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Pensacola, Florida 32520

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January 22, 2002

Ms. Blanca S. Bayo, Director  
Division of the Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 010949-EI

Enclosed are an original and fifteen copies of Gulf Power Company's Rebuttal Testimony to be filed in the above docket consisting of the following witnesses:

Robert A. Bell  
Charles A. Benore  
Francis M. Fisher, Jr.  
M. W. Howell  
J. Thomas Kilgore, Jr.  
Ronnie R. Labrato  
Richard J. McMillan  
Robert G. Moore  
Margaret D. Neyman  
Donald S. Roff  
R. Michael Saxon  
Tony A. Silva and Scott C. Twery

*DNS 00774-02 thru  
00785-02*

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Ritenour".

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

lw

Enclosure

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for rate increase by )  
Gulf Power Company )  
\_\_\_\_\_ )

Docket No. 010949-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished  
this 22nd day of January 2002 by U.S. Mail to the following:

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

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246 East 6<sup>th</sup> Avenue, Suite 100  
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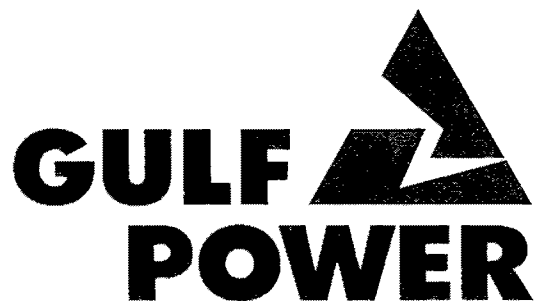


\_\_\_\_\_  
JEFFREY A. STONE  
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Attorneys for Gulf Power Company

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 010949-EI**

**REBUTTAL TESTIMONY AND EXHIBIT  
OF  
FRANCIS M. FISHER, JR**



**A SOUTHERN COMPANY**

DOCUMENT NUMBER-DATE

00776 JAN 22 88

FPSC-COMMISSIONER

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission  
3 Rebuttal Testimony and Exhibit of  
4 Francis M. Fisher, Jr.  
5 Docket No. 010949-EI  
6 In Support of Rate Relief  
7 Date of Filing: January 22, 2002

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

9 A. My name is Francis M. Fisher, Jr., and my business address is One  
10 Energy Place, Pensacola, Florida 32520. I am Gulf Power Company's  
11 Vice President of Power Delivery and Customer Operations.

12 Q. Are you the same Francis M. Fisher, Jr., that provided direct testimony on  
13 Gulf Power's behalf in this docket?

14 A. Yes, I am.

15 Q. What is the purpose of your rebuttal testimony?

16 A. The purpose of my rebuttal testimony is to address the statements  
17 contained in the direct testimony of witness Helmuth W. Schultz, III, with  
18 regard to his recommendation of certain disallowances and to provide  
19 additional information relating to the Company's construction budget and  
20 Operation and Maintenance (O & M) expenses in the distribution area. In  
21 addition, I will address the statements contained in the direct testimony of  
22 witness James E. Breman with regard to his recommendation to  
23 implement a program that provides an incentive to Gulf Power Company  
24 for maintaining reliable service and to address comments regarding Gulf's  
25 distribution tree trim program.

1 Q. Have you prepared an exhibit that contains information to which you will  
2 refer in your rebuttal testimony?

3 A. Yes. Schedule 1 is an index to the subsequent schedules to which I will  
4 refer. Exhibit (FMF-2) was prepared under my supervision and direction.

5 Counsel: We ask that Mr. Fisher's Exhibit (FMF-2)  
6 consisting of six schedules, be marked for  
7 identification as Exhibit \_\_\_\_.

8

9 Q. Would you please address Mr. Schultz's concerns regarding the  
10 distribution construction budget of \$95,413,000 and general plant budget  
11 of \$7,700,000 for the period beginning January 1, 2001 through the end of  
12 the projected test year of May 31, 2003?

