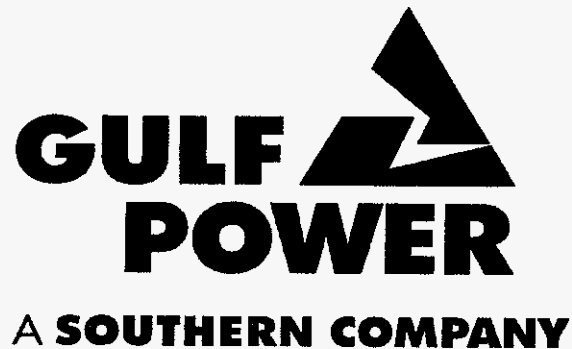


**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 110138-EI**

**REBUTTAL TESTIMONY AND EXHIBIT  
OF  
P. CHRIS CALDWELL**



DOCUMENT NUMBER-DATE

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GULF POWER COMPANY

Before the Florida Public Service Commission  
Rebuttal Testimony and Exhibit of  
P. Chris Caldwell  
Docket No. 110138-EI  
In Support of Rate Relief  
Date of Filing: November 4, 2011

- Q. Please state your name, business address, and occupation.
- A. My name is Chris Caldwell. My business address is One Energy Place, Pensacola, Florida, and I am the Transmission Manager for Gulf Power Company (Gulf or the Company).
- Q. Have you previously filed testimony in this proceeding?
- A. Yes.
- Q. What is the purpose of your rebuttal testimony?
- A. I will address portions of the testimony of Office of Public Counsel (OPC) witness Donna Ramas. In particular, I will address the adjustments suggested by Ms. Ramas relating to the Transmission Smart Grid Investment Grant (SGIG) projects, the Capital Infrastructure Replacement Projects and the justification of additional employees in Gulf's transmission function.
- Q. Are you sponsoring any exhibits?
- A. Yes, I am sponsoring Exhibit PCC-2, consisting of one schedule. Exhibit PCC-2 was prepared under my direction and control, and the information

1 contained therein is true and correct to the best of my knowledge and  
2 belief.

3

4 Q. Please address Ms. Ramas' recommended adjustments to the budgeted  
5 transmission SGIG projects.

6 A. Because Mrs. Ramas was uncertain whether Department of Energy  
7 (DOE) grant monies were included in Gulf's requested rate base, she  
8 excluded Gulf's budgeted SGIG amount of \$4,815,000 for 2011 and  
9 \$2,820,000 for 2012 (50% of 2012's SGIG budget of \$5,640,000) for a  
10 total test year adjustment of \$7,635,000. As I discussed in my direct  
11 testimony, the transmission SGIG projects are facilitated by a grant from  
12 DOE. A maximum of 50% of the cost of these projects can be eligible for  
13 reimbursement. The \$4,815,000 included in the 2011 Transmission  
14 Capital Additions budget and the \$5,640,000 included in the 2012  
15 Transmission Capital Additions budget are for Gulf's portion of the funding  
16 for the SGIG projects. Gulf's budgeted capital dollar amounts in both 2011  
17 and 2012 for the Transmission SGIG program exclude the portion funded  
18 through the DOE grant. Therefore, Ms. Ramas' recommended  
19 disallowance of \$7,635,000 is inappropriate.

20

21 Q. Please address the adjustment to the Capital Infrastructure Replacement  
22 Projects suggested by Ms. Ramas.

23 A. Ms. Ramas suggests an adjustment based on a methodology that is  
24 developed from the historical average of the actual expenditures on these  
25 types of projects from 2003 to 2010. Using a historical average is not

1 representative of the needs in 2011 and 2012. The purpose of Capital  
2 Infrastructure Replacement Projects is to replace aged and obsolete  
3 equipment before it fails and impacts the reliability experienced by Gulf's  
4 customers.

5  
6 Ms. Ramas also suggests that several hurricanes impacted our system  
7 and would have resulted in higher levels of transmission replacement  
8 projects during that period. This is also an incorrect assumption. These  
9 hurricanes did not cause significant damage to Gulf's transmission  
10 system. Therefore, the hurricanes did not affect the transmission  
11 replacement projects completed by Gulf during the period 2003 to 2010.

12  
13 Knowledge of the system and an evaluation of the performance of the  
14 transmission assets are needed to predict future spending, not averages  
15 of historical expenditures. The investment needed for infrastructure  
16 replacement will continue to rise as these assets age and become  
17 obsolete. Gulf develops plans and budgets for these proactive  
18 transmission infrastructure replacements based on a sound methodology  
19 and engineering analysis. The equipment and facilities that make up the  
20 transmission system undergo routine condition assessments and  
21 inspections through Gulf's Transmission Maintenance Programs. These  
22 maintenance programs enable Gulf to determine a priority for repairs and  
23 replacements. I discuss these maintenance programs in my direct  
24 testimony on pages 23 through 28.

25

1 The Transmission Infrastructure Replacement program allows for the  
2 proactive replacement of conductors, deteriorated poles and structures,  
3 obsolete circuit breakers and power transformers. The budgeted amount  
4 allows for a controlled replacement philosophy and well planned projects.  
5 Without this investment we would be forced to run the equipment to  
6 failure, impacting our customers and causing an unpredictable and costly  
7 capital investment to replace the equipment under emergency conditions.

8  
9 Gulf is committed to a proactive approach for replacement of these assets.  
10 That commitment is represented through our continued and consistent  
11 investment since 2003. Both the costs of these transmission infrastructure  
12 replacement projects and the scope of these projects have risen as the  
13 components of the system continue to age. I am very familiar with Gulf's  
14 transmission system and the process that the Company uses to evaluate  
15 and prioritize the capital investment needed to provide a reliable  
16 transmission system.

