MIKE HARIDOPOLOS
President of the Senate

J.R. Kelly
Public Counsel

STATE OF FLORIDA
OFFICE OF PUBLIC COUNSEL

C/O THE FLORIDA LEGISLATURE
111 WEST MADISON ST.
ROOM 812
TALLAHASSEE, FLORIDA 32399-1400
1-800-540-7039

EMAIL: OPC_WEBSITE@LEG.STATE.FL.US
WWW.FLORIDAOPC.GOV

DEAN CANNON
Speaker of the House of Representatives

October 14, 2011

Ms. Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 110138-EI, Petition for increase in rates by Gulf Power Company.

Dear Ms. Cole:

Pursuant to the Memorandum of Understanding regarding Reproduction of Certain Documents, dated February 22, 2011, the Office of Public Counsel is filing an original paper version and a CD copy of the original direct testimonies and exhibits of its witnesses. Enclosed for filing in this docket are the direct testimonies and exhibits of Helmuth W. Schultz, III, Donna Ramas, C.P.A., and J. Randall Woolridge, Ph.D. The direct testimony and exhibits of Kimberly H. Dismukes is being filed separately and subject to Gulf Power Company's notice of intent to assert confidential treatment over certain confidential information contained therein.

If you have any questions or concerns; please do not hesitate to contact me. Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office. Thank you for your assistance.

Sincerely,

Erik L. Sayler
Associate Public Counsel

COM 5
APA 1
ECR remaining copies
GCL 1
RAD 1
SRC 1
ADM
OPC
CLK CT.RPR

ELS:bsr
Enclosure
cc: Parties of Record

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was furnished by e-mail and/or U.S. Mail this 14th day of October, 2011 to:

Caroline Klancke, Esquire
Keino Young, Esquire
Martha Barrera, Esquire
2540 Shumard Oaks Boulevard
Florida Public Service Commission
Tallahassee, FL 32399-0850

Jeffrey A. Stone, Esquire
Russell A. Badders, Esquire
Steven R. Griffin, Esquire
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32576-2950

Susan Ritenour
Gulf Power Company
One Energy Place
Pensacola, FL 32520

Charles Guyton
Gunster, Yoakley, & Stewart, P.A.
215 S. Monroe Street, Suite 618
Tallahassee, FL 32301

Richard Melson
705 Piedmont Drive
Tallahassee, FL 32312

Robert Scheffel Wright/John T. La Via
Gardner, Bist, Wiener, Wadsworth, Bowden,
Bush, Dee, LaVia & Wright, P.A
1300 Thomaswood Drive
Tallahassee FL 32308

Federal Executive Agencies
Christopher Thompson/Karen White
c/o AFLOA/JACL-ULFSC
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403

Florida Industrial Power Users Group
Vicki G. Kaufman/Jon C. Moyle, Jr.
Keefe Anchors Gordon & Moyle, P.A.
118 North Gadsden Street
Tallahassee, FL 32301

Erik L. Sayler
Associate Public Counsel

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for increase in rates by Gulf Power Company	)))	Docket No. 110138-EI Filed: October 14, 2011

DIRECT TESTIMONY

OF

HELMUTH W. SCHULTZ, III

ON BEHALF OF THE CITIZENS

OF THE STATE OF FLORIDA

TABLE OF CONTENTS

EXHIBITS

DIRECT TESTIMONY

OF

Helmuth W. Schultz, III

On Behalf of the Office of Public Counsel

Before the

Florida Public Service Commission

Docket No. 110138-EI

I. STATEMENT OF QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Helmuth W. Schultz, III. My business address is 15728 Farmington Road, Livonia Michigan 48154.

Q. BY WHOM ARE YOU EMPLOYED?

A. I am a Senior Regulatory Analyst with Larkin & Associates P.L.L.C.

Q. PLEASE DESCRIBE THE FIRM LARKIN & ASSOCITES, P.L.L.C.

A. Larkin & Associates, P.L.L.C. performs independent regulatory consulting primarily for public service/utility commission staffs and consumer interest groups (public counsels, public advocates, consumer counsels, attorney generals, etc.). Larkin & Associates, P.L.L.C., has extensive experience in the utility regulatory field as expert witnesses in over 600 regulatory proceedings including water and sewer, gas, electric and telephone utilities.

Q. HAVE YOU ATTACHED ANY EXHIBITS TO YOUR TESTIMONY?

A. Yes. Yes, I have attached Exhibit No. ___ (HWS-1), which is labeled H.W. Schultz, III Schedules, and contains Schedules C-1 through C-4. Also attached as Exhibit No.__(HWS-2), entitled Qualifications of Helmuth W. Schultz, III, is a summary of my background, experience and qualifications.

Q. BY WHOM WERE YOU RETAINED, AND WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. Larkin & Associates, P.L.L.C., was retained by the Florida Office of Public Counsel ("OPC") to review the rate increase requested by Gulf Power Company ("Company" or "Gulf"). Accordingly, I am appearing on behalf of the citizens of Florida ("Citizens") who are customers of Gulf.

II. BACKGROUND

Q. PLEASE BRIEFLY DESCRIBE THE ISSUES YOU WILL BE ADDRESSING IN THIS PROCEEDING.

A. I am addressing the appropriateness of the Company's recovery on Plant Held for Future Use for the land and costs for a possible nuclear facility, the annual expense for the storm reserve accrual, tree trimming, pole inspections, production maintenance and the recovery of Directors and Officers Liability ("DOL") Insurance.

III. PLANT HELD FOR FUTURE USE-NUCLEAR SITE COST

Q. WOULD YOU PLEASE DESCRIBE GULF'S REQUEST TO INCLUDE AN ADDITIONAL $26,751,000 (JURISDICTIONAL) OF PLANT HELD FOR FUTURE USE ("PHFU") IN THE RATE BASE FOR RECOVERY FROM RATEPAYERS?

A. Yes. The Company has deferred approximately $27.7 million ($26.7 jurisdictional) in costs it has incurred for procuring a 4,000 acre site in North Escambia County to "preserve a nuclear option for its customers." The Company indicated that this site is suitable for other generation technologies as well. The Company is now requesting to cease deferring these costs and include them in rate base as PHFU. As can be seen on Mr. McMillan's Schedule 2, page 2 of 2, line 9, the Company's proposed increase to PHFU is $27.687 million on a total company basis and $26.751 million on a jurisdictional basis. According to the Company's response to Staff's Fifth Set of Interrogatories, No. 47, the total Company amount is comprised of approximately $19 million for site acquisition costs; $4.5 million for site investigation costs; $1.2 million for legal fees, project support costs, and generation studies, and "Project Frank"; and an additional $3.0 million of Allowance for Funds Used During Construction ("AFUDC") carrying costs. It is unclear as to whether the costs other than land costs have been incurred or are instead projected to be incurred.

Q. WHAT IS THE CURRENT DOLLAR AMOUNT OF PHFU INCLUDED IN THE COMPANY'S RATE BASE?

A. On a total Company basis, the amount of PHFU included in rate base prior to the nuclear site cost adjustment is $5,665,000. The jurisdictional amount is $5,482,000.

Q. WHAT EFFECT WOULD THE INCLUSION OF THE COMPANY'S REQUEST TO INCREASE PHFU HAVE ON THE COMPANY'S REVENUE REQUIREMENT?

A. Based on the Company's requested rate of return, the current jurisdictional amount of PHFU translates to an approximate revenue requirement of $632,000 annually. If the Commission approves Gulf's request, the jurisdictional revenue requirement that would be associated with adding the $26.7 million to rate base as PHFU is $3,083,000, as shown on Mr. McMillan's Schedule 2, page 2 of 2, line 9, column 4. Including the Company's requested increase to PHFU would increase the revenue requirement for ratepayers associated with PHFU by approximately 487%. Therefore, this increase would increase the current revenue requirement associated with PHFU from approximately $632,000 to a total of $3,715,000.

Q. HAS GULF PROVIDED A BASIS FOR INCLUDING THIS SIGNIFICANT INCREASE IN PLANT HELD FOR FUTURE USE IN CURRENT RATES TO BE RECOVERED FROM RATEPAYERS?

A. Gulf has provided arguments, which I discuss below, that are not supported by any studies or other information which would justify the inclusion of such a significant increase in PHFU in rate base and recovered from ratepayers.

Q. WHOSE TESTIMONY SUPPORTS THE INCLUSION OF THIS LARGE DOLLAR AMOUNT IN PHFU?

A. Company witnesses McMillan and Burroughs both include arguments purporting to support this investment as being prudent and reasonable for inclusion in rate base.

Q. WOULD YOU DISCUSS EACH OF THE WITNESSES' TESTIMONY AND THE ARGUMENTS THEY PRESENT?

A. Yes. Mr. McMillan refers to Section 366.93, Florida Statutes, ("F.S."), as justification for including this dollar amount of PHFU in rate base and makes the following statement in his direct testimony: "In deciding to pursue consideration of nuclear generation, Gulf relied on the recovery provided by this statute."

Q. WHAT IS YOUR UNDERSTANDING OF SECTION 366.93, FLORIDA STATUTES?

A. Section 366.93, F.S. provides for "cost recovery for the siting, design, licensing and construction of nuclear and integrated gasification combined cycle power plants." It is my understanding that this statute allows a utility to petition the Commission for recovery of costs related to either a nuclear plant or an integrated gasification combined cycle plant through the utility's capacity cost recovery clause. I have been informed by Counsel for the OPC, of OPC's opinion that this statute does not apply to the Gulf's request. Section 366.93(3), F.S, states that "<u>After a petition for determination of need is granted, a utility may petition the Commission for cost recovery as permitted by this section and the Commission's rules.</u>" (Emphasis added). Counsel for OPC has informed me that the

Commission implemented this provision with a rule that provides for recovery of certain costs via a cost recovery clause that is separate from base rates. Thus, it is only after the need determination for the plant has been approved by the Commission will cost recovery be included under the nuclear cost recovery statute, and such recovery would take place outside of base rates. Therefore, Gulf's attempt to invoke Section 366.93, F.S. fails.

Q. HAS GULF FILED A PETITION FOR DETERMINATION OF NEED?

A. No. Gulf has not requested or filed a petition for determination of need. In response to Citizens Interrogatory No. 24 the Company stated the following:

> ...the Company does not currently have a need to construct generation facilities; therefore, the Company does not plan to file a petition for determination of need for a nuclear plant (or any generation) in the near future.