13 A. Yes. A general description of the distribution and general plant additions  
14 from my area of responsibility is provided on pages 10 - 12 of my direct  
15 testimony. A listing of additional detail for these capital additions is  
16 provided in Schedule 2 through Schedule 5 of my rebuttal exhibit, which  
17 summarize the distribution construction budget and general plant budget  
18 for the period from January 2001 through the end of the test year.  
19 Approximately two-thirds of these expenditures are dedicated to customer  
20 and load growth. The requested level for the distribution construction  
21 budget and general plant budget during the 17-month period and in the  
22 test year are reasonable, prudent and necessary to provide reliable  
23 service to Gulf's customers.

24

25

1 Q. Does Gulf's Minimum Filing Requirements (MFR) filing contain sufficient  
2 information related to its distribution construction projects for the January  
3 2001 through May 2003 period?

4 A. Yes. The MFR schedules established the level of detail that Gulf is  
5 required to supply to support its distribution expenditures. Gulf provided  
6 all the required information on MFR Schedule B-10, Schedule B-13a,  
7 Schedule B-13b and Schedule F-17.

8

9 Q. Do you have an overall reaction to Mr. Schultz's analysis of distribution  
10 O & M expenses and the resulting recommended adjustments?

11 A. Yes. It appears that Mr. Schultz's general approach was to review the  
12 previous five years expense history, apply an inflation factor, calculate a  
13 five year average of the inflated costs and recommend disallowance of  
14 expenses over this average. This approach does not take into account  
15 the dynamic factors affecting the management of the total Company.

16

17 Q. Can you provide examples of the dynamic factors that have an impact on  
18 the management of the expense budget?

19 A. Yes. One example is the preparation that was necessary for the transition  
20 to the year 2000 (Y2K). This effort was one that was of paramount  
21 importance to our Company, our industry and to the regulatory  
22 community. There were thousands of individual systems, programs and  
23 pieces of equipment that had to be reviewed for compliance, and if  
24 necessary upgraded or replaced. Certain resources normally directed  
25 toward ongoing activities had to be redirected to accomplish this

1 enormous task. These costs were managed by the Company in such a  
2 manner as to successfully accomplish this task without requesting a rate  
3 increase to cover the large cost of Y2K, while at the same time meeting  
4 the needs of our customers.

5 More recently, the terrorist events of September 11, 2001 put our  
6 country in a state of war. The electric utilities throughout the nation are an  
7 integral part of all Americans' lives and make a critical contribution to the  
8 economy. Consequently, Gulf incurred incremental security costs related  
9 to protecting the physical assets of our electric facilities, including power  
10 plants. These unusual and unprecedented security expenses were once  
11 again managed by the Company in such a manner as to successfully  
12 accomplish this task while meeting the needs of our customers.

13 Although these examples could be considered one-time  
14 occurrences, it has been our experience that new programs, events, and  
15 technologies will come up. Over the past few years as stated in my direct  
16 testimony, we have added new technologies and changed our work  
17 methods to keep up with the growth of our service territory and the  
18 changing expectations of our customers.

19

20 Q. Have such occurrences impacted the level of spending for normal  
21 maintenance activities?

22 A. Yes. The end result is that historical levels of spending on normal  
23 maintenance activities, such as tree trimming and pole inspections, are  
24 less than what is required on an ongoing basis. We cannot "keep robbing  
25 Peter to pay Paul."

1 Q. Are the adjustments to distribution expenses proposed by Mr. Schultz  
2 appropriate?

3 A. No. The proposed adjustments do not take into account the Company's  
4 efforts to effectively address situations such as those described above  
5 and other situations that arise without seeking a rate increase to recover  
6 the costs required. Mr. Schultz's proposed adjustments also potentially  
7 penalize efforts to reduce costs in a particular program.

8

9 Q. Do you have an example of a situation that could penalize an effort to  
10 reduce costs?

11 A. Yes. In my direct testimony regarding Gulf's efforts to control costs in its  
12 tree trimming program, I discuss how this has resulted in an increased  
13 dependence upon less efficient and less effective spot trimming. The  
14 result has been an increase in the annual minutes of interruption to our  
15 customers for tree related outages from 1,557,000 in 1997 to 5,988,000 in  
16 2000. We have responded to this trend by increasing the budget for tree  
17 trimming on a going-forward basis. Mr. Schultz's methodology would  
18 penalize the tree trim program and would prevent the Company from  
19 meeting our customers' expectations regarding reliability. I will have more  
20 to say related to tree trimming later in my testimony.

21

22 Q. Would you like to address the statement made by Mr. Schultz that cable  
23 costs associated with extending the life of an asset are typically  
24 capitalized, not expensed?

25 A. Yes. The injection of silicone fluid into underground primary cable does



1 not involve the addition or removal of a plant unit. It is maintenance of  
2 existing facilities; therefore, Gulf Power is expensing the cost associated  
3 with this procedure.  
4

5 Q. Why is the cable injection program included in the test year when in the  
6 years 2000 and 2001, nothing was budgeted and nothing was expended?

7 A. In the past, the manufacturer's warranty for injected cable was only for  
8 three years. This was recently changed to an unconditional 20-year  
9 warranty. The cable injection program is now more cost-effective and  
10 Gulf's forecasted budget includes expenses related to this program.  
11

12 Q. Is the \$129,763 adjustment to cable injection proposed by Mr. Schultz  
13 appropriate?

14 A. No. The budgeted amount of \$166,099 is not the entire cost of this  
15 project. It is the cost of injecting approximately 4.5 miles of cable in the  
16 test year only. Comparable amounts are budgeted in the forecast years  
17 for this ongoing project.

18 This project was reinstated after the manufacturer extended the  
19 warranty period. The prior five-year historical average is therefore not an  
20 appropriate basis for establishing the budget since Gulf Power did not  
21 incur costs in this activity in three of the five previous years. The five-year  
22 historical period is not at all representative of future requirements because  
23 existing cable is aging and deteriorating.  
24  
25

1 Q. Is the \$391,316 adjustment to substation maintenance proposed by Mr.  
2 Schultz appropriate?

3 A. No. The historical five-year period is not representative of future periods.  
4 The inflation adjusted historical five-year average contains two years  
5 (1999 and 2000) in which six substation electricians normally assigned to  
6 substation maintenance (O & M) were temporarily reassigned to  
7 substation plant construction due to the need for resources on several  
8 construction projects. Examples of substation construction completed by  
9 Gulf's electricians include converting Beulah Substation from 115 kV to  
10 230 kV and installing a new 20 MVA transformer in Molino Substation with  
11 two new feeder bays in 1999. During 2000, examples of construction by  
12 Gulf's electricians include installing a new switchhouse and replacing all  
13 115 kV and 230 kV breakers at Smith Plant and installing a 28 MVA  
14 transformer bank with two new feeder bays at East Bay Substation. The  
15 utilization of these six substation electricians in plant construction  
16 continued through calendar year 2001. Beginning January 1, 2002, these  
17 substation electricians have returned to their normal maintenance  
18 activities. This explains why the majority of the increase in expense  
19 appears in the test year.

20 In order to adhere to Gulf Power's Substation Maintenance  
21 Program and prevent increased failures of this aging substation  
22 equipment, it is necessary to keep these electricians assigned to  
23 maintenance, thus increasing O & M expenses by \$755,000. Additionally,  
24 we have experienced insulator arching and outages at one of our  
25 distribution substations due to salt contamination. In order to prevent

1 reoccurrence of this, approximately \$60,000 will be expended each year  
2 to clean the insulators in this substation. The combination of these factors  
3 accounts for the additional \$815,000 of O & M expenses needed to  
4 properly maintain our substation equipment, reduce failures and maintain  
5 reliable service to our customers. The amount requested for the test year  
6 is representative of future periods when new rates will be in effect.

7

8 Q. Please explain why Gulf Power's tree trim expense should not be reduced  
9 from \$4,122,705 to \$2,743,625 in the test year as suggested by  
10 Mr. Schultz.

