This adjusted net true-up
22 amount is the difference between the actual overrecovery of
23 \$1,110,336 for the period October 1996 through March 1997
24 and the estimated/actual true-up for the same period of an
25 overrecovery of \$953,887 approved in FPSC Order No. PSC-97-

1 0293-FOF-EI. This is shown on form 42-1A.

2

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

5

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

10

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

14

15 A. Yes, they are.

16

17 Q. How did actual expenditures for October 1996 through March
18 1997 compare with Tampa Electric's estimated/actual
19 projections as presented in previous testimony and exhibits

20

21 A. Overall costs were \$190,001 lower than estimated/actual
22 projections. O & M Activities were \$191,565 lower and
23 Capital Investment Projects were \$1,564 higher than
24 estimated/actual projections. Set forth below are variance
25 explanations for those O & M Activities. All variances are

1 provided in detail on Forms 42-2A through 42-8A.
2

3 Significant variances by project were as follows:
4

5 1. BIG BEND UNIT 3 FLUE GAS DESULFURIZATION INTEGRATION -
6 O & M Project expenditures were \$186,316 lower than
7 projected primarily due to lower limestone and
8 maintenance costs for January 1997 through March 1997
9 because of a lower than projected use of the FGD
10 system. Limestone costs and maintenance expenses are
11 allocated between Big Bend Units 3 and 4 based on the
12 ratio of the tons of SO2 removed from each unit to the
13 sum of the tons of SO2 removed from both units. Unit
14 3 was disengaged from the FGD system more than
15 anticipated due to maintenance requirements for both
16 units as well as capacity enhancements for Unit 4.
17

18 2. FLUE GAS CONDITIONING - O & M Project expenditures
19 were \$5,249 lower than projected due to lower than
20 projected usage.
21

22 Q. Does this conclude your testimony?
23

24 A. Yes, it does.
25

1 **CHAIRMAN JOHNSON:** Okay. Any other matters
2 in 07?

3 **MS. PAUGH:** No, Madam Chairman.

4 **CHAIRMAN JOHNSON:** Any other information in
5 07 from the parties? Seeing none, Commissioners, is
6 there a motion?

7 **COMMISSIONER CLARK:** I move we approve the
8 stipulation.

9 **COMMISSIONER GARCIA:** Second.

10 **CHAIRMAN JOHNSON:** There's a motion we
11 approve the stipulation as to all issues, and Issue 9
12 as revised. Is there a second? There's a second. No
13 discussion. Show, then, it approved. The stipulation
14 is approved without objection. That closes out, then,
15 07.

16 **MS. PAUGH:** Thank you.

17 (Thereupon, the hearing in Docket 970007-EI
18 was concluded.)

19 - - - - -

20

21

22

23

24

25

1 STATE OF FLORIDA)
2 COUNTY OF LEON)

CERTIFICATE OF REPORTER

3 I, JOY KELLY, CSR, RPR, Chief, Bureau of
4 Reporting, Official Commission Reporter,

5 DO HEREBY CERTIFY that the Hearing in Docket
6 No. 970007-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 75 pages, constitutes a true
13 transcription of my notes of said proceedings,
14 and the insertion of the prescribed prefilled
15 testimony of the witnesses.

16 DATED this 18th day of August, 1997.

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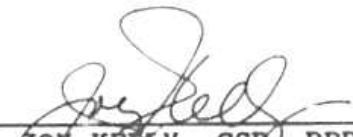
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JOY KELLY, CSR, RPR
Chief, Bureau of Reporting
Official Commission Reporter
(904) 413-6732