BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for increase in rates by Gulf Power) DOCKET NO. 110138-EI) FILED: November 22, 2011

TELEPHONE DEPOSITION OF:	DONNA MARIE RAMAS
TAKEN ON BEHALF OF:	FLORIDA PUBLIC SERVICE COMMISSION
DATE:	FRIDAY, DECEMBER 2, 2011
TIME:	Commenced at 1:40 P.M. Concluded at 3:53 P.M.
LOCATION:	2540 SHUMARD OAK BLVD. ROOM 362 TALLAHASSEE, FLORIDA
REPORTED BY:	DEBRA R. KRICK Notary Public in and for the State of Florida at Large

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RICK WRIGHT
MARK FUTRELL
MICHAEL SPRINGER
NATALIA SALNOVA

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*Uh-uh is a negative response
*Uh-huh is a positive response

D E P O S I T I O N

MR. YOUNG: Well, hello, everyone, my name is Keino Young. I am a staff attorney here at the Florida Public Service Commission. Before we have the witness sworn in -- Ms. Ramas, do you have someone there to swear you in?

THE WITNESS: Yes, I do. Keri Niemiec from my office is here with me, and she's a notary.

MR. YOUNG: Okay. So before we have the witness sworn in, let's take attendance. Would the folks in the room, then followed by Joe, you can introduce yourself, Tricia and Ms. Ramas.

So, again, my name is Keino Young. To my right staff -- commission staff to, my right, I have --

MS. SALNOVA: Natalia Salnova.

MR. FUTRELL: Mark Futrell.

MR. GUYTON: Charlie Guyton.

MS. L'AMOREAUX: Melissa L'Amoreaux.

MR. WRIGHT: Rick Wright.

MR. SPRINGER: Michael Springer.

MR. TRUEBLOOD: Frank Trueblood.

MR. MOURING: Curt Mouring.

MS. WU: Jenny Wu.

MR. YOUNG: Okay. And on the phone, Joe.

MR. McGLOTHLIN: Joe McGlothlin for the Office of Public Counsel. Tricia Merchant, our accountant is with me.

THE WITNESS: And then I am -- Donna Ramas, obviously, is here and then Keri Niemiec is with me just to swear me just to swear me in and then she will be stepping out.

MR. YOUNG: And you said Ms. Niemiec?

THE WITNESS: Yes.

MR. YOUNG: Okay. Ms. Niemiec, at this time, can you please swear the -- swear Ms. Donna Ramas in, please?

NOTARY: Okay.

Whereupon,

DONNA MARIE RAMAS

was called as a witness, having been first duly sworn to speak the truth, the whole truth, and nothing but the truth, was examined and testified as follows:

MR. YOUNG: Okay. And, Ms. Niemiec, you can send the certificate of the oath to myself and my -- to me. And my number is area code (850)413-6227, and I will pass that along to the Court reporter.

NOTARY: Okay. And do you need the original notarized version sent in the mail also, or just the FAX?

MR. YOUNG: Just the FAX copy.

NOTARY: Okay. I will take care of that.

MR. YOUNG: All right. Thank you.

EXAMINATION

BY MR. YOUNG:

Q Ms. Ramas, thank you for participating in this deposition this afternoon. At this point -- first I would like to go through some preliminary matters.

During the course of this deposition, Ms. Ramas -- I think this is going to last several hours, so during the course of this deposition, you may need a break or we might take a break. If you need a break at any time, at any time, even if I am in the middle of a question, you can ask to take a break and I will gladly see if I can oblige that request, okay?

A Okay. Thank you.

Q All right. Also let me know at the beginning -- during the course of this deposition I may use some abbreviations, such as Gulf or GPC instead of Gulf Power Company, or I might use the words ROGs or use the word POD instead of Interrogatory or Request for Production of Documents, okay?

A Okay.

Q And I will do my best to us the entire word,

but at any time during the questioning if there is a term you don't understand, please let me know and I will try and clarify it or use the whole word so you can understand it better, okay?

A Okay.