11 A. As stated in my direct testimony, Gulf Power's attempts to control costs in  
12 this area have resulted in an increased dependency on less efficient and  
13 less effective spot trim. As shown in Gulf's response to Citizens'  
14 Interrogatory No. 33, the number of miles of line trimmed in our program  
15 has declined from 889 miles trimmed in 1998 to 241 miles trimmed in  
16 2000. This has led to an increase in the annual minutes of interruption to  
17 our customers for tree related outages from 1,557,000 in 1997 to  
18 5,988,000 in 2000. It is not appropriate to use the five-year historical  
19 average cost because it is not representative of future periods. The  
20 historical average does not take into account these factors of the  
21 increasing tree related outage time and a greater dependency on less  
22 effective spot trim.

23 The increase in outages and reduction in miles of cycle trim  
24 supports the fact that Gulf cannot maintain an adequate cycle of trim at  
25 the previous level of expenses. The distribution tree trim request of

1           \$4,122,705 for the test year and corresponding amounts in the future  
2           periods will allow Gulf Power to transition to a more effective cycle and  
3           reduce tree related outages.

4

5   Q.    Is the \$526,726 adjustment to pole inspections proposed by Mr. Schultz  
6           appropriate?

7   A.    No. Once again, the historical five-year average is not an appropriate  
8           basis for establishing the budget since it is not representative of future  
9           periods, particularly since Gulf Power did not make expenditures on this  
10          activity in two of the five previous years. Basing the test year expenses  
11          totally on five years of historical cost with an inflation factor also does not  
12          take into consideration other factors that could affect cost, such as the  
13          age of the poles being inspected. In this instance, all of the poles involved  
14          in this program are now over 20 years old.

15                Gulf's distribution poles are located in the worst of five wood decay  
16          zones (zone 5 "Severe") as defined in the American Wood Preservers  
17          Association Standard C-4-99. Due to the condition of this aging pole  
18          plant, Gulf Power has determined that the remaining 60,000 Creosote and  
19          Penta poles will be inspected and, as necessary, treated, repaired or  
20          replaced over the next five years. This will allow more of the remaining  
21          poles to be treated rather than waiting until more expensive repairs are  
22          required. The amount requested by Gulf Power for the test year is  
23          representative of future periods when new rates will be in effect.

24

25

- 1 Q. Would you please address Mr. Schultz's contention that the street and  
2 outdoor light request of \$1,438,000 is excessive?
- 3 A. Yes. The-five year historical average cost is not representative of the test  
4 year expenses because this five-year period included only one area where  
5 group street light rebulbing and maintenance was conducted. During  
6 group rebulbing, all the bulbs and photocells are replaced and since street  
7 lights are closed units, the globes are cleaned or replaced as necessary.  
8 The average cost associated with accomplishing group street light  
9 rebulbing is estimated at approximately \$38 per unit based on current  
10 cost, which greatly exceeds the historical five year average cost of \$7.86  
11 per unit as stated by Mr. Schultz in his testimony on page 30,  
12 lines 15 – 16. The test year expenses include \$425,600 for group street  
13 light rebulbing of 11,200 lights. When this is added to the ongoing  
14 maintenance of street and outdoor lights, the \$1,438,000 for the test year  
15 is justified. The amount requested in the test year related to street and  
16 outdoor lights is appropriate and is representative of future periods when  
17 new rates will be in effect.  
18
- 19 Q. Please address Mr. Schultz's concern that there is a lack of justification  
20 for the significant increase in the employee complement during the test  
21 year.
- 22 A. Mr. Saxon has addressed Mr. Schultz's concern with an overview of the  
23 positions reflected in the test year. In my area of responsibility, there are  
24 11 additional positions in the test year budget. The addition of 11  
25 positions will be filled as a class of line and substation technician

1 apprentices for Gulf's earned progression program during the test year.  
2 This class and subsequent ones are a proactive step towards preparing  
3 for the number of employees eligible for job changes such as promotions  
4 and retirements. This class of apprentices addresses a workforce issue  
5 and will also ensure a diverse competitive workforce for the future.

6

7 Q. You stated earlier that you would address statements in Mr. Breman's  
8 testimony. Do you agree with the proposal in Mr. Breman's testimony  
9 regarding a program of potential penalties to provide an incentive to  
10 maintain reliable service?

11 A. No. As stated on pages 12-14 of my direct testimony, Gulf is committed  
12 to providing superior service to our customers. Gulf has previously  
13 utilized the System Average Interruption Duration Index (SAIDI), the  
14 Public Confidence Surveys and Florida Public Service Commission  
15 (FPSC) infractions results as indicators of providing reliable electric  
16 service which meets our customer expectations.

17 Gulf has not previously utilized the Customer Experiencing More  
18 than Five Interruptions (CEMI5) indicator as a measure of reliability. As I  
19 will explain later in my testimony, I do not think it is appropriate to base  
20 refunds to customers on this one indicator, which could be greatly affected  
21 by weather and other conditions beyond the electric utility's control.  
22 Adopting this procedure would establish a penalty to the Company for not  
23 meeting this proposed standard without a reward for exceeding the  
24 standard. This is inappropriate, particularly when Gulf's customers are  
25 very positive about the quality and reliability of service they are receiving,

1 and Mr. Breman concludes in his testimony on page 2, line 23 that,  
2 "Overall, Gulf Power Company's distribution reliability is good."

3

4 Q. Can you provide examples that demonstrate that your Company is  
5 maintaining or improving distribution reliability?

6 A. Yes. In 2001, SAIDI was reduced to 78.55 minutes, which represents a  
7 19 percent reduction from the previous year. In addition, the Public  
8 Confidence Survey regarding "Providing Reliable Service" remained high  
9 at 93 percent favorable response and the FPSC infractions were zero.

10

11 Q. Would you comment on Mr. Breman's statement on page 5, lines 4-6  
12 regarding various locations where tree conditions were not in compliance  
13 with the National Electric Safety Code (NESC)?

14 A. Yes. The NESC Part 2 Section 21.218 A. 1. states that "Trees that may  
15 interfere with ungrounded supply conductors should be trimmed or  
16 removed." Gulf's distribution tree trim program is designed to comply with  
17 this requirement. As stated on page 5 of my direct testimony, Gulf's  
18 attempts to control cost have resulted in an increased dependence on  
19 spot trim. Gulf is aware that it must increase its expenses for distribution  
20 tree trim to achieve a more effective tree trim cycle. The distribution tree  
21 trim budget of \$4,123,000 in the test year and corresponding amounts in  
22 forecast years will allow this to occur.

23

24 Q. Is the estimate used by Mr. Breman of 4 percent for CEMI5 in the year  
25 2000 accurate for Gulf Power?

1 A. No. The correct value for CEMI5 for Gulf in 2000 is 2.1 percent. An error  
2 was made in Gulf's original calculation for CEMI5 provided in our  
3 response to an April 2, 2001 PSC request. In that response, Gulf utilized  
4 customers that experienced five or more interruptions instead of six or  
5 more interruptions, which caused the CEMI5 indicator to be overstated.  
6 Schedule 6 to my rebuttal exhibit provides Gulf's original calculation and  
7 the correct calculation of CEMI5.

8  
9 Q. What problems do you foresee with the two fundamental concepts for the  
10 programs proposed in Mr. Breman's testimony?

11 A. It is only reasonable to expect that customers would experience some  
12 variances in reliability over time. Reliability is a function of many variables  
13 that are under various degrees of the electric utility's control, and to  
14 initiate refunds based on a level established at one point in time does not  
15 take into account these natural variances.

16 Accountability comes willingly because reliability is integral to our  
17 business success. Quality of service is a key component of customer  
18 satisfaction and Gulf has clearly demonstrated a high commitment to  
19 satisfying its customers. Gulf has focused on providing reliable service  
20 because it is in our customers' best interest and it is integral to our  
21 business goals.

