

One Energy Place  
Pensacola, Florida 32520

850.444.6111

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ORIGINAL



April 20, 2001

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 010283-EI

Enclosed are an original and fifteen copies of Susan D. Ritenour's testimony to be filed in the above docket.

Sincerely,

*Susan D. Ritenour*

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

lw

Enclosures

- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMP \_\_\_\_\_
- COM orig + 3
- CTR \_\_\_\_\_
- ECR \_\_\_\_\_
- LEG 1
- OPC \_\_\_\_\_
- PAI \_\_\_\_\_
- RGO \_\_\_\_\_
- SEC 1
- SER \_\_\_\_\_
- OTH \_\_\_\_\_

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER-DATE  
05019 APR 23 01  
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Calculation of gains and appropriate )  
regulatory treatment for non-separated wholesale )  
energy sales by investor-owned electric utilities )

Docket No. 010283-EI

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 20th day of April 2001 on the following:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**DOCKET NO. 010283-EI**

PREPARED DIRECT TESTIMONY  
OF  
SUSAN D. RITENOUR

April 20, 2001



DOCUMENT NUMBER - DATE

05019 APR 23 01

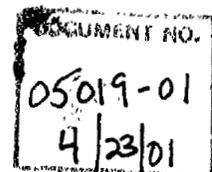
FPSC-RECORDS/REPORTING

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GULF POWER COMPANY

Before the Florida Public Service Commission  
Direct Testimony of  
Susan D. Ritenour  
Docket No. 010283-EI  
Date of Filing: April 20, 2001

- Q. Please state your name, business address and occupation.
- A. My name is Susan Ritenour. My business address is One Energy Place, Pensacola, Florida 32520. I hold the position of Assistant Secretary and Assistant Treasurer for Gulf Power Company. In this position, I am responsible for supervising the Rates and Regulatory Matters Department.
- Q. Please briefly describe your educational background and business experience.
- A. I graduated from Wake Forest University in Winston-Salem, North Carolina in 1981 with a Bachelor of Science Degree in Business and from the University of West Florida in 1982 with a Bachelor of Arts Degree in Accounting. I am also a Certified Public Accountant licensed in the State of Florida. I joined Gulf Power Company in 1983 as a Financial Analyst. Prior to assuming my current position, I have held 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. What is the purpose of your testimony?

10 A. The purpose of my testimony is to support Gulf Power  
11 Company's request for an exception to the Commission's  
12 proposed regulatory treatment of the credit for SO2  
13 emission allowances related to short-term wholesale  
14 sales through the environmental cost recovery clause  
15 (ECRC). Gulf currently credits these allowance costs  
16 through the fuel and purchased power cost recovery  
17 clause. The amount of this credit is so small as to  
18 be insignificant when compared to the administrative  
19 burden associated with complying with the Commission's  
20 proposed requirement. As a result, Gulf seeks an  
21 exception to the proposed requirement that would allow  
22 the Company to continue providing these credits to  
23 customers through the fuel clause.

24

25

1 Q. Please provide some background on how this issue  
2 developed.

3 A. In late 1999, Docket 991779-EI was established to  
4 review the appropriate application of incentives to  
5 wholesale power sales by investor-owned electric  
6 utilities. A hearing was held on this matter on  
7 May 10, 2000, and the Commission issued Order No.  
8 PSC-00-1744-PAA-EI on September 26, 2000 approving an  
9 incentive mechanism for certain non-separated  
10 wholesale power sales. In that order, the Commission  
11 specified that the gain on non-separated wholesale  
12 sales should be calculated as the difference between  
13 the revenue received for that sale less its  
14 incremental costs, including incremental fuel cost,  
15 incremental SO2 emission allowance cost, incremental  
16 O & M cost, and separately-identified transmission or  
17 capacity charges. The Commission went on to propose  
18 the regulatory treatment for each of these revenue and  
19 incremental expense items. For the incremental SO2  
20 emission allowance costs associated with non-separated  
21 wholesale sales, the Commission proposed that "except  
22 for FPC, each IOU shall credit its environmental cost  
23 recovery clause for an amount equal to the incremental  
24 SO2 emission allowance cost of generating the energy  
25 for each such sale. FPC, because it does not have an

1 environmental cost recovery clause, shall credit this  
2 cost to its fuel and purchased power cost recovery  
3 clause.”

4

5 Q. What is the purpose of the stated requirement?

6 A. It appears that the intent of the requirement is to  
7 offset the actual SO2 emission allowance costs  
8 associated with Gulf's generation with a credit to  
9 reflect the allowance costs associated with the short-  
10 term wholesale sales.

11

12 Q. What exception is Gulf requesting in this proceeding  
13 related to this proposed regulatory treatment?

14 A. Gulf agrees that it is appropriate to give the  
15 customers credit for the cost of allowances related to  
16 energy sold through non-separated wholesale sales, and  
17 that for certain utilities the proposed regulatory  
18 treatment may be fair and reasonable. However, for  
19 Gulf Power, it is more appropriate to credit the  
20 incremental SO2 allowance cost associated with non-  
21 separated wholesale sales through the fuel clause  
22 rather than through the ECRC as proposed in Order No.  
23 PSC-00-1744-PAA-EI. Therefore, Gulf is requesting an  
24 exception to this newly proposed requirement.

25

1 Q. Why is it more appropriate for Gulf to credit the SO2  
2 allowance costs associated with non-separated  
3 wholesale sales through the fuel clause?

4 A. The weighted-average cost of Gulf's SO2 allowances is  
5 very low, because most of the allowances we own were  
6 allocated to us by the Environmental Protection Agency  
7 at no cost. Gulf does not purchase allowances on a  
8 regular basis. The total dollar amount of SO2  
9 emission allowance expense related to Gulf's  
10 generation was \$7,302 in 1999 and \$45,136 in 2000.  
11 Only a small fraction of these amounts related to non-  
12 separated wholesale power sales. Total emission  
13 allowance expense makes up less than one percent of  
14 Gulf's environmental costs recoverable through the  
15 ECRC. Gulf is currently crediting the SO2 allowance  
16 costs associated with non-separated wholesale sales  
17 through the fuel clause, along with the incremental  
18 cost of fuel associated with these sales. From an  
19 administrative perspective, it is less burdensome for  
20 Gulf to continue this regulatory treatment than it  
21 would be to change its practices to treat the  
22 allowance cost credit separately through the ECRC.  
23 This is the same regulatory treatment that will be  
24 used by Florida Power Corporation under the  
25 Commission's Order.

1 Q. What impact does this alternative regulatory treatment  
2 have on the cost to each customer?

3 A. The impact is the same on the customer's cost whether  
4 the SO2 allowance costs associated with non-separated  
5 wholesale sales are credited through the fuel clause  
6 or through the ECRC. In both clauses, the costs would  
7 be allocated to customers based on energy. The total  
8 cost per kWh each customer pays would be the same.

9

10 Q. Does this conclude your testimony?

11 A. Yes.

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AFFIDAVIT

STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA )

Docket No. 010283-EI

Before me the undersigned authority, personally appeared Susan D. Ritenour, 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. Ritenour*  
Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

Sworn to and subscribed before me this 20th day of April,  
2001.

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



**LINDA C. WEBB**  
Notary Public-State of FL  
Comm. Exp: May 31, 2002  
Comm. No: CC 725969