Since Gulf admits that it does not plan to file a petition for determination of need for a nuclear plant in the near future, the Company's purchase of this site is based on nothing more than speculation that nuclear generation *might* be a viable option for its customers at some time in the future. Further, because no petition has been filed for a determination of need which satisfies the requirements of Section 366.93(3), F.S., the costs associated with the purchase of this land should not be included in PHFU pursuant to Section 366.93, F.S.

Q. MR. MCMILLAN ALSO STATES THE FOLLOWING: "GULF BELIEVES THAT NUCLEAR IS A VIABLE OPTION THAT BENEFITS CUSTOMERS UNDER A RANGE OF SCENARIOS." HAS GULF IDENTIFIED THESE VIABLE OPTIONS TO WHICH MR. MCMILLIAN

REFERS IN A NEED DETERMINATION PETITION TO THE FLORIDA PUBLIC SERVICE COMMISSION?

A. I do not believe so. I am unaware of any petition that Gulf has filed with the Commission to justify any nuclear expansion of its generating facilities. As previously mentioned, a petition for "determination of need" must be granted before the Company can petition the Commission for cost recovery as permitted under Section 366.93, F.S. The Company has not filed any such needs petition or studies regarding the "range of scenarios" to which Mr. McMillan refers.

Q. HAS GULF DEMONSTRATED THAT THE ADDITION OF A NUCLEAR UNIT TO GULF'S GENERATING PORTFOLIO MAKES ANY SENSE FROM AN OPERATIONAL STANDPOINT?

A. No. The following observations are based as much on common sense as any technical analysis. Logically, the unit added by a utility should match the requirements that the utility has demonstrated are necessary to meet the demand and energy requirements which are projected for the utility cost-effectively. Gulf has not presented any documentation, studies, or analyses which satisfy this general rule. Second, most nuclear units that have been proposed are in the range of 1,200 megawatts, which would result in a net generation capacity addition to the system of about 1,150 megawatts. Gulf's 2010 system peak was 2,553 megawatts. A unit of this size could be 45% of Gulf's system peak. The peak load on the Gulf system through July 31, 2011was 2,495 megawatts. If this nuclear unit's net generation is 1,150 megawatts that would equate to 46% of that 2011 year-to-date peak. I am not aware of any electric utility that has a single unit that amounts to that large of a percentage of the system peak.

Q. ARE YOU AWARE OF ANY COMPANY THE SIZE OF GULF WHICH HAS LESS THAN 500,000 CUSTOMERS THAT HAS CONSTRUCTED A NUCLEAR PLANT FOR ITS OWN USE?

A. No, I am not. I asked the Company if it was aware of any company with less than 500,000 customers that had constructed a nuclear plant for its own use. Gulf's answer to Citizens Interrogatory No. 109 was "Gulf does not know whether any company with less than 500,000 customers has constructed a nuclear plant for its own exclusive use." It would seem that since the Company has contemplated construction of a nuclear plant, that it would have investigated to see if any company of a similar size has a nuclear plant, and whether that nuclear plant has been economic for its customers.

It is also my understanding that much larger utilities in Florida, namely Florida Power & Light and Progress Energy Florida, have been delaying the construction of nuclear plants further into the future because they cannot be justified on the basis of need. It is hard to believe that Gulf, a company far smaller than these two companies, could justify a nuclear plant for its own needs at any time.

Q. DID THE COMPANY INDICATE THAT IT MIGHT SEEK OTHER PARTICIPANTS TO CO-OWN THE FACILITY?

A. Yes. In its response to Citizens Interrogatory No. 109, part "e", the Company stated:

> Depending on the actual type and timing of an eventual generating resource addition constructed on the site, Gulf may seek the participation of potential co-owners in order to facilitate the addition. Such co-owners may potentially be other companies within the Southern electric system or unaffiliated companies.

Q. IF THAT IS THE CASE AND GULF DOES SEEK OTHER CO-OWNERS WHEN AND IF THIS SITE IS EVENTUALLY USED, WOULD THAT JUSTIFY ITS INCLUSION IN THE COMPANY'S RATE BASE?

A. No, it supports just the opposite conclusion. Gulf does not anticipate needing capacity until the year 2022, when the current resource plan indicates that 30 megawatts might be needed. If Gulf were to add 1,150 megawatts of net nuclear generating capacity to meet its need, its reserve margin would be approximately 40%. This would suggest that Gulf cannot seriously regard nuclear expansion for Gulf's needs only. If a nuclear unit ever makes sense, it will be in the context of shared ownership or sales to other entities. If the cost of this land were added to the rate base using the Company's requested rate of return, the annual carrying cost would be $3,083,000. Over the 10-year period between January 2012 and January 2022, the earliest year in which Gulf projects a need for capacity (and not necessarily the date that Gulf would target as the in-service date of a nuclear unit), ratepayers would have paid $30,830,000 in carrying charges on this piece of property, which Gulf admits may have other co-owners in order to build a nuclear plant. In other words, if Gulf is allowed to place the property in rate base now, Gulf ratepayers would be subsidizing some future owner of this property if and when a nuclear unit is ever built. Viewed strictly from the perspective of Gulf's ratepayers, the idea of Gulf pursuing a nuclear unit makes no sense at all.

Q. WOULD YOU PLEASE DISCUSS THE COST WHICH THE COMPANY HAS INCLUDED IN THE PLANT HELD FOR FUTURE USE WHICH IT SEEKS TO RECOVER A CARRYING CHARGE FROM RATEPAYERS?

A. Yes. The total Company dollar amount which it seeks to put in rate base is $27,687,440. Of this amount approximately $4.5 million is cost incurred for site investigation. It appears that most of these costs were (or will be) incurred to determine whether this property would be suitable for a nuclear plant. It would not seem appropriate to charge ratepayers for costs such as these if the Company contemplates other parties sharing in the ownership of this plant. In addition, the Company has included an amount of approximately $187,000 which it has entitled "Needs Determination Filing." As of the date of this filing, Gulf has no docket opened to address any such nuclear need determination before the Florida Public Service Commission. Regardless, the need determination filing costs are not appropriate costs to include in Plant Held for Future Use.

In addition, approximately $650,000 of costs were incurred by Southern Company and Gulf for travel expenses, resource planning, and legal fees. Again, these costs seem extremely high given the fact that there is no definite plan, nuclear or otherwise, for this piece of property. Finally, there is a cost which is labeled "Project Frank" which has no other explanation. This cost is approximately $370,000. These costs likewise are not appropriate costs to include in Plant Held for Future Use.

Q. DOES THE COMMISSION HAVE A STANDARD THAT IT APPLIES WHEN IT ALLOWS PROPERTY TO BE INCLUDED IN PHFU?

A. By Order No. 5471 in Docket No. 71342-EU, issued June 30, 1972, the Commission considered the issue of whether to include costs associated with the Caryville plant site. The Commission stated the following:

> . . . we conclude that so long as the acquisition of the property in question is considered a responsible and prudent investment and it appears that it will be used for utility purposes in the reasonably near future, in the light of prevailing conditions, such property should be included in the utility's rate base."

This statement was made in support of including the Caryville site in PHFU. This approval was in 1972, 39 years ago. The Caryville site still has not been utilized and the Company does not have any disclosed plans to use this site. Given availability of the Caryville site, it is not be appropriate to include such a huge dollar amount for the proposed Escambia site when the need for such an additional site has not been proven. In my opinion, the acquisition of the Escambia site does not appear to be a reasonable and prudent investment that will be used for Gulf's system purposes in the *reasonably* near future.

Q. IN ITS RESPONSES TO INTERROGATORIES, DIDN'T GULF INDICATE THAT THIS PROPERTY COULD BE USED FOR GENERATION UNITS OTHER THAN NUCLEAR?

A. Yes. In response to Citizens Interrogatory No. 109, Gulf stated in sub-part "a":

> Gulf anticipates that this site will accommodate a wide range of future capacity additions from conventionally fueled baseload, or intermediate generation facilities to facilities that utilize renewable fuels.

This, however, does not justify ratepayers paying a substantial carrying charge on this large piece of property. Currently, Gulf has two pieces of property on which ratepayers have been paying a carrying charge for several years. They are available for construction of conventional generating facilities.

Q. PLEASE DESCRIBE THE OTHER PIECES OF PROPERTY INCLUDED IN PHFU BY GULF.

A. The Caryville site, previously discussed, consists of approximately 2,200 acres in Holmes County, Florida, with a book value of $1,356,000 and has been in PHFU since September 19, 1963. Company witness Burroughs states that the Caryville site has been certified under the Power Plant Siting Act for a steam electric generating plant. The Company has another site which has been in PHFU since October 22, 1998. The Mossy Head property is 250 acres and has a cost of $296,000.

Q. WAS GULF ASKED TO STATE THE AMOUNT OF CAPACITY WHICH COULD BE BUILT ON THESE SITES?

A. Yes. In Citizens Interrogatory No. 106, Gulf was asked the amount of capacity which could be built on each of the land sites listed on MFR Schedule B-15. Gulf's response was:

> The amount of capacity that could be built on a particular site would be determined by the generation technology chosen and Gulf's capacity needs at the time the generation site is developed.

The Company did not provide any information regarding its plans with these two sites and what amount of capacity would be available to the Company. However, I have seen old orders of the Commission indicating that in the 1970s Gulf intended to construct a 500 MW coal-fired unit at Caryville, so the capacity of the site is at least 500 MW. Ratepayers have paid and continue to pay a carrying charge on these two pieces of property since the Commission has allowed them to be included in rate base.

Q. PLEASE ELABORATE ON THE ORDER WHICH INDICATES THAT THE COMPANY INTENDED TO BUILD A 500 MEGAWATT COAL FIRED GENERATING STATION AT THE CARYVILLE SITE.

A. By Order No. 7453, issued September 30, 1976, in Docket No. 760605-EU, the Commission noted Gulf's plans to construct a 500 megawatt coal-fired unit near Caryville, Florida, with a projected completion date in 1982. That unit was never constructed at the Caryville site, thus the Caryville site is still available for at least a 500 megawatt unit.

Q. ARE YOU AWARE OF ANY LARGE STEAM GENERATING POWER PLANTS THAT ARE SITED ON PROPERTY THE SIZE OF THE 2,200 ACRES OF THE CARYVILLE SITE?