Q Also during the course of this deposition, I may ask a question that you did not hear. If you -- at any time you can feel free to ask me to repeat the question, either myself or the court reporter will repeat the question for you, okay?

A Okay.

Q All right. Ms. Ramas, can you please state your full name for the record?

A Donna Marie Ramas.

Q And what is your occupation?

A I am a Certificate Public Accountant but I specialize in utility regulatory matters, and I am a Senior Regulatory Analyst with the firm Larkin & Associates.

Q And what is your business address?

A Larkin & Associates, PLLC, 15728 Farmington Road, the city of Livonia, Michigan, 48154.

Q Okay. And as -- as you -- what is your responsibilities with Larkin & Associates, your current responsibilities?

A Typically on the cases that work on, I am the project manager, the head person on the project. So if you take the cases that I work on, I will go to the filings and assign work with other consultants to split up responsibilities on the case, and then I will go through and do my analysis of typically company rate case filings, but there is also other regulatory matters I participate in.

And then I would typically prepare discovery -- or prepare expert testimony that's prefiled or a report, and then I will testify as an expert witness in the resulting proceedings.

Q Okay. On whose behalf are you appearing in this proceeding?

A The Florida Office of Public Counsel.

Q And what is the purpose of your testimony in this proceeding?

A I provide the Office of Public Counsel's overall recommended increase in rates for Gulf Power Company. And that's based on an analysis I conducted of the company's general rate case filing, as well as the impacts of other consultants utilized by the OPC in this case. That would include Mr. Shultz from my office, Kim Dismukes and Dr. Randy Woolridge.

I include the impacts of all their

recommendations as well as my recommendations in determining the overall recommended change in rate on behalf of the Office of Public Counsel.

Q And did you prefile direct testimony in this case?

A Yes, I did; on October 14th.

Q Okay. And that prefiled direct testimony consists of 53 pages, correct, excluding exhibits?

A That's correct.

Q Okay. At this time do you have any additions, deletions or corrections to your prefiled direct testimony or exhibits?

A I don't have anything I would call corrections. However, based on a review of the company's rebuttal testimony filed in this case, it gave me a level of comfort that the projects included in their case associated with the Smart Grid Investment Grant Program, the funds they receive from the Department of Energy, I am comfortable that their numbers are only their portion of the project costs and exclude the amounts that they got through that grant program.

So as a result, one of my recommended adjustments goes away in its entirety, and that's the adjustment related to the distribution plant additions.

And a portion of my adjusted associated with the transmission plant additions now goes away. And I believe that position was presented, the revised, position within Public Counsel's prehearing statement.

Q Okay. Did you also file supplemental direct prefiled testimony in this case, dated November 15th, 2011?

A Yes, I did.

Q And that consists of 10 pages, correct?

A Correct.

Q Okay. And you -- do you have both your direct and supplemental testimony with you today?

A Yes, I do.

Q Okay. Can you please turn to page four of your direct testimony?

A Okay, I am there.

Q You state that the capital structure ratios are based on the ratios recommended by Dr. Woolridge; correct?

A Correct.

Q And on page four, you further state that your capital structure amounts differ from Dr. Woolridge's testimony due to certain adjustments to the capital structure necessary to synchronize OPC's recommended base rates with the capital structure; correct?

A Correct.

Q Would you agree that Dr. Woolridge's overall recommended rate of return for Gulf Power Company is 5.89 percent?

A Yes, it was at the time I filed my testimony in this case. I believe that the Public Counsel has agreed with the company and staff on the debt rate and preferred stock rate to include in that case, which differ slightly from those recommended by Dr. Woolridge. So that would impact, slightly, the 5.89 percent that's reflected in my testimony.

Q And when you say impact slightly, what do you mean by that?

A Well, at the end of my testimony on Schedule D, I present the calculation of the 5.89 percent recommended by Dr. Woolridge. And I believe the preferred stock rate that was agreed to and the debt rates, or the short-term debt rate differs slightly from what's in my Schedule D, and those haven't been run through yet, the impact of those.

Q Okay. Looking at the Smart Grid Investment Grant Program.

A Okay.

Q Can you please turn to page seven of your testimