

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**FUEL COST AND PURCHASED POWER COST  
RECOVERY CLAUSE**

**DOCKET NO. 010001-EI**

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

**PROJECTION FILING  
FOR THE PERIOD**

**JANUARY - DECEMBER 2002**

**SEPTEMBER 20, 2001**



**A SOUTHERN COMPANY**

DOCUMENT NUMBER-DATE

11733 SEP 20 01

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission  
3 Direct Testimony of  
4 Susan D. Ritenour  
5 Docket No. 010001-EI  
6 Date of Filing: September 20, 2001

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

8 A. My name is Susan Ritenour. My business address is One Energy Place,  
9 Pensacola, Florida 32520-0780. I hold the position of Assistant  
10 Secretary and Assistant Treasurer for Gulf Power Company.

11 Q. Please briefly describe your educational background and business  
12 experience.

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

22 My responsibilities include supervision of: tariff administration,  
23 cost of service activities, calculation of cost recovery factors, the  
24 regulatory filing function of the Rates and Regulatory Matters  
25 Department, and various treasury activities.

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1 Q. Have you previously filed testimony before this Commission in  
2 connection with Gulf's fuel and purchased power cost recovery clause?

3 A. Yes, I have.  
4

5 Q. What is the purpose of your testimony?

6 A. The purpose of my testimony is to address the issue included as  
7 Issue 17 in the Commission's Second Order Revising Order Establishing  
8 Procedure, Order No. PSC-01-1829-PCO-EI dated September 11, 2001.  
9 This issue poses the question: "If an investor-owned electric utility  
10 exceeds the ceiling on its authorized return on common equity, can  
11 and/or should the Commission reduce by a commensurate amount  
12 recovery of prudently-incurred expenditures through the Commission's  
13 fuel and purchased power cost recovery clause?"  
14

15 Q. What is your position regarding this issue?

16 A. As a matter of policy, the Commission should not make any adjustment  
17 to the fuel and purchased power cost recovery clause for amounts  
18 related to revenues and costs properly reflected in base rates and  
19 monitored through the monthly surveillance report. As to whether the  
20 Commission can make such an adjustment, that is a legal question. My  
21 testimony focuses on the policy implications related to this issue.  
22

23 Q. What is the purpose of the fuel and purchased power cost recovery  
24 clause?

25 A. As stated in Commission Order No. 6357 dated November 26, 1974 in

1 Docket No. 74680-CI, the purpose of the fuel and purchased power cost  
2 recovery clause is “to compensate for day-to-day fluctuations in the cost  
3 of fuel which cannot be anticipated in the base rates. It should be  
4 constructed and applied so as to reimburse the utility for the increase in  
5 the cost of fuel as related to generation. It also operates so as to pass  
6 on to the customer any savings realized by the utility from decreased  
7 cost of fuel.” This order expanded the definition of recoverable costs to  
8 include the energy component of purchased power, which was  
9 recognized as “nothing more than a substitute for power generated and  
10 entails one company purchasing power generated by another.” The  
11 order goes on to state “[w]hen the volatility factor is coupled with the  
12 magnitude of fuel costs, one can readily conclude that the fuel  
13 adjustment clause is both a necessary and proper regulatory tool to  
14 insure that both the customer and the utility receive the benefits of  
15 responsive recognition to changes in the cost of generating electricity.”

16

17 Q. Is the inclusion in the fuel clause of an adjustment related to a utility's  
18 overall earnings level consistent with this purpose?

19 A. No.

20

21 Q. What is the appropriate mechanism for monitoring the earnings of a  
22 utility?

23 A. The appropriate mechanism for monitoring a utility's earnings is the  
24 surveillance report filed each month with the Commission. This report  
25 calculates the utility's achieved rate of return and return on equity based

1 on its actual thirteen-month average rate base and 12 month-to-date net  
2 operating income. Based on the information included in the surveillance  
3 report, the Commission and its Staff can, if considered necessary, take  
4 actions including requesting additional information, initiating an earnings  
5 investigation, or requiring that the utility file Minimum Filing  
6 Requirements (MFRs). These actions, if any, should be taken  
7 separately from and independent of the cost recovery clause  
8 calculations and proceedings, just as the Commission has traditionally  
9 done.

10

11 Q. Do you see any other problems with the Commission's adoption of a  
12 policy of adjusting the fuel clause for an amount related to earnings in  
13 excess of the authorized return on equity (ROE) ceiling?

14 A. Yes. The activities required, by both the utility and the FPSC Staff, to  
15 administer such a policy would be quite burdensome. Each situation in  
16 which a utility's ROE exceeded the top of its authorized range would  
17 require analysis to determine if an adjustment was appropriate and, if so,  
18 how much the adjustment should be. For example, a utility's ROE may  
19 exceed its ROE ceiling temporarily and then fall back within the allowed  
20 range, due to such events as unusual weather conditions or the timing of  
21 certain large expenses or plant additions. It would be inappropriate to  
22 reduce a company's earnings based on a temporary spike in ROE. The  
23 utility's earnings at any given point in time may not be indicative of the  
24 future earnings level expected by the utility. Furthermore, the allowed  
25 ROE range may not be appropriate based on current conditions. In

AFFIDAVIT

STATE OF FLORIDA     )  
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COUNTY OF ESCAMBIA )

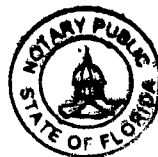
Docket No. 010001-EI

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 19th day of September,  
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