A. Yes. Detroit Edison's Monroe County Plant is located in Michigan and is sited on 1,200 acres of property and has a summer capacity of 3,129 megawatts. It appears that the 2,200 acre Caryville site, which was previously approved for coal-fired generation, could hold a substantial amount of capacity which could be used by Gulf Power.

Therefore, with the availability of the Caryville site, Gulf's argument that the 4,000 acre Escambia property would be available for siting of generation other than nuclear does not support its request to be included in PHFU. The fact the Company has held the Caryville property since 1963 and has not put that property into service is evidence that Gulf does not need to acquire the Escambia site or place it into rate base as LHFU. Additionally, the smaller Mossy Head site consisting of 250 acres could at least accommodate a combustion turbine generating unit.

Q. MR. MCMILLAN ALSO STATES "THE PURCHASE OF THIS SITE IS THUS NECESSARY TO ALLOW GULF TO PRESERVE A NUCLEAR OPTION FOR ITS CUSTOMERS." HAS GULF PRESENTED ANY STUDIES TO THIS COMMISSION THAT SHOW THE NECESSITY FOR ADDITIONAL CAPACITY AND HAVE THOSE STUDIES SHOWN THAT NUCLEAR ENERGY WOULD BE AN OPTION?

A. No. If Gulf has participated in such studies with its parent company, Southern Company, those studies have not been presented to the Florida Public Service Commission. It would not be appropriate for the Commission to include these substantial PHFU costs in rate base supported solely by what can only be described as the Company's speculative overreaching. Only other affiliate or non-affiliate utilities could benefit from a decision to allow Gulf to collect now the full costs of a 4,000 acre site for a nuclear plant that, without the joint ownership and/or participation of others, would surely "engulf" its customers.

Q. WHAT ARGUMENTS DOES COMPANY WITNESS BURROUGHS MAKE TO JUSTIFY THE INCLUSION OF THIS SIGNIFICANT COST IN PHFU?

A. Mr. Burroughs refers to the same underlying justification that Mr. McMillan offered. He states "Gulf Power evaluates a variety of generation resources to meet future needs." It is, however, inescapable that the Company's evaluations, which it states underlies the inclusion of this land in PHFU, have never been presented to the Florida Public Service Commission or any other party for scrutiny. He further states, "This broad technological evaluation has implications in Gulf's approach to land held for future use." If by that he means Gulf's approach has changed such that the acquisition of 4,000 acres of land at a cost of $27 million precedes any technical analysis, I submit that shift is not a prudent one for which customers should bear the costs. There is, however, no study, evaluation or process that the Company has provided to the Commission to justify such a substantial addition to PHFU. Mr. McMillan admits on page 23 of his testimony that recent generation resource additions have not required the use of any Gulf-owned power plant sites and that the 10-year site plan does not reflect a need for capacity until the year 2022. The response to Citizen's Interrogatory No. 108 states that the 10-year site plans shows a "potential" generation need of approximately 30 MW in 2022. This amount hardly justifies the addition or construction of a nuclear plant with 1150 MW of capacity, or the recovery in PHFU for $26 million in unneeded future plant.

Q. WHAT OTHER ARGUMENTS DOES MR. BURROUGHS MAKE TO SUPPORT THE INCLUSION OF SUCH A LARGE DOLLAR AMOUNT IN PHFU?

A. Mr. Burroughs basically makes three arguments to support the increase to PHFU. The first is that by buying this piece of land and including it in Gulf's rate base it provides planning flexibility, allowing Gulf to ". . . avoid having to commit to specific generation technologies during a time of high uncertainties associated with potential environmental requirements." This argument does not seem to comport with the Company's justification for inclusion of this land in rate base. The Company states that they are purchasing this land to "allow Gulf to preserve a nuclear option for its customers."[1] It seems that the underlying premise of Mr. McMillan's testimony is that the purchase preserves the nuclear option for the Company and its recovery is based on Section 366.93, F.S. even though there has been no determination of need issued by the Florida Public Service Commission for a nuclear plant in the Gulf service territory. Mr. McMillan's reference to "flexibility" and his acknowledgement that the review of generation technologies has not taken place undermines Gulf's contention that the site selection process for building a nuclear unit has advanced to the point that Gulf is entitled to recover site selection costs from customers.

Mr. Burroughs states that "There are major environmental initiatives being proposed that could change the face of the electric utility industry," and "Gulf's prospective need for new generation may not be limited to just system growth, but could involve the retirement of existing resources driven by regulatory changes." The Company did not provide any studies, analyses, documents or other support which show that a nuclear plant would be necessary to address such regulations if and when they were ever implemented. It appears that the underlying basis for Mr. Burroughs' argument for including this significant cost in rate base is speculative, and not based on any known and measurable standard which is normally used to justify including costs in utility rates.

Q. HAS GULF, THROUGH MR. MCMILLAN OR MR. BURROUGHS, PRESENTED ANY ANALYSIS OR JUSTIFICATION THAT A NUCLEAR PLANT WOULD BE NECESSARY TO MEET EITHER ENVIRONMENTAL REGULATIONS OR SYSTEM GROWTH?

[1] McMillan Testimony, p. 5, line 21.

A. No, and even if they did, a base rate case is not the appropriate forum in which to examine future plant growth and needs. Mr. Burroughs further states, "Although there are many uncertainties, it is clear that there are situations in which nuclear could be a cost-effective solution for meeting long-term additions." Again, Gulf has not presented these situations to the Commission in the form of a petition for determination of need in order to justify any future generation additions or that nuclear, could in reality, be cost-effective in serving Gulf's ratepayers.

Q. YOU ARE RECOMMENDING THAT THE COMMISSION NOT ALLOW GULF TO INCLUDE THE ESCAMBIA SITE IN RATE BASE. SHOULD THE COMMISSION ALLOW THE COMPANY TO CONTINUE ACCRUING AN AFUDC RETURN ON THE SITE?

A. No. Gulf has presented no basis on which the Commission could conclude that this site could ever be used cost-effectively to benefit Gulf ratepayers. The Company has two sites, Caryville and Mossy Head, which have been in PHFU since 1963 and 1998, respectively. Today Gulf has no specific plans to construct capacity on either of them. Gulf has not shown that the Escambia site is a reasonable and prudent investment that will be used for utility purposes in the *reasonably* near future. To allow the Company to accrue AFUDC on an additional 4,000 acres is not justified from the standpoints of reasonableness and prudence. Thus Gulf should not be allowed to accrue any carrying costs on the Escambia site.

IV. STORM RESERVE ACCRUAL AND RESERVE BALANCE

Q. DID YOU REVIEW THE COMPANY'S REQUEST FOR AN INCREASE OF $3.3 MILLION IN THE ANNUAL STORM ACCRUAL?

A. Yes. Gulf witness Constance Erickson recommends an annual accrual of $6.8 million on a system basis and $6.539 million on a retail basis. The intent is to maintain a reserve of between $52 million and $98 million. The accrual amount and the requested reserve are based on an analysis performed by EQECAT Inc., an ABS Group Company.

Q. WHAT CONCERNS ARE THERE WITH THE COMPANY'S REQUEST FOR AN INCREASE IN THE ANNUAL STORM ACCRUAL?

A. The Company's request to adjust the storm reserve is excessive based on the historical charges to the reserve that are intended to be covered by the reserve. Additionally, the request is not adequately justified by the Company based on the storm standards established for Florida electric utilities. Since the expiration of the storm surcharge in June of 2009, and also due to the low level of storm charges against the reserve since 2005, the Company's reserve has increased significantly. In fact, Company witness Erickson states in her testimony that assuming that no property damage is charged during 2011, the reserve will have a balance of $31,093,000 at the beginning of the test year. The level of $31,093,000 would be just above the mid-point of the Commission's target level of $25.1 million to $36 million for the reserve set in Docket No. 951433-EI.[2]

[2] See Order No. PSC-96-1334-FOF-EI, issued November 5, 1996, In Re: Petition for approval of special accounting treatment of expenditures related to Hurricane Erin and Hurricane Opal by Gulf Power Company.

That suggests the current annual reserve accrual is sufficient, if not excessive, for the future. I would also like to note that the purpose of the reserve is not limited to storm protection. It also covers other events not covered by typical insurance protection. In my discussion of charges against the reserve I will address only those costs that are storm charges.

Q. DID THE COMPANY USE ANY STUDIES TO DETERMINE THE LEVEL OF ACCRUAL THAT SHOULD BE MADE?

A. No. Even though the Company's witness Erickson states at page 29 of her direct testimony that "The $6.8 million represents the expected average annual storm loss to be charged to the reserve according to Gulf's 2011 Hurricane Loss and Reserve Performance Analysis (Storm Study)", it is my opinion that the storm study was not used to determine the level of the proposed accrual. Instead, the study reflects what the Company decided it wanted to collect in rates. My opinion is based on my concerns with the focus of the study, the assumptions made, recent history and the conclusions that resulted from the study. There is also a concern with what was not factored in the study.

Q. WHAT IS THE CONCERN WITH THE FOCUS OF THE STUDY?

A. The study indicated that damage level of $8.3 million was based on thousands of random variable hurricanes, an initial reserve of $27 million, losses assumed to increase at 4% per year, a continued annual reserve accrual of $3.5 million, and an expected annual charge of $6.8 million. No alternative assumptions were used as inputs; therefore, it appears that the conclusion (that the only way to adjust the accrual was to increase it) was pre-determined. This was essentially confirmed in the response to Citizens' Interrogatory 206, which states that "There is only one Expected Annual Damage (EAD) calculated", and "Only one storm reserve simulation was performed."

Concern also exists with the fact that the focus was on thousands of storms, including storms as significant as Ivan and Dennis. It should be noted that the probability results shown on Table 4-1 of the study are not based on historical storms but simulated storms (See Gulf's response to Citizens Interrogatory No. 207). While I do believe that historical storm information is relevant, there is a problem with the use of simulations of thousands of storms that were not specific to the Gulf service territory. Storm impacts vary depending on geographic area. According to the response to Citizens Interrogatory No. 210, the Company does not have storm data available by zip code. That would mean there is no support for the damage values incorporated into the study. There is also the fact that the study would include the impact of Ivan and Dennis without performing an alternative damage calculation that excludes Ivan and Dennis.

Q. WHY IS THERE A CONCERN WITH INCLUDING STORMS LIKE IVAN DENNIS AND KATRINA IN THE DETERMINATION OF DAMAGES CHARGED AGAINST THE STORM RESERVE?

A. In its storm cost recovery decision for Progress Energy, the Commission stated that the 2004 hurricane season was "unprecedented and extraordinary in nature" and the incremental costs of the 2004 hurricanes did not constitute a base rate item. That means storms of the magnitude of Ivan, Katrina, and Dennis were also not intended to be covered by the reserve in and of itself. The Commission allowed a storm surcharge because the types of storms that occurred during that time frame were extremely unusual and the impact from them was extraordinary. Allowing costs associated with infrequent storms of that magnitude to be factored into the size of the reserve inappropriately requires ratepayers to provide funding for damages that likely will occur only rarely, if at all. If such an event does occur in the future, the mechanism of the surcharge will be available at that time.

Q. WHAT ARE YOUR CONCERNS WITH THE ASSUMPTIONS INCORPORATED IN THE STUDY?

A. The study prepared for the Company determined an average annual loss of $8.3 million of which $6.8 million would be charged against the reserve. This assumption coupled with the assumption of random storms not specific to the Gulf service territory significantly impacted the determination of the estimated reserve results. According to the study (Page 1-1), the loss was computed "using the results of thousands of random variable storms." This is exactly what was deemed a concern with the previously mentioned Progress Energy Florida hurricane study. As indicated earlier, the use of storm data that may be applicable to areas outside of the Gulf service territory will skew the results. There is also the fact that since 2001, with the exception of 2004 and 2005, the Company has charged only $0 to $2.6 million to the reserve for storms in any one year, or an average of $575,566. This average is calculated on Exhibit HWS-1, Schedule C-1, Page 2 of 2.

The study at page 10 emphasizes how the impacts of Hurricanes Ivan, Dennis and Katrina were factored into the loss model. It specifically states, "The 2004-2005 loss history is believed to be most reflective of the current Gulf hurricane restoration practices and cost experience." That assumption as described is not appropriate for two reasons. First, the reserve is for major storms that are not considered extraordinary. Second, the Company has been under direction from the Commission to perform storm hardening at a heightened level since the 2004-2005 extraordinary storms occurred. To base the results of the study on 2004-2005 practices and cost experience ignores the improvements focused on since the 2004-2005 storms, as well as the intended purpose of the reserve.

Q. WHY HAVE YOU EXCLUDED 2004 AND 2005 FROM THE AVERAGE YOU CALCULATED?

A. The 2004 and 2005 storms were extraordinary. After application of the then current storm reserve balance, the costs were recovered through a storm surcharge. In PEF's Storm Cost Recovery proceeding (Docket No. 041272-EI[3]), the Commission stated, "PEF contends that the costs of severe storms like the 2004 hurricanes are too volatile, irregular in their occurrence, and unpredictable to be addressed in base rates." That served as a basis for treating the storm surcharge recovery mechanism as a vehicle for storms of an extraordinary nature. Yet, the Company has attempted to justify its storm request based on a study that did factor in the impacts of those storms.

Q. WHAT ARE YOUR CONCERNS WITH THE COMPANY'S CONCLUSION REGARDING THE STUDY?

[3] See Order No. PSC-06-0772-PAA-EI, issued September 18, 2006, in Docket No. 041272-EI, In Re: Petition for approval of storm cost recovery clause for recovery of extraordinary expenditures related to Hurricanes Charley, Frances, Jeanne, and Ivan, by Progress Energy Florida, Inc.

A. Ms. Erickson states in her testimony that, based on the updated study, the Company's current accrual of $3.5 million on a system basis, and an estimated annual charge for damages of $6.8 million, the expected fund balance in five years will decline to $11 million. Ms. Erickson then adds that there is 29 percent probability that the fund will become negative within the next five years. There are multiple problems with these hypothetical assumptions. First, absent another occurrence of storms like Ivan, Dennis and Katrina impacting the Gulf service territory, the average annual charges were only $575,566 over an eight year period. That annual average charge is significantly less than the annual $6.8 million assumed and requested by the Company. Second, if one assumes no storm charges through the end of 2011 (i.e. the reserve balance would be $31.1 million), the annual charges over the next five years continue at $575,000 and the Company is allowed a $6.8 million accrual, the result would be a $62.2 million reserve balance as of December 31, 2016. This calculation is shown on Exhibit HWS-1, Schedule C-1, Page 2 of 2. Based on the Company's study there would be only a 4% chance of a storm with a $60 million damage layer occurring that would deplete that reserve. Third, assuming no storms occur for the remainder of 2011, resulting in charges against the reserve through December 31, 2011, the current accrual will have established a reserve of $31.1 million. Based on the Company's study, there is only an 8% chance a storm with a $30 million damage layer occurring and eliminating that reserve. Fourth, the written body of the study suggests a result based on an unsupported and atypical annual average for typical storm reserve damage charges. It assumes a very pessimistic, significant storm occurrence that would result in a possible $111 million negative reserve. For a storm to result in a negative $111million balance there would have to be $140 million of damage (i.e. eliminating the $30 million reserve and resulting in the negative balance). The Company study suggests there is a 1% probability of that happening. The fact is the same study indicates that there is a 24.5% chance that damages could be $500,000 or less. Fifth, the 24.5% probability that $500,000 or less of damage could occur is comparable to the historical damages charged for typical reserve charges between 2001 and 2010. This is further corroborated by the 2011 damages that have been zero to date. Finally, as indicated earlier, the $6.8 million request was a predetermined number intended to increase an already sufficient reserve balance. That is significant, given the recent history of storm costs charged against the reserve and taking into consideration that the 2004 and 2005 storms factored into the study are storms that are not likely to occur and should not have been factored into the storm reserve determination purported to justify the predetermined $6.8 million result.

Q. WHAT ARE YOUR CONCERNS WITH WHAT WAS NOT FACTORED INTO AND/OR IDENTIFIED IN THE STUDY OR COMPANY TESTIMONY?

A. The Company has expended funds for storm hardening since the 2004 and 2005 storms occurred. The current filing includes a request for continuing storm hardening costs. There is no indication that the study factored the storm hardening that has been accomplished to date and that Gulf proposes to continue in the future.

The study includes a number of significant caveats. Page 4 states that the study provides no guaranty of any kind; that the limited nature of data causes a level of uncertainty; there is a “significant amount of uncertainty” in the hurricane severity and locations; and asset vulnerabilities, replacement costs and other computational parameters can cause estimated losses to be significantly different. Said differently, anything can happen and the results could be significantly different from what is reflected in the study.

Next, a major missing factor in testimony and in the study is an explanation as to why no alternative annual accruals were considered. As stated earlier, the study is not what results in the requested reserve accrual; it only shows what the estimated results may be on the Company's assumption that $6.8 million of charges would occur annually and the $3.5 million was continued as the annual accrual.

Finally, in Docket No. 060154-EI, Gulf hired ABS Consulting to perform a similar study in support of its request to increase its storm reserve. According to Mr. McMillan's testimony at pages 11-13, the study indicated that the expected annual losses to be charged against the reserve would be $6.4 million. The losses were based on the "expert forecasts of projected hurricane activity that conclude" the Company was "in a period of increased storm activity and higher probabilities of <u>hurricane landfall</u>" (emphasis added). As noted on Exhibit HWS-1, Schedule C-1 there has not been increased storm activity during the years 2007-2011 that generated average annual charges of $6.8 million as the experts had forecasted. And, based on the response to Citizens' Interrogatory No. 204, the last storm to make landfall in Gulf's service area was Hurricane Dennis in 2005. Had the Company taken into account the fact that the expectations from the last study differed significantly from the subsequent actual experience, the Company may have realized that the current study is biased.

Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING TO THE COMPANY'S RESERVE ACCRUAL AND RESERVE REFLECTED IN THE FILING?

A. Based on the reserve current balance and what I expect the balance to be as of December 31, 2011, I believe justification exists to reduce the Company's to annual accrual to $600,000. This recommendation reduces O&M expense $6.2 million ($5,962,113 on a jurisdictional basis) as shown on Exhibit HWS-1, Schedule C-1, Page 1 of 2.

Q. WOULD YOU EXPLAIN WHY YOUR ADJUSTMENT IS APPROPRIATE?

A. The Company has established a reserve that is sufficient to cover major storms in the future. As discussed earlier, the calculated average cost of storms charged against the reserve excluding the unusual 2004 and 2005 storm costs is approximately $575,000. This recommendation that the annual accrual be reduced to $600,000 is based on the assumption that the annual charges will continue at the historical rate of $575,000 and after five years the reserve will be comparable to what it is expected to be as of December 31, 2011. That level of a reserve is sufficient to cover storm costs that are likely to occur based on recent history, and is a level that was previously determined by the Commission to be within a specific target range, as noted above. As shown on Exhibit HWS-1, Schedule C-1, Page 2 of 2, charging the most recent eight year average of $575,000 (excluding surcharge recovered storms) against the reserve while accruing $600,000 per year results in a December 31, 2016 reserve balance of $31,239,925.

Q. ARE YOU AWARE OF ANY RECENT COMMISSION CASES WHICH DENIED OR REDUCED STORM DAMAGE RESERVE ACCRUAL?

A. Yes. In two recent rate cases, the Commission eliminated the storm damage accrual requested by the utilities. In Florida Power & Light's (FPL's) last rate case, the Commission considered a request for annual storm damage accrual of $150,000,000 per year. [4] In denying FPL's request, the Commission noted the following:

> We note that there are provisions for the protection of utilities to allow them to seek recovery of prudently incurred storm costs that go beyond the reserve level. Because these mechanisms are in place to recover storm costs, we choose at this time, not to place this additional burden on the ratepayers.

Similarly, in Progress Energy Florida's (PEF's) last rate case, the Commission considered a request for annual storm damage accrual and denied it.[5] In both cases, the Commission noted that utilities have the option to petition the Commission for a storm surcharge to recover damages not covered by the storm damage reserve. While I am not asserting that the storm damage accrual for Gulf should be eliminated at this time, for the reasons state above, it should be reduced until such time that the storm damage reserve is fully funded.

---

[4] See Order No. PSC-10-0153-FOF-EI, issued March 17, 2010, in Docket No. 080677-EI In re: Petition for increase in rates by Florida Power & Light Company, and Docket No. 090130-EI, In re: 2009 depreciation and dismantlement study by Florida Power & Light Company; at pages 160-163.

[5] See Order No. PSC-10-0131-FOF-EI, issued March 15, 2010, in Docket No. 090079-EI, In re: Petition for increase in rates by Progress Energy Florida, Inc., Docket No. 090144-EI, In re: Petition for limited proceeding to include Bartow repowering project in base rates, by Progress Energy Florida, Inc., Docket No. 090145, In re: Petition for expedited approval of the deferral of pension expenses, authorization to charge storm hardening expenses to the storm damage reserve, and variance from or waiver of Rule 25-6.0143(1)(c), (d), and (f), F.A.C., by Progress Energy Florida, Inc.; at pages 68-71.

V. TREE TRIMMING EXPENSE

Q. DID YOU REVIEW THE COMPANY'S REQUEST FOR DISTRIBUTION TREE TRIMMING EXPENSE?

A. Yes. Company witness Scott Moore states in a simple paragraph at page 20 that the Company is requesting $4.918 million for distribution tree trimming in the projected test year 2012. The testimony suggests that this is the level of spending that is required to maintain the Vegetation Management Plan previously approved by the Commission in Docket No. 060198-EI[6]. Order No. PSC-06-0947-PAA-EI identified two levels of incremental spending for vegetation management for Gulf. One alternative was the implementation of a three year cycle that would increase the $3.2 million approved in Docket No. 010949-EI by $4.2 million to $7.4 million annually. Gulf's proposed plan was to address danger trees with an increased spending of $1.5 million, increasing the annual spending to $4.7 million. The filing in this current rate case reflects no detailed support or justification for including in rates either the level of tree trimming expense at the historic test year level of $4,910,578 or the projected test year level of $4,918,154.

Q. ARE YOU RECOMMENDING AN ADJUSTMENT TO THE COMPANY'S DISTRIBUTION TREE TRIMMING EXPENSE REQUEST?

A. Yes, a reduction of $386,834 is recommended on a jurisdictional basis, as shown on Exhibit HWS-1 Schedule C-2, for Distribution Vegetation Management. The

[6] See Order PSC-06-0947-PAA-EI, issued November 13, 2006, in Docket 060198-WI, In Re: Requirement for investor-owned electric utilities to file ongoing storm preparedness plans and implementation cost estimates.

adjustment factors in the Company's actual performance since the decision in Docket No. 060198-EI.

Q. WHY ARE YOU RECOMMENDING AN ADJUSTMENT TO THE COMPANY'S VEGETATION MANAGEMENT REQUEST?

A. The Company was allowed $3.2 million for vegetation management tree trimming in its last rate case, Docket No. 010949-EI[7]. In the Storm Hardening Docket No. 060198-EI, the Company's proposal to increase spending by $1.5 million was approved. The total approved spending beginning in 2007 would equate to $4.7 million. Since the approval of the incremental vegetation management costs, the Company has averaged $4,293,262 as shown on Exhibit HWS-1, Schedule C-2. Limiting maintenance in previous years, for whatever reason, is no justification for passing the catch up costs on to ratepayers. Therefore, the Company's sudden increase in spending when a rate case is being filed should not be the basis for the amount to be recovered from ratepayers prospectively. An adjustment is required to reflect the level of spending the Company is actually performing in its attempt to comply with the Storm Hardening Requirements approved by the Commission in Docket No. 060198-EI.

<u>VI. POLE LINE INSPECTION/REPLACEMENT EXPENSE</u>

Q. DID YOU REVIEW THE COMPANY'S REQUEST FOR POLE LINE INSPECTION/REPLACEMENT EXPENSE?

[7] See Order PSC-02-0787-FOF-EI, issued June 10, 2002, in Docket 010949-EI, In Re: Request for rate increase by Gulf Power Company

A. The Company does not really address the increase of $409,963 in the projected test year 2012 expense. The filing reflects no real detail in support of increasing the level of expense above the historic test year level of $690,037. The 59.4% increase is not justified.

Q. ARE YOU RECOMMENDING AN ADJUSTMENT TO THE COMPANY'S POLE LINE INSPECTION/REPLACEMENT EXPENSE REQUEST?

A. Yes, a reduction of $371,701 is recommended on a jurisdictional basis, as shown on Exhibit HWS-1, Schedule C-3, for Pole Line Inspections. The adjustment is based on the historical actual spending in 2010.

Q. WHY ARE YOU RECOMMENDING AN ADJUSTMENT TO THE COMPANY'S POLE LINE INSPECTION/REPLACEMENT EXPENSE REQUEST?

A. The Company was allowed $734,000 for its pole line inspection program in its last rate case Docket No. 010949-EI. As shown on Exhibit HWS-1, Schedule C-3 the Company has failed to expend the allowed amount included in rates in six of the last seven years. It is not appropriate to collect funds from ratepayers for maintenance that is not being performed. The Company must show that it will spend as much or more than what has been allowed in rates to justify an increase to be included in future rates.

Q. HOW DID YOU DETERMINE YOUR RECOMMENDED ADJUSTMENT?

A. Even though the Company has averaged only $530,147 of spending in the past seven years, I am recommending that the 2010 spending of $690,037 be escalated to 2012 dollars, resulting in an expense of $728,299. Therefore the Company request for $1,100,000 as identified in Gulf's response to Citizens Interrogatory No. 212 should be reduced by $371,701 as shown on Exhibit HWS-1, Schedule C-3.

VII. PRODUCTION O&M EXPENSE

Q. WHAT DID YOU DETERMINE FROM YOUR REVIEW OF THE COMPANY'S PRODUCTION O&M EXPENSE REQUEST?

A. The Company is requesting in the projected test year $110,887,515, net of fuel, purchased power, ECRC, Plant Scherer and wholesale expenses. The December 31, 2010 test year reflected $92,889,451. That equates to an increase of 19.4% over two years. The request appears excessive when compared to the historical trend from 2001 to 2010.

Beginning on page 26, Company witness Raymond Grove provides an explanation for the increase in production O&M expense over the next five years. Mr. Grove attempts to justify the increase by first explaining the "robust budgeting process" and then by identifying five primary factors as to why production O&M is increasing. The first reason is that the age of Gulf's generation assets is increasing, requiring a greater level of maintenance. Next, Mr. Grove asserts that costs are increasing at a rate that is greater than inflation. Third, Mr. Grove states that Smith Unit 3 was relatively new during the years 2006-2010. The fourth primary factor identified was the addition of a new generating unit, Perdido, in October 2010. Finally, Mr. Grove states that Gulf worked hard in 2009 and 2010 time frame to lower O&M expenses so as not to burden customers with a rate request during what he has classified as "the worst economic downturn since the Great Depression."

Q. DO YOU HAVE CONCERNS WITH THE EXPLANATIONS PROVIDED BY THE COMPANY?

A. Yes. The first explanation that the units are getting older may have some merit, but not to the extent that it justifies the increase in costs that is being requested. It is true that the units are aging, but at the same time the Company is continuing to provide normal maintenance and, as evidenced by Mr. Grove's Schedule 5, there are significant capital expenditures being made that maintain each of the respective units' lives and/or even extend the units' lives.

The second explanation is that costs are increasing at a greater rate than inflation. This may be true with some costs, but not all. The inflation rate reflects changes of various costs, some that are higher than the average and some that are lower than the average. Companies will typically claim that the increase in expense is because costs are increasing at a rate greater than inflation. In the thirty plus years that I have been analyzing costs in rate proceedings, I have not seen a study submitted by a company that shows how the specific cost areas in question have exceeded the rate of inflation.

The third factor identified was Smith Unit 3 being relatively new in the 2006-2010 time period. Smith Unit 3 began operation in 2002. In fact the Commission in Docket No. 010949-EI specifically recognized the addition of Smith Unit 3 in justifying the increase in maintenance expense over the Company over the benchmark in their approval of the Company's Production O&M request. In my opinion, that factor, along with the historical spending that has occurred at

Smith as shown on Exhibit HWS-1, Schedule C-4, Page 2 of 2 suggests the Smith Unit costs are not a driving factor as Mr. Grove contends.

The Perdido unit going into service in October of 2010 was identified as the fourth primary factor. The unit is very small; therefore, the maintenance cost should not be a primary factor contributing to the 19.4% increase in expense.

Finally, the fifth factor was that costs were controlled in 2009 and 2010. That suggests that maintenance may have been deferred. The problem with that explanation is 2010 had the greatest level of Production O&M expense in the last 10 years. The Company has also stated in the response to Citizens' Interrogatory No. 224 that it has not deferred production maintenance. This appears to contradict the statement that Gulf kept O&M levels low to avoid a base rate increase, which statement in turn conflicts with the high expenditure seen in 2010. Gulf's rationales tend to cancel each other out. The only reasonable conclusion is that the amount sought for the test year is unsupported, and must be adjusted to a more reasonable level.

Q. WHY DO YOU BELIEVE THE COMPANY'S PRODUCTION O&M EXPENSE REQUEST IS EXCESSIVE?

A. The Company's $110,887,515 request has increased significantly when compared to the ten year average as shown on Exhibit HWS-1, Schedule C-4, Page 2 of 2. First the Baseline and Special Projects for each of the respective units is projected to increase from 14% to as high as 38% from 2010 to 2012. This must be considered to be significant, when historically unit costs have generally gone up and down between 2001 and 2010 with minimal fluctuations with one major exception. That exception is the significant spike in the 2010 corporate expense.

The historical outage costs by unit follow a similar pattern over the past ten years again, with one major exception. That exception, coincidentally, was the year 2002, during the time frame of the Company's last rate request.

Q. ARE THERE ANY OTHER CONCERNS THAT YOU HAVE IDENTIFIED WITH THE COMPANY'S INCREASE IN PRODUCTION O&M EXPENSE?

A. Yes. As shown on Exhibit HWS-1, Schedule C-4, page 1 of 2 the Baseline and Special Projects have been fairly level, averaging $74,553,191 over the years 2006-2010. The out years were a low of $70,025,586 in 2009, and a high of $82,018,531 in 2010. It would appear some shifting of maintenance occurred to offset in part an opposite shift of outage costs in the same years. Most significantly, the 2012 projected test year Baseline and Special Projects and Outage costs are 17.7% higher and 111.7% higher, respectively, than the five year average for 2006 through 2010.