17  
18 Using the historical average since 2003 would not be representative of the  
19 investment needed to ensure the timely replacement of infrastructure  
20 before failures impact our customers. In fact, Ms. Ramas' methodology  
21 would not be representative of recent history. The Company has invested  
22 more than the average suggested by Ms. Ramas since 2008 with  
23 investments of \$7.3 million in 2008, \$8.3 million in 2009 and \$13.6 million  
24 in 2010. The budgeted Infrastructure Replacement dollars for 2011 and  
25

1 2012 are for specific projects developed to address assets that have  
2 reached the end of life.

3

4 Q. What are the major projects driving the transmission capital infrastructure  
5 replacement budgets for 2011 and 2012?

6 A. The wires, or conductors, that carry the power have a finite life span.  
7 Typically, these conductors begin to degrade after thirty years of service  
8 depending on the environment and other conditions. Gulf inspects these  
9 conductors and evaluates their remaining life through various transmission  
10 maintenance programs. Typical failures are the result of rusted steel  
11 cores that support the weight of the conductor and provide its strength or  
12 from broken outer strands caused by vibration and other environmental  
13 hazards. Since in most cases the conductor for the entire line was  
14 installed at the same time and is subject to the same environmental  
15 conditions, when the conductor reaches the end of life, the entire circuit  
16 must be replaced. In 2011, the conductor on the Sinai – Callaway 115kV  
17 transmission line is being replaced with a budgeted cost of \$7,235,000. In  
18 2012 Gulf will begin the initial phase of the replacement of the Crist – Air  
19 Products 115kV transmission line with a total budgeted cost of  
20 \$13,470,000 (\$1,220,000 in 2012 and \$12,250,000 in 2013), with the  
21 completion of the project in 2013. These types of projects will continue into  
22 the future as we maintain a proactive approach for managing the system.  
23  
24 We continue to evaluate these assets and plan projects to ensure a  
25 reliable network.

1 Q. Ms. Ramas used the Transmission June 2011 year-to-date actual to  
2 budget variance of \$7.9 million as an indication that total 2011  
3 Transmission capital additions would be under budget by this amount. Do  
4 you agree with Ms. Ramas' conclusion that Gulf's 2011 total Transmission  
5 capital additions will be under budget?

6 A. No. The Company develops budgets for projects years in advance.  
7 Those budgets are fine-tuned as details are finalized about the project and  
8 more engineering analysis is completed. As part of this process, the  
9 expenditures for each year of the project are planned and the monthly  
10 spreads for each project are developed. As the project progresses, timing  
11 of material deliveries, system outage schedules and weather can cause  
12 variances in budget to actual from month to month. That is exactly the  
13 case with the June 2011 year-to-date actual expenditures. While the  
14 timing has caused temporary under runs, our current projection is to be on  
15 budget by year end for the total Transmission Capital budget. Gulf will  
16 receive major material deliveries in November and December and will  
17 experience a heavy workload during our fall outage season when the  
18 weather is favorable for more system outages.

19  
20 Q. Ms. Ramas used the June 30, 2011 employee complement to make an  
21 adjustment to the total company full-time equivalent (FTE) employee  
22 count. What was the status of the transmission complement on June 30  
23 and what is the current status?

24 A. Please see Schedule 1 of Exhibit PCC-2 for the status of the transmission  
25 complement. This exhibit updates the vacancies reported for June 2011.

1 As of today transmission has 103 of the total complement of 105 full time  
2 employees filled. The two vacancies are a Substation Construction  
3 Coordinator and the NERC Compliance Analyst. The current vacancy for  
4 the Substation Construction Coordinator is due to normal attrition and will  
5 be filled by the end of November. The NERC Compliance Analyst is being  
6 reviewed for a possible opportunity to share resources with Mississippi  
7 Power Company. Both Gulf and Mississippi have the same needs related  
8 to compliance with the NERC Reliability standards. Because of the  
9 special skills needed and similarity of the two companies, we are  
10 reviewing the possibility of sharing this resource and the associated costs.  
11 The intent is still to fill the role during 2012 either as a complement  
12 position at Gulf on a standalone basis as originally planned or as resource  
13 at a one step higher job level that is shared with Mississippi Power.  
14

15 Q. Does this conclude your rebuttal testimony?

16 A. Yes.  
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AFFIDAVIT

STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA )

Docket No. 110138-EI

Before me the undersigned authority, personally appeared P. Chris Caldwell, who being first duly sworn, deposes, and says that he is the Transmission Manager of Gulf Power Company, a Florida corporation, and that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.

The signed original affidavit is attached to the original testimony on file with the FPSC.

/s \_\_\_\_\_  
P. Chris Caldwell  
Transmission Manager

Sworn to and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_,  
2011.

\_\_\_\_\_  
Notary Public, State of Florida at Large

Commission No. \_\_\_\_\_

My Commission Expires \_\_\_\_\_

**Positions Filled**

<b>2012 Budgeted</b>	<b>June 30, 2011 Status</b>	<b>October 21, 2011 Status</b>	<b>December 2011 Projected Status</b>
1 CAD Tech	1	1	1
1 Sub Maintenance Sup	1	1	1
2 Apprentice Sub	1	2	2
1 Construction Coordinator	1	1	1
1 Transmission Analyst	1	1	1
1 Project Analyst	1	1	1
1 Transmission Specialist	1	1	1
1 Line Engineer	1	1	1
1 ROW Specialist	1	1	1
1 ROW Supervisor	1	1	1
1 Security Analyst	1	1	1
1 NERC Compliance Analyst	0	0	1

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