22 As documented on page 15 of my direct testimony, Gulf's  
23 performance in response to trouble events is among the best in the  
24 industry. In the residential segment of the customer value surveys, Gulf  
25 ranks second in handling emergencies and third in responding quickly to



1 problems. In the general business segment, Gulf ranks third in restoring  
2 service quickly after an outage. It has been over three and a half years  
3 since we have had a reliability related infraction. This should provide  
4 additional assurance that Gulf will continue to maintain distribution  
5 reliability.

6

7 Q. Do you have any other concerns with Mr. Breman's proposal?

8 A. Yes. The method of how the penalty will be derived and the mechanics of  
9 how to determine refunds to individual customers are unclear. Depending  
10 on the structure of the program, the administrative costs could be  
11 substantial and these dollars can be better utilized in improving the  
12 distribution system.

13

14 Q. Has there been an effort to standardize reliability reporting requirements  
15 among investor owned electric utilities?

16 A. Yes. As the Commission is aware, the utilities have been working with the  
17 FPSC Staff to provide the Commission with information necessary to  
18 enhance the understanding and analysis of various reliability issues, such  
19 as managing, tracking and reporting and have also provided a proposed  
20 revision to Rules 25-6.044 and 25-6.0455, Florida Administrative Code.  
21 The collaborative efforts of the utilities and the FPSC Staff have fostered  
22 significant improvements in statewide reliability as indicated in the utilities'  
23 response filed in Docket No. 011351-EI. Many of the concepts and  
24 reporting requirements outlined in the FPSC Staff's proposed rules will  
25 serve to ensure a high level of reliability for customers of Florida's investor

1 owned electric utilities.

2 The utilities' response to proposed rule changes provides for  
3 appropriate reporting requirements. These can lead to the development  
4 of fair standards and the appropriate mechanisms to ensure cost-effective  
5 reliability targets are developed. In addition, all utilities can implement the  
6 proposed rule changes without significant modifications to existing  
7 systems and without incurring additional on-going annual costs.

8

9 Q. Do you agree that Mr. Breman's proposed standard of 2 percent CEMI5 is  
10 appropriate?

11 A. No. Gulf does not have experience in dealing with this indicator and it is  
12 not clear how it will vary over time due to the effects of weather and other  
13 uncontrollable factors. To utilize the proposed standard of 2 percent to  
14 initiate penalties and to use one single indicator of reliability is not  
15 appropriate.

16

17 Q. Please summarize your testimony.

18 A. Gulf Power Company's management philosophy is to provide superior  
19 customer service and high reliability to our customers, keep its rates low,  
20 and meet the needs of its shareholders. As stated by Mr. Saxon in his  
21 direct testimony, the Company utilizes a budget review process to ensure  
22 that all projects we undertake are prudent, reasonable, and cost-effective.  
23 The requested level of \$33,048,000 in distribution O & M expenses in the  
24 test year, \$95,413,000 in distribution construction expenditures and  
25 \$7,700,000 for general plant expenditures in my area of responsibility for

1 the period from January 2001 through the end of the test year are  
2 reasonable, prudent, and necessary for Gulf to continue to maintain  
3 reliable services and meet the demand due to our customer growth.

4 Gulf takes great pride in being ranked at the very top of our  
5 industry in delivering value to our customers. The disallowances  
6 determined by Mr. Schultz's methodology would negatively impact Gulf's  
7 ability to meet the reliability needs of our customers. Gulf cannot maintain  
8 adequate programs at the previous levels of expenditures. Mr. Schultz's  
9 adjustments of \$2,747,028 do not take into account the Company's efforts  
10 to effectively manage dynamic situations, implement new programs and  
11 maintain aging plant. Today's customers are becoming more  
12 sophisticated in their use of technology and require a higher level of  
13 reliability, and are thus becoming more demanding in what they expect  
14 from their electric utility. It is imperative that we continue to take steps to  
15 maintain the integrity of our electrical system and our responsiveness to  
16 service interruptions when they occur. The Company has exercised  
17 careful stewardship of its O & M and capital costs over the years,  
18 expending resources when reasonable and cost-effective to maintain  
19 acceptable levels of system reliability.