Q. ARE YOU RECOMMENDING AN ADJUSTMENT TO THE PRODUCTION O&M EXPENSE REQUEST?

A. Yes. As shown on Exhibit HWS-1 Schedule C-4, Page 1 of 2 the Company's Production O&M Expense should be reduced $11,291,492 on a jurisdictional basis.

Q. COULD YOU EXPLAIN HOW YOU DETERMINED THE ADJUSTMENT TO THE PRODUCTION O&M EXPENSE REQUEST?

A First, I started with the five year average for the Production O&M expense. I escalated that by 5.5% for 2011, and then again by 5.5% for 2012. The 5.5% increase is the actual increase from 2010. I regard this as more than reasonable since, as shown on Exhibit HWS-1, Schedule C-4, Page 1 of 2, costs over the past five years have increased as well as decreased resulting in a simple average annual increase 1.18%. After escalating the average costs, I added the Company increase in labor, using the Company's 2012 labor of $30,828,000 and subtracting the five year average labor of $26,765,000. The average was calculated from Company Exhibit No.__(RWG-1), Schedule 7. I believe my use of the average is reasonable, since I utilized the average for a starting point in my calculation. The result is a recommended Production O&M expense of $99,212,245. The $99,212,245 is $11,675,270 less than the Company's requested $110,887,515. On a jurisdictional basis Production O&M expense is reduced $11,291,492.

Q. WHY SHOULD THE COMMISSION ACCEPT YOUR RECOMMENDATION TO REDUCE PRODUCTION O&M EXPENSE?

A. The Company's request for $110,887,715 is 19.4% higher than 2010. As I stated earlier, 2010 production O&M expense was unusually high in comparison to the years 2001 through 2009. Production O&M expense has fluctuated from year to year since 2001. I do not expect the significant spike projected by Gulf to continue, despite what the Company has reflected in its filing. The Company can control the costs incurred; to allow the spike in expense based on no more than the Company's claim, without evidence that the spending will continue, is akin to giving the Company a blank check. After ten years of essentially level spending, ratepayers need to be protected from a sudden spike that resulted from the

Company's "robust budget." Without some smoothing through the use of averaging, rates could be set artificially high and in future years shareholders would benefit from the over-collection.

Q. IS YOUR USE OF THE COMPANY LABOR DOLLARS AN INDICATION THAT YOU ARE ACCEPTING THE COMPANY LABOR REQUEST?

A. No. I have included the labor dollars solely to establish that my calculation is comparable to the Company's requested Production O&M Expense. Ms. Ramas is addressing the Company's labor request. Had I failed to recognize the increased labor figure used by Gulf, Ms. Ramas and I would have duplicated the labor adjustment.

VIII. DIRECTORS AND OFFICERS LIABILITY INSURANCE

Q. ARE YOU RECOMMENDING AN ADJUSTMENT FOR THE COST OF DIRECTORS AND OFFICERS LIABILITY INSURANCE?

A. Yes. According to the response to Citizens Production of Document Request No. 19, the Company has included at least $118,767 of expense in account 925 for Directors and Officers liability insurance (DOL). This expense protects shareholders from the decisions they made when they hired the Company's Board of Directors and the Board of Directors in turn hired the officers of the Company. The question is whether this cost that the Company has elected to incur as a business expense is for the benefit of shareholders and/or ratepayers.

Q. HAVE YOU ADDRESSED THIS ISSUE IN PREVIOUS RATE CASE IN FLORIDA?

A. Yes, I have addressed it in three recent proceedings. In the Peoples Gas Company case and in the Tampa Electric case[8], the Commission allowed the cost to be included in customer's rates. In those cases, the Commission viewed the cost as a legitimate business expense. More recently in the Progress Energy Florida case (Docket No. 090079-EI[9]), the Commission observed that other jurisdictions make an adjustment for DOL insurance and that it has disallowed DOL insurance in wastewater cases in the past. The Commission allowed PEF to place one half the cost of DOL insurance in test year expenses.

Q. ARE THE MOST RECENT PEF DECISION AND THE PAST WASTEWATER DECISIONS WHY YOU ARE RECOMMENDING AN ADJUSTMENT FOR THE COST ASSOCIATED WITH DIRECTORS AND OFFICERS LIABILITY INSURANCE IN THIS CASE?

A. Only in part. The Florida Commission has in the past disallowed DOL insurance costs. But even if the costs had not been disallowed, I would still recommend a disallowance, because the cost associated with DOL insurance benefits shareholders first and foremost. In ratemaking, the cost should follow the benefit. The benefit of this insurance clearly inures primarily to shareholders. Ratepayers are not the parties who initiate litigation that is associated with

[8] See Order No. PSC-09-0411-FOF-GU, page 38, issued June 9, 2009, in Docket No. O80318-GU, In re: Petition for rate increase by Peoples Gas System; and Order No. PSC-09-0283-FOF-EI, issued April 30, 2009 in Docket No. 080317-EI, In re: Petition for rate increase by Tampa Electric Company.

[9] See Order No. PSC-10-0131-FOF-EI, issued March 5, 2010, in Docket No. 090079-EI, In re: Petition for increase in rates by Progress Energy Florida, Inc.

decisions made by the officers and directors of the Company. Generally, the one initiating any suit is a shareholder. However, I am aware that, in the PEF docket, the Commission determined that the customer and the shareholder both benefit, and decided that there should be a sharing of the cost associated with that benefit.

Q. WHAT ADJUSTMENT ARE YOU PROPOSING TO THE COST OF DIRECTORS AND OFFICERS LIABILITY INSURANCE INCLUDED IN THE COMPANY'S REQUEST?

A. I am recommending a disallowance of $59,384 or 50% of the identified 2012 projected test year expense ($58,196 jurisdictional). This is consistent with the decision in Docket No. 090079-EI.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes.

GULF POWER COMPANY
Projected Test Year Ended December 31, 2012

Storm Reserve Analysis

Docket No. 110138-EI
Exhibit No.__(HWS-1)
H.W. Schultz, III Schedules
Schedule C-1
Page 1 of 2

Line No.		Beginning Balance	Accrual*	Storm Charges	Other Charges	Ins./Surcharge Collected	Interest	Ending Balance	Reference
1	2001	8,731,346	4,500,000	(1,056,044)		1,389,634		13,564,936	a
2	2002	13,564,936	3,500,000	(2,595,226)	(159,662)	1,107,727		15,417,775	a
3	2003	15,417,775	10,600,000	28,445	159,662	38,327		26,244,209	a
4	2004	26,244,209	18,500,000	(93,492,905)	(909,987)	106,512		(49,552,171)	a
5	2005	(49,552,171)	9,500,000	(3,658,422)		136,778		(43,573,815)	a
6	2006	(43,573,815)	6,500,000	930,661	(2,433,910)	89,165	(602,324)	(39,090,223)	a
7	2007	(39,090,223)	3,500,000	74,758	(1,550,289)	18,480,907		(18,584,847)	a
8	2008	(18,584,847)	3,500,000	(1,257,840)		26,142,735		9,800,048	a
9	2009	9,800,048	3,500,000	(46,949)		10,746,278	46,507	24,045,884	a
10	2010	24,045,884	3,500,000				47,230	27,593,114	a
11	7/31/2011	27,593,114	2,041,669				21,811	29,656,594	a
12	2011	29,656,594	1,458,331					31,114,925	Projected
				101,073,522					
13	Accrual Per Citizens			600,000					Testimony
14	Accrual Per Company			6,800,000					b
15	Expense Adjustment Recommended			(6,200,000)					
16	Jurisdictional Adjustment		0.9616311	(5,962,113)					

Line No.		Total Accrual	Discretionary Accrual	Accrual	Reference
17	2001	4,500,000	1,000,000	3,500,000	a
18	2002	3,500,000		3,500,000	a
19	2003	10,600,000	7,100,000	3,500,000	a
20	2004	18,500,000	15,000,000	3,500,000	a
21	2005	9,500,000	6,000,000	3,500,000	a
22	2006	6,500,000	3,000,000	3,500,000	a
23	2007	3,500,000		3,500,000	a
24	2008	3,500,000		3,500,000	a
25	2009	3,500,000		3,500,000	a
26	2010	3,500,000		3,500,000	a

Source: (a) Company response to OPC-197.
(b) Company Schedule C-3 reflects an increase of $3.3 million to the current accrual of $3.5 million.

GULF POWER COMPANY
Projected Test Year Ended December 31, 2012

Storm Reserve Analysis

Docket No. 110138-EI
Exhibit No.__(HWS-1)
H.W. Schultz, III Schedules
Schedule C-1
Page 2 of 2

Line No.			Beginning Balance	Accrual	Storm Charges	Ending Balance	Reference
	Projected Alternative Balance						
1	2012		31,114,925	6,800,000	(575,000)	37,339,925	
2	2013		37,339,925	6,800,000	(575,000)	43,564,925	
3	2014		43,564,925	6,800,000	(575,000)	49,789,925	
4	2015		49,789,925	6,800,000	(575,000)	56,014,925	
5	2016		56,014,925	6,800,000	(575,000)	62,239,925	Testimony
6	2012		31,114,925	3,500,000	(575,000)	34,039,925	
7	2013		34,039,925	3,500,000	(575,000)	36,964,925	
8	2014		36,964,925	3,500,000	(575,000)	39,889,925	
9	2015		39,889,925	3,500,000	(575,000)	42,814,925	
10	2016		42,814,925	3,500,000	(575,000)	45,739,925	
11	2012		31,114,925	600,000	(575,000)	31,139,925	
12	2013		31,139,925	600,000	(575,000)	31,164,925	
13	2014		31,164,925	600,000	(575,000)	31,189,925	
14	2015		31,189,925	600,000	(575,000)	31,214,925	
15	2016		31,214,925	600,000	(575,000)	31,239,925	Testimony
	Costs by Storm						
				All Storms	Major Storms		
16	2001	Barry		1,054,944	1,054,944		a
17	2002	Hanna/Isidore		2,474,205	2,474,205		a
18	2003	Bill		93,676	93,676		a
19	2004	Ivan		93,434,821	0		a
20	2005	Dennis/Katrina		52,575,941	0		a
21	2006	Arlene		828,550	828,550		a
22	2007			0	0		a
23	2008	Fay/Gustav/Ike		1,208,965	1,208,965		a
24	2009	Ida		95,324	95,324		a
25	2010			0	0		a
26				151,766,426			
27	8 Year Average				575,566		
28	Charged to Reserve			101,073,522			a
29	Regulatory Asset			50,692,905			a
30				151,766,427			
31	Surcharge			110,924,199			Staff No. 49.

