

One Energy Place
Pensacola, Florida 32520

Tel 850.444.6111



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

Douglas A. Shropshire, Lt. Col. USAFR
AFCESA/Utility Litigation Team
6608 War Admiral Trail
Tallahassee FL 32309

Stephen Burgess, Esquire
Office of Public Counsel
c/o The Florida Legislature
111 W. Madison St., Room 812
Tallahassee FL 32399-1400

Michael A. Gross
Vice President
Florida Cable Telecommunications Assn
246 East 6th Avenue, Suite 100
Tallahassee FL 32303

Vicki Kaufman, Esquire
McWhirter Reeves, P.A.
117 S. Gadsden Street
Tallahassee FL 32301



JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 0007455
Beggs & Lane
P. O. Box 12950
Pensacola FL 32576
850 432-2451
Attorneys for Gulf Power Company

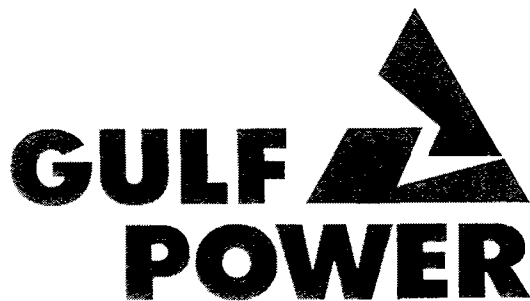
**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET NO. 010949-EI

REBUTTAL TESTIMONY

OF

**TONY A. SILVA
AND
SCOTT C. TWERY**



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

00785 JAN 22 8

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Rebuttal Testimony of

4 Tony A. Silva and Scott C. Twery

5 In Support of Rate Relief

6 Docket No. 010949-EI

7 Date of Filing: January 22, 2002

8
9 Q. Mr. Silva, would you please identify yourself and Mr. Twery for the record,
10 including your positions and business address?

11 A. I am Tony Silva, a Principal Consultant with Hewitt Associates, and with
12 me is Scott Twery, an Actuarial Consultant, also with Hewitt Associates.
13 Our business address is 3350 Riverwood Parkway, Suite 80, Atlanta,
14 Georgia 30339.

15 Q. Mr. Silva, please describe your educational and professional background.

16 A. Prior to joining Hewitt, I was the Compensation Manager for the corporate
17 headquarters of a large, high technology manufacturer. I also worked in
18 various Human Resources areas including Employee Relations, Staffing,
19 Compensation, Human Resource Planning, and also Marketing. I have an
20 M.B.A. from Duke University's Fuqua School of Business and a B.A. in
21 Management from Eckerd College. I am an active member of the
22 American Compensation Association, and I have earned the designation
23 of Certified Compensation Professional (C.C.P.).

24 I have been with Hewitt Associates for 12 years and have worked
25 with over 100 organizations, including Southern Company, to assist them
with a wide variety of Compensation and various related Human Resource

1 issues. I have extensive experience in the areas of total compensation
2 strategy, market-based pay design, performance management, job
3 evaluation, hourly compensation plans, variable pay program design,
4 sales incentive compensation and alternative reward programs.

5

6 Q. Mr. Twery, please describe your educational and professional
7 background.

8 A. I graduated from the University of North Carolina's actuarial science
9 program in 1980. Since then, I have become a Fellow of the Society of
10 Actuaries, an Enrolled Actuary and a member of the American Academy
11 of Actuaries.

12 I have worked as an Actuarial Consultant at Hewitt for 21.5 years.
13 Currently, my work is focused on helping clients with the design, financing
14 and administration of retirement benefit plans. In addition, I help clients
15 evaluate the comparability or competitiveness of their benefit plans to
16 those of other employers.

17

18 Q. What is the purpose of your testimony?

19 A. The purpose of our testimony is to describe the Company's market-based
20 pay design, in response to the testimony of Helmuth W. Schultz, III. Our
21 testimony will include an explanation of how salary surveys are used to
22 determine the market value of various jobs and how the data supports the
23 Company's compensation philosophy. Survey data is used extensively by
24 Hewitt to assist clients with pay plan design and administration.

25

1 Q. Do you agree with Mr. Schultz's concerns about the reasonableness of
2 Gulf Power's incentive compensation?

3 A. No. Mr. Schultz's concerns are the result of an inappropriate comparison.
4 Rather than compare incentive compensation to gross payroll and fringe
5 benefits, it is more appropriate to evaluate Gulf Power's total cash
6 compensation (base + incentive) against the market to insure
7 competitiveness. The survey data referenced earlier provides total cash
8 compensation for various jobs in the relevant market.

9
10 Q. Is Gulf Power's overall compensation package competitive?

11 A. Yes. To ensure Gulf Power's pay policy is aligned with the external
12 market, a "Market Position" report is normally produced on an annual
13 basis. An estimated market value is determined for each specific
14 benchmark job and the data is consolidated to determine a weighted
15 average market position for each job group at Gulf Power Company
16 including both base pay and total cash compensation (base + incentive)
17 data. Organizations are considered to be "at market" if their pay policy
18 falls between +/- 10% to the market. An analysis of Gulf Power's pay
19 policy to the market was conducted in August 2001. The report confirmed
20 Gulf Power's total compensation pay policy compared to actual pay levels
21 is not only within the +/- 10% guideline, but is also within +/- 5% for all job
22 groups, on average.

23
24 Q. What companies was Gulf Power compared against to produce the market
25 position report?

1 A. The number and type of companies that participate in a specific survey will
2 vary. Southern Company Services Compensation personnel, with support
3 from Gulf Power Human Resources employees, match Gulf Power jobs to
4 jobs in third-party salary surveys. Southern Company participates in
5 approximately 40 surveys annually that represent hundreds of jobs from a
6 wide variety of companies and they reflect the appropriate geographic and
7 industry labor segments for the areas in which they recruit talent.

8

9 Q. Do you have a summary of your testimony?

10 A. Yes. In closing, the market position report for Gulf Power supports the
11 Company's compensation philosophy and is well within the parameters to
12 be considered at market.

13

14 Q. Does this conclude your testimony?

15 A. Yes.

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