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April 27, 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. 000808-EI

Enclosed are an original and fifteen copies of the rebuttal testimony of Susan D. Ritenour and James O. Vick to be filed in the above docket.

Sincerely,

*Susan D. Ritenour*

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire

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*Ritenour*  
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*Vick*  
DOCUMENT NUMBER-DATE

05315 APR 30 06

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

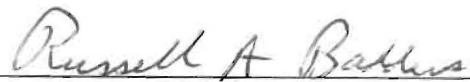
IN RE: Petition for approval of Consumptive )  
Water Use Monitoring Activity and Smith )  
Wetlands Mitigation Plan as New Programs ) Docket No. 000808-EI  
for cost recovery through the Environmental )  
Cost Recovery Clause by Gulf Power Company )  
\_\_\_\_\_ )

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 27th day of April 2001 on the following:

Marlene Stern, Esquire  
FL Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0863

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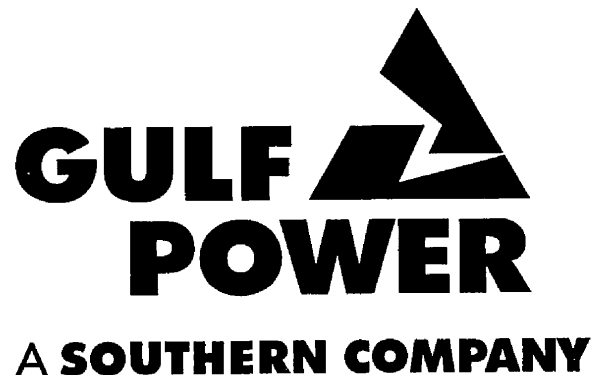
**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**SMITH WETLANDS MITIGATION PLAN**

**DOCKET NO. 000808-EI**

**PREPARED REBUTTAL TESTIMONY  
OF  
SUSAN D. RITENOUR**

**APRIL 30, 2001**



DOCUMENT NUMBER-DATE

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GULF POWER COMPANY

Before the Florida Public Service Commission  
Rebuttal Testimony of  
Susan D. Ritenour  
Docket No. 000808-EI

Date of Filing: April 27, 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 32520-0780. I hold the position of Assistant Secretary and Assistant Treasurer for Gulf Power Company.

Q. Are you the same Susan Ritenour that prepared direct testimony in this docket?

A. Yes, I am.

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

A. The purpose of my rebuttal testimony is to respond to certain assertions made in the direct testimony Kimberly H. Dismukes filed on behalf of the Office of Public Counsel.

Q. On page 4 of her testimony, has Ms. Dismukes accurately portrayed why Gulf Power Company believes that the Smith Wetlands Mitigation Plan qualifies for recovery through the Environmental Cost Recovery Clause (ECRC)?

A. No. Ms. Dismukes mischaracterizes Gulf's position based on a portion of a sentence from Gulf's November 27, 2000 Petition. The sentence refers

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1 to the definition of environmental compliance costs included in Section  
2 366.8255 of the Florida Statute, and states in its entirety that "Gulf  
3 maintains that this definition captures the costs associated with the Smith  
4 Wetlands Mitigation Plan and does not exclude from cost recovery the  
5 environmental compliance costs associated with new power plants." Gulf  
6 believes that the Smith Wetlands Mitigation Plan qualifies for recovery  
7 through the ECRC because the Plan affirmatively meets the definition for  
8 recoverable compliance costs laid out in the statute, not simply because  
9 the statute does not specifically exclude such costs.

10

11 Q. Do you agree with Ms. Dismukes's interpretation of the intent of the  
12 legislature in passing Section 366.8255?

13 A. No. It is clear from reading the entire discussion quoted in  
14 Ms. Dismukes's testimony between Representatives Davis and Tobin  
15 regarding this amendment that the legislature did not intend to preclude  
16 ECRC recovery of certain environmental compliance costs simply  
17 because they are associated with new power plants. Their dialogue  
18 included a discussion of whether the intent of the amendment was to  
19 include the costs of a large capital item such as an entire power plant  
20 through the clause, and concluded that the Commission could elect to  
21 exclude compliance costs from ECRC recovery if the costs were so large  
22 as to be material to the overall costs of the utility seeking recovery. Gulf is  
23 not seeking recovery of an entire power plant in this docket or of a  
24 compliance cost that is extremely large. Gulf is simply seeking to recover  
25 an environmental compliance cost related to complying with an

1 environmental law or regulation as both are defined in the statute.