GULF POWER COMPANY
Projected Test Year Ended December 31, 2012

Distribution Vegetative Management - Tree Trimming

Docket No. 110138-EI
Exhibit No.__(HWS-1)
H.W. Schultz, III Schedules
Schedule C-2
Page 1 of 1

Line No.	Year	Allowed	Compound Multiplier	Escalated	Total Cost	Reference
1	2001				2,246,475	a
2	2002				4,155,922	a
3	2003		1.03517		3,537,527	a
4	2004	3,193,000	1.08567	3,193,000	2,812,245	a
5	2005		1.13881	3,349,287	3,617,018	a
6	2006		1.20773	3,551,983	2,180,416	a
7	2007		1.27415	3,747,327	4,579,820	a
8	2008		1.33367	3,922,378	3,720,193	a
9	2009		1.32594	3,899,644	3,962,456	a
10	2010		1.35295	3,979,081	4,910,578	a
11	Seven Year Average 2004-2010			3,663,243	3,683,247	
12	Four Year Average				4,293,262	
13	2012 Recommended Per Citizen's				4,531,320	b
14	2012 Requested				4,918,154	a
15	Citizen's Recommended Adjustment				(386,834)	
16	Jurisdictional Adjustment @ 100%				(386,834)	

Source: (a) Company response to Citizens No. 212.
(b) Line 13 is Line 12 increased using the Company's Compound 2012 escalation.

GULF POWER COMPANY
Projected Test Year Ended December 31, 2012

Pole Line Inspection Expense

Docket No. 110138-EI
Exhibit No.__(HWS-1)
H.W. Schultz, III Schedules
Schedule C-3
Page 1 of 1

Line No.	Year	Allowed	Compound Multiplier	Escalated	Total Cost	Reference
1	2001				202,781	a
2	2002				848,692	a
3	2003		1.03517		353,917	a
4	2004	734,000	1.08567	734,000	307,267	a
5	2005		1.13881	769,927	480,095	a
6	2006		1.20773	816,522	258,764	a
7	2007		1.27415	861,428	410,664	a
8	2008		1.33367	901,668	532,624	a
9	2009		1.32594	896,442	1,031,577	a
10	2010		1.35295	914,703	690,037	a
11	7 Year Average 2004-2010			842,098	530,147	
12	2012 Recommended Per Citizen's				728,299	b
13	2012 Requested				1,100,000	a
14	Citizen's Recommended Adjustment				(371,701)	
15	Jurisdictional Adjustment @ 100%				(371,701)	a

Source: (a) Company response to Citizens No. 212.
(b) Line 13 is Line 10 increased using the Company's Compound 2012 escalation.

GULF POWER COMPANY
Projected Test Year Ended December 31, 2012

Fossil Plant Maintenance

Docket No. 110138-EI
Exhibit No.__(HWS-1)
H.W. Schultz, III Schedules
Schedule C-4

Line No.	Year	Total Baseline*	Total Outages	Total Production	Change	Reference
1	2005	68,770,301	15,194,110	83,964,411		a
2	2006	73,168,360	6,342,006	79,510,366	-5.30%	a
3	2007	72,142,973	10,259,720	82,402,693	3.64%	a
4	2008	75,410,504	13,013,678	88,424,182	7.31%	a
5	2009	70,025,588	14,183,063	84,208,651	-4.77%	a
6	2010	82,018,531	10,870,921	92,889,452	5.05%	a
7	Five Year Average	74,553,191	10,933,878	85,487,069	1.18%	a
8	Escalated Costs	82,979,566	12,169,679	95,149,245		Testimony
9	Labor Change			4,063,000		Testimony
10	2012 Recommended Per Citizen's			99,212,245	6.81%	
11	2012 Requested	87,738,761	23,148,754	110,887,515	19.38%	
12	Citizen's Recommended Adjustment			(11,675,270)		
13	Jurisdictional Adjustment @ .967129			(11,291,492)		a

Source: (a) Total cost is from Company response to Citizens No. 212.
(b) Labor amount is from Company Exhibit RWG-1, Schedule 7.

GULF POWER COMPANY
Projected Test Year Ended December 31, 2012

Fossil Plant Maintenance

Docket No. 110138-EI
Exhibit No.__(HWS-1)
H.W. Schultz, III Schedules
Schedule C-4
Page 2 of 2

Line No.	Plant	Crist	Smith	Scholz	Daniel	Other
	Baseline*					
1	2001	23,551,291	7,561,969	2,595,235	8,148,603	13,417,769
2	2002	24,144,725	11,525,542	3,050,326	9,204,466	14,715,402
3	2003	22,784,365	12,588,430	3,616,039	9,575,253	14,548,888
4	2004	23,656,645	12,498,920	2,929,391	11,122,569	19,712,103
5	2005	21,267,936	13,571,849	3,217,589	10,466,580	20,246,347
6	2006	25,261,802	14,206,245	3,516,236	11,273,371	18,910,706
7	2007	24,196,234	13,681,678	3,606,743	11,243,715	19,414,602
8	2008	24,253,017	13,570,529	2,961,560	12,878,846	21,746,552
9	2009	22,363,773	13,354,309	2,694,996	11,734,281	19,878,229
10	2010	26,299,116	14,534,541	2,968,388	10,882,736	27,188,609
11	Average	23,777,890	12,709,401	3,115,650	10,653,042	18,977,921
12	2012	27,110,800	17,539,245	3,776,383	13,328,665	25,983,668
	Outage					
13	2001	6,633,793	1,119,510	860,438	2,016,075	0
14	2002	12,346,726	3,485,889	183,964	4,630,625	83
15	2003	6,664,125	3,040,066	67,225	5,736,676	(808)
16	2004	6,441,201	1,612,910	238,999	2,637,294	0
17	2005	6,965,997	3,896,364	291,851	4,040,168	0
18	2006	3,104,468	771,929	150,458	2,315,151	0
19	2007	1,038,619	5,713,657	274,264	3,233,180	0
20	2008	5,773,621	2,847,308	261,983	4,130,739	28
21	2009	12,083,741	2,211,958	34,707	(147,571)	226
22	2010	965,553	6,102,134	22,644	3,780,053	537
23	Average	6,201,784	3,080,173	238,653	3,237,239	7
24	2012	13,406,983	3,555,479	39,110	6,147,182	0

Source: All amounts are from company response to Citizens No. 212.
* The amount shown is the Baseline plus Special Projects.

QUALIFICATIONS OF HELMUTH W. SCHULTZ, III

Mr. Schultz received a Bachelor of Science in Accounting from Ferris State College in 1975. He maintains extensive continuing professional education in accounting, auditing, and taxation. Mr. Schultz is a member of the Michigan Association of Certified Public Accountants

Mr. Schultz was employed with the firm of Larkin, Chapski & Co., C.P.A.s, as a Junior Accountant, in 1975. He was promoted to Senior Accountant in 1976. As such, he assisted in the supervision and performance of audits and accounting duties of various types of businesses. He has assisted in the implementation and revision of accounting systems for various businesses, including manufacturing, service and sales companies, credit unions and railroads.

In 1978, Mr. Schultz became the audit manager for Larkin, Chapski & Co. His duties included supervision of all audit work done by the firm. Mr. Schultz also represents clients before various state and IRS auditors. He has advised clients on the sale of their businesses and has analyzed the profitability of product lines and made recommendations based upon his analysis. Mr. Schultz has supervised the audit procedures performed in connection with a wide variety of inventories, including railroads, a publications distributor and warehouser for Ford and GM, and various retail establishments.

Mr. Schultz has performed work in the field of utility regulation on behalf of public service commission staffs, state attorney generals and consumer groups concerning regulatory matters before regulatory agencies in Alaska, Arizona, California, Connecticut, Delaware, Florida, Georgia, Kentucky, Kansas, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New York, Nevada, North Dakota, Ohio, Pennsylvania, Rhode Island, Texas, Utah, Vermont and Virginia. He has presented expert testimony in regulatory hearings on behalf of utility commission staffs and intervenors on numerous occasions.

<u>Partial list of utility cases participated in</u>:

U-5331	Consumers Power Co. Michigan Public Service Commission
Docket No. 770491-TP	Winter Park Telephone Co. Florida Public Service Commission
Case Nos. U-5125 and U-5125(R)	Michigan Bell Telephone Co. Michigan Public Service Commission

Case No. 77-554-EL-AIR	Ohio Edison Company Public Utility Commission of Ohio
Case No. 79-231-EL-FAC	Cleveland Electric Illuminating Public Utility Commission of Ohio
Case No. U-6794	Michigan Consolidated Gas Refunds Michigan Public Service Commission
Docket No. 820294-TP	Southern Bell Telephone and Telegraph Co. Florida Public Service Commission
Case No. 8738	Columbia Gas of Kentucky, Inc. Kentucky Public Service Commission
82-165-EL-EFC	Toledo Edison Company Public Utility Commission of Ohio
Case No. 82-168-EL-EFC	Cleveland Electric Illuminating Company, Public Utility Commission of Ohio
Case No. U-6794	Michigan Consolidated Gas Company Phase II, Michigan Public Service Commission
Docket No. 830012-EU	Tampa Electric Company, Florida Public Service Commission
Case No. ER-83-206	Arkansas Power & Light Company, Missouri Public Service Commission
Case No. U-4758	The Detroit Edison Company - (Refunds), Michigan Public Service Commission
Case No. 8836	Kentucky American Water Company, Kentucky Public Service Commission
Case No. 8839	Western Kentucky Gas Company, Kentucky Public Service Commission

Case No. U-7650	Consumers Power Company - Partial and Immediate Michigan Public Service Commission
Case No. U-7650	Consumers Power Company - Final Michigan Public Service Commission
U-4620	Mississippi Power & Light Company Mississippi Public Service Commission
Docket No. R-850021	Duquesne Light Company Pennsylvania Public Utility Commission
Docket No. R-860378	Duquesne Light Company Pennsylvania Public Utility Commission
Docket No. 87-01-03	Connecticut Natural Gas State of Connecticut Department of Public Utility Control
Docket No. 87-01-02	Southern New England Telephone State of Connecticut Department of Public Utility Control
Docket No. 3673-U	Georgia Power Company Georgia Public Service Commission
Docket No. U-8747	Anchorage Water and Wastewater Utility Alaska Public Utilities Commission
Docket No. 8363	El Paso Electric Company The Public Utility Commission of Texas
Docket No. 881167-EI	Gulf Power Company Florida Public Service Commission
Docket No. R-891364	Philadelphia Electric Company Pennsylvania Office of the Consumer Advocate