20 As I stated earlier, Gulf's customers are very positive about the  
21 reliability of service they are receiving as indicated in several surveys and  
22 indices. Gulf does not agree with the use of a single reliability indicator  
23 and method as proposed in Mr. Breman's testimony. The existing  
24 rulemaking Docket No. 011351-EI is a more appropriate forum for  
25 introducing his proposal than introducing it during a rate case. The

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proposal in Mr. Breman's testimony is not an incentive; it is a financial penalty to the Company. Gulf supports the recommended rule changes as submitted to the FPSC by the Committee of Florida investor owned electric utilities as filed in Docket No. 011351-EI. In addition, this committee, along with FPSC Staff, should continue with the current process underway.

Q. Mr. Fisher does this conclude your testimony?

A. Yes.

<u>Index</u>	<u>Schedule Number</u>
Index to Schedules	1
Distribution Construction Budget January 1, 2001 through May 31, 2002	2
Distribution Construction Budget Test Year Ending May 31, 2003	3
General Plant Budget January 1, 2001 through May 31, 2002	4
General Plant Budget Test Year Ending May 31, 2003	5
Customers Experiencing More than Five Interruptions (CEMI5)	6

**Distribution Construction Budget  
January 1, 2001 through May 31, 2002**

**PROJECT DESCRIPTION**

Customer's Meters	\$ 1,564,000
Line Transformers	6,442,000
New Business Distribution	16,356,000
New Business Street Lights	837,000
Private Street & Yard Lights	3,359,000
Advanced Energy Management (AEM)	2,733,625
Meter Treaters	509,000
Enron Compression Services Power Supply	1,675,000
Misc. Dist. Sub Add/Improvements	1,047,005
Misc. Distribution Improvements & Re	5,643,000
Dist. Additions & Retir. Due To Hwy.	2,162,000
Distribution Line Minor Projects	1,349,000
Underground System Additions & Impro	2,696,000
ECRC-Sub Water Treatment Tri	300,000
Pace 115 KV 30 MVAR Cap Bank	465,000
Hurlburt 115KV 30 MVAR Cap Bank	499,000
Beach Haven 115KV 30 MVAR Cap Bank	499,000
Niceville 115KV 30 MVAR Cap Bank	499,000
Misc. Distribution Line Specific Feed	797,000
Jay Road Substation - OCB 7252 Feeder Improvements	(173,810)
Crystal Beach Substation	139,000
Pace Sub - Reconductor OCB 7172	48,000
Cantonment Sub - Reconductor OCB 6912 New Feeder	429,000
Beach Haven Sub - Reconductor OCB 6082	237,000
Highland City Sub - Reconductor OCB 8792	66,000
Chipley Sub - Reconductor OCB 9212	60,000
Honeysuckle Sub - OCB 7892 New Feeder	98,000
Crystal Beach Sub - Reconductor OCB 8992	151,000
System Reactive Corrective Capacity	823,000
Destin 115/12KV Bank #3 & Fdr #5	940,000
E. Crestview 115/12KV Sub & Two Feeders	633,600
Brentwood - Silverhill 230 KV Line	6,069
Highland City 115/12KV BK #2 & Fdr #4/#5	1,445,000
Cantonment 115/12KV Bank #3	324,000
Sandestin 115/12KV Substation	1,000
Long Bch 115/12KV Bank #3	380,000
Pine Forest 115/12KV BK #2 & Two Fdrs	392,000
Laguna Bch-Santa Rosa 115 KV Ln #2	758,200

Florida Public Service Commission  
Docket No. 010949-EI  
GULF POWER COMPANY  
Witness: F. M. Fisher, Jr.  
Exhibit No. \_\_\_\_ (FMF-2)  
Schedule 2  
Page 2 of 2