2

3 Q. In her testimony, Ms. Dismukes gives the potential difficulty in quantifying  
4 certain environmental construction costs at new plants as a reason that  
5 the Smith Wetlands Mitigation Plan should not be recovered through the  
6 ECRC. Do you agree with this conclusion?

7 A. No. Gulf is requesting ECRC recovery of the distinct costs associated  
8 with the Smith Wetlands Mitigation Plan. It may be true that it would be  
9 difficult to identify and quantify each and every cost associated with the  
10 various components of a new plant that was impacted in some way by  
11 environmental requirements. However, that does not justify the exclusion  
12 of discrete, quantifiable environmental compliance costs through the  
13 ECRC. In addition to the Smith Wetlands Mitigation Plan, Gulf has,  
14 through interrogatory responses, identified the Continuous Emissions  
15 Monitoring System (CEMS) as a separate environmental compliance  
16 project appropriate for ECRC recovery at the proper time.

17

18 Q. Is the recovery period for costs recovered through the ECRC different than  
19 it would be if the costs were recovered through base rates?

20 A. No. Regardless of whether a capital item is recovered through a cost  
21 recovery clause or through base rates, the associated costs (including  
22 depreciation and cost of capital) are calculated based on the appropriate  
23 depreciable life for the project. The depreciable life and the revenue  
24 requirements on that capital project are the same in either case. Current  
25 customers only pay for the costs associated with the current period.

1 Ms. Dismukes appears to be under the mistaken impression that there is a  
2 generational inequity between current and future customers related to  
3 costs recovered through the ECRC. That is simply not the case. The  
4 revenue requirements recovered for a capital project for any given year  
5 are the same through the ECRC as they would be if the project were  
6 included in a base rate proceeding for that year. The ECRC does not lead  
7 to rate shock or rate instability due to rapid cost recovery.

8  
9 Q. Ms. Dismukes cites Gulf's Stipulation and Settlement with the Office of  
10 Public Counsel, Florida Industrial Power Users Group and Coalition for  
11 Equitable Rates dated September 29, 1999 as a reason for disallowing  
12 recovery of the Smith Wetlands Mitigation Plan through the ECRC.

13 Please comment on this.

14 A. The Stipulation and Settlement between Gulf and the parties mentioned  
15 above relates to Gulf's base rates, not its cost recovery clauses. In the  
16 Stipulation and Settlement, Gulf agreed not to petition for a base rate  
17 increase to be effective until after the agreement expires. Gulf is not  
18 seeking an increase in base rates in this proceeding. Rather, it is simply  
19 seeking to recover the costs related to an environmental compliance  
20 activity through the ECRC.

21  
22 Q. Does the return on investment earned by Gulf have any impact on  
23 whether a project is recoverable through the ECRC?

24 A. No, not at all. As the Commission determined in its initial order  
25 implementing the statute, Order No. PSC-94-0044-FOF-EI, "we find that if

1 the utility is currently earning a fair rate of return that it should be able to  
2 recover, upon petition, prudently incurred environmental compliance costs  
3 through the ECRC..." Ms. Dismukes claims that there is no harm to Gulf  
4 Power in not passing the costs of the Smith Wetlands Mitigation Plan  
5 through the ECRC because Gulf's current earnings are adequate to cover  
6 the costs. This argument has been rejected by the Commission, both in  
7 its initial order and in subsequent proceedings in the ongoing ECRC  
8 docket. Clearly, there is harm to Gulf if it is not allowed to recover costs  
9 for which the statute provides recovery.

10  
11 Q. Does this conclude your rebuttal testimony?

12 A. Yes.



AFFIDAVIT

STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA )

Docket No. 000808-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 27<sup>th</sup> 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 725989