Docket No. 89-08-11	The United Illuminating Company The Office of Consumer Counsel and the Attorney General of the State of Connecticut
Docket No. 9165	El Paso Electric Company The Public Utility Commission of Texas
Case No. U-9372	Consumers Power Company Before the Michigan Public Service Commission
Docket No. 891345-EI	Gulf Power Company Florida Public Service Commission
ER89110912J	Jersey Central Power & Light Company Board of Public Utilities Commissioners
Docket No. 890509-WU	Florida Cities Water Company, Golden Gate Division Florida Public Service Commission
Case No. 90-041	Union Light, Heat and Power Company Kentucky Public Service Commission
Docket No. R-901595	Equitable Gas Company Pennsylvania Consumer Counsel
Docket No. 5428	Green Mountain Power Corporation Vermont Department of Public Service
Docket No. 90-10	Artesian Water Company Delaware Public Service Commission
Docket No. 900329-WS	Southern States Utilities, Inc. Florida Public Service Commission
Case No. PUE900034	Commonwealth Gas Services, Inc. Virginia Public Service Commission
Docket No. 90-1037* (DEAA Phase)	Nevada Power Company - Fuel Public Service Commission of Nevada

Docket No. 5491**	Central Vermont Public Service Corporation Vermont Department of Public Service
Docket No. U-1551-89-102	Southwest Gas Corporation - Fuel Before the Arizona Corporation Commission Southwest Gas Corporation - Audit of Gas Procurement Practices and Purchased Gas Costs
Docket No. U-1551-90-322	Southwest Gas Corporation Before the Arizona Corporation Commission
Docket No. 176-717-U	United Cities Gas Company Kansas Corporation Commission
Docket No. 5532	Green Mountain Power Corporation Vermont Department of Public Service
Docket No. 910890-EI	Florida Power Corporation Florida Public Service Commission
Docket No. 920324-EI	Tampa Electric Company Florida Public Service Commission
Docket No. 92-06-05	United Illuminating Company The Office of Consumer Counsel and the Attorney General of the State of Connecticut
Docket No. C-913540	Philadelphia Electric Co. Before the Pennsylvania Public Utility Commission
Docket No. 92-47	The Diamond State Telephone Company Before the Public Service Commission of the State of Delaware
Docket No. 92-11-11	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control

Docket No. 93-02-04	Connecticut Natural Gas Corporation State of Connecticut Department of Public Utility Control
Docket No. 93-02-04	Connecticut Natural Gas Corporation (Supplemental) State of Connecticut Department of Public Utility Control
Docket No. 93-08-06	SNET America, Inc. State of Connecticut Department of Public Utility Control
Docket No. 93-057-01**	Mountain Fuel Supply Company Before the Public Service Commission of Utah
Docket No. 94-105-EL-EFC	Dayton Power & Light Company Before the Public Utilities Commission of Ohio
Case No. 399-94-297**	Montana-Dakota Utilities Before the North Dakota Public Service Commission
Docket No. G008/C-91-942	Minnegasco Minnesota Department of Public Service
Docket No. R-00932670	Pennsylvania American Water Company Before the Pennsylvania Public Utility Commission
Docket No. 12700	El Paso Electric Company Public Utility Commission of Texas
Case No. 94-E-0334	Consolidated Edison Company Before the New York Department of Public Service
Docket No. 2216	Narragansett Bay Commission On Behalf of the Division of Public Utilities and Carriers, Before the Rhode Island Public Utilities Commission
Docket No. 2216	Narragansett Bay Commission - Surrebuttal On Behalf of the Division of Public Utilities and Carriers, Before the Rhode Island Public Utilities Commission
Case No. PU-314-94-688	U.S. West Application for Transfer of Local Exchanges

	Before the North Dakota Public Service Commission
Docket No. 95-02-07	Connecticut Natural Gas Corporation State of Connecticut Department of Public Utility Control
Docket No. 95-03-01	Southern New England Telephone Company State of Connecticut Department of Public Utility Control
Docket No. U-1933-95-317	Tucson Electric Power Before the Arizona Corporation Commission
Docket No. 5863*	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 96-01-26**	Bridgeport Hydraulic Company State of Connecticut Department of Public Utility Control
Docket Nos. 5841/ 5859	Citizens Utilities Company Before Vermont Public Service Board
Docket No. 5983	Green Mountain Power Corporation Before Vermont Public Service Board
Case No. PUE960296**	Virginia Electric and Power Company Before the Commonwealth of Virginia State Corporation Commission
Docket No. 97-12-21	Southern Connecticut Gas Company State of Connecticut Department of Public Utility Control
Docket No. 97-035-01	PacifiCorp, dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. G-03493A-98-0705*	Black Mountain Gas Division of Northern States Power Company, Page Operations

	Before the Arizona Corporation Commission
Docket No. 98-10-07	United Illuminating Company State of Connecticut Department of Public Utility Control
Docket No. 99-01-05	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 99-04-18	Southern Connecticut Gas Company State of Connecticut Department of Public Utility Control
Docket No. 99-09-03	Connecticut Natural Gas Corporation State of Connecticut Department of Public Utility Control
Docket No. 980007-0013-003	Intercoastal Utilities, Inc. St. Johns County - Florida
Docket No. 99-035-10	PacifiCorp dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. 6332 **	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Docket No. G-01551A-00-0309	Southwest Gas Corporation Before the Arizona Corporation Commission
Docket No. 6460**	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 01-035-01*	PacifiCorp dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. 01-05-19 Phase I	Yankee Gas Services Company State of Connecticut

	Department of Public Utility Control
Docket No. 010949-EI	Gulf Power Company Before the Florida Public Service Commission
Docket No. 2001-0007-0023	Intercoastal Utilities, Inc. St. Johns County - Florida
Docket No. 6596	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Docket Nos. R. 01-09-001 I. 01-09-002	Verizon California Incorporated Before the California Public Utilities Commission
Docket No. 99-02-05	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 99-03-04	United Illuminating Company State of Connecticut Department of Public Utility Control
Docket No. 5841/5859	Citizens Utilities Company Before the Vermont Public Service Board
Docket No. 6120/6460	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 020384-GU	Tampa Electric Company d/b/a/ Peoples Gas System Before the Florida Public Service Commission
Docket No. 03-07-02	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 6914	Shoreham Telephone Company Before the Vermont Public Service Board

Docket No. 04-06-01	Yankee Gas Services Company State of Connecticut Department of Public Utility Control
Docket Nos. 6946/6988	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 04-035-42**	PacifiCorp dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. 050045-EI**	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. 050078-EI**	Progress Energy Florida, Inc. Before the Florida Public Service Commission
Docket No. 05-03-17	The Southern Connecticut Gas Company State of Connecticut Department of Public Utility Control
Docket No. 05-06-04	United Illuminating Company State of Connecticut Department of Public Utility Control
Docket No. A.05-08-021	San Gabriel Valley Water Company, Fontana Water Division Before the California Public Utilities Commission
Docket NO. 7120 **	Vermont Electric Cooperative Before the Vermont Public Service Board
Docket No. 7191 **	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 06-035-21 **	PacifiCorp Before the Public Service Commission of Utah
Docket No. 7160	Vermont Gas Systems Before the Vermont Public Service Board
Docket No. 6850/6853 **	Vermont Electric Cooperative/Citizens Communications Company Before the Vermont Public Service Board

Docket No. 06-03-04** Phase 1	Connecticut Natural Gas Corporation Connecticut Department of Public Utility Control
Application 06-05-025	Request for Order Authorizing the Sale by Thames GmbH of up to 100% of the Common Stock of American Water Works Company, Inc., Resulting in Change of Control of California-American Water Company Before the California Public Utilities Commission
Docket No. 06-12-02PH01**	Yankee Gas Company State of Connecticut Department of Public Utility Control
Case 06-G-1332**	Consolidated Edison Company of New York, Inc. Before the NYS Public Service Commission
Case 07-E-0523	Consolidated Edison Company of New York, Inc. Before the NYS Public Service Commission
Docket No. 07-07-01	Connecticut Light & Power Company Connecticut Department of Public Utility Control
Docket No. 07-035-93	Rocky Mountain Power Company Before the Public Service Commission of Utah
Docket No. 07-057-13	Questar Before the Public Service Commission of Utah
Docket No. 08-07-04	United Illuminating Company Connecticut Department of Public Utility Control
Case 08-E-0539	Consolidated Edison Company of New York, Inc. Before the NYS Public Service Commission
Docket No. 080317-EI	Tampa Electric Company Before the Florida Public Service Commission
Docket No. 7488**	Vermont Electric Cooperative, Inc. Before the Vermont Public Service Board
Docket No. 080318-GU	Peoples Gas System Before the Florida Public Service Commission

Docket No. 08-12-07***	Southern Connecticut Gas Company Connecticut Department of Utility Control
Docket No. 08-12-06***	Connecticut National Gas Company Connecticut Department of Utility Control
Docket No. 090079-EI	Progress Energy Florida, Inc. Before the Florida Public Service Commission
Docket No. 7529 **	Burlington Electric Company Before the Vermont Public Service Board
Docket No. 7585****	Green Mountain Power Corporation Alternative Regulation Before the Vermont Public Service Board
Docket No. 7336****	Central Vermont Public Service Company Alternative Regulation Before the Vermont Public Service Board
Docket No. 09-12-05	Connecticut Light & Power Company Connecticut Department of Utility Control
Docket No. 10-02-13	Aquarion Water Company of Connecticut Connecticut Department of Utility Control
Docket No. 10-70	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 10-12-02	Yankee Gas Services Company Connecticut Department of Utility Control
Docket No. 11-01	Fitchburg Gas & Electric Light Company Massachusetts Department of Public Utilities
Case No.9267	Washington Gas Light Company Maryland Public Service Commission

* Certain issues stipulated, portion of testimony withdrawn.
** Case settled.
*** Assisted in case and hearings, no testimony presented
**** Annual filings reviewed and reports filed with Board.