Smith Unit #3 Associated System Improvements	141,500
Mobile Radio System Additions	271,000
EMS System Additions & Improvements	34,000
Remote Terminal Units	485,000
Plant Transfers	<u>(8,000)</u>
<b>TOTAL</b>	<b><u>\$ 57,112,189</u></b>

**Distribution Construction Budget  
Test Year Ending May 31, 2003**

**PROJECT DESCRIPTION**

Customer's Meters	\$ 793,000
Line Transformers	4,510,000
New Business Distribution	11,408,000
New Business Street Lights	477,000
Private Street & Yard Lights	2,741,000
Advanced Energy Management (AEM)	2,189,820
Meter Treaters	193,000
Enron Compression Services Power Supply	225,000
Misc. Dist. Sub Add/Improvements	751,150
Misc. Distribution Improvements & Re	4,393,000
Dist. Additions & Retir. Due To Hwy.	971,000
Distribution Line Minor Projects	718,000
Underground System Additions & Impro	1,900,000
Misc. Distribution Line Specific Feed	839,000
Pace Sub-Feeder Imp	100,000
Redwood Sub Reconductor OCB 8702	270,000
Pace Sub - Reconductor OCB 7172	112,000
Jay Road Sub - Reconductor OCB 7172	95,000
System Reactive Corrective Capacity	564,000
Destin 115/12KV Bank #3 & Fdr #5	130,000
E. Crestview 115/12KV Sub & Two Feeders	814,400
Cantonment 115/12KV Bank #3	57,000
Sandestin 115/12KV Substation	530,000
Long Bch 115/12KV Bank #3	791,000
Pine Forest 115/12KV BK #2 & Two Fdrs	770,000
Laguna Bch-Santa Rosa 115 KV Ln #2	1,264,800
Smith Unit #3 Associated System Improvements	58,500
Mobile Radio System Additions	262,000
EMS System Additions & Improvements	50,000
Remote Terminal Units	331,000
Plant Transfers	(8,000)
<b>TOTAL</b>	<b><u>\$ 38,300,670</u></b>



Florida Public Service Commission  
Docket No. 010949-EI  
GULF POWER COMPANY  
Witness: F. M. Fisher, Jr.  
Exhibit No. \_\_\_\_ (FMF-2)  
Schedule 4  
Page 1 of 1

**Distribution General Plant Budget  
January 1, 2001 through May 31, 2002**

**PROJECT DESCRIPTION**

Office Furniture & Mechanical Equip.	\$	146,125
Tools Implements and Test Equip.		621,000
Misc. Buildings Land and Equip.		1,088,460
Security		135,000
Automobiles Auto Trucks & Equip.		1,051,000
Mobile Radio System Additions		<u>271,000</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>3,312,585</u></b>

**Distribution General Plant Budget  
Test Year Ending May 31, 2003**

**PROJECT DESCRIPTION**

Office Furniture & Mechanical Equip.	\$	83,165
Tools Implements and Test Equip.		488,000
Misc. Buildings Land and Equip.		821,176
Security		45,000
Automobiles Auto Trucks & Equip.		2,029,000
PC Garage & Substation Covered Storage		46,935
Brooks Bldg. Fire Sprinkler System		51,200
Corporate Office Carpet Replacement		480,000
PC Admin & Warehouse Roof Replacement		268,880
General Whse Hotstick Testing Rebuild		<u>44,800</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>4,358,156</u></b>

**Customers Experiencing More than Five Interruptions  
(CEMI5)**

**Calculation:**

CEMI5 % =  $\frac{\text{Customers Experiencing More than Five Interruptions}}{\text{(Total Number of Customers Served)}}$

(CEMI5 %)

**Customers with More than 5 Interruptions:**

2000  $\frac{7,881}{370,119} = 2.1\%$  (corrected calculation)

2001  $\frac{3,805}{376,520} = 1.0\%$

**Customers with 5 or More Interruptions:**

2000  $\frac{15,533}{370,119} = 4.2\%$  (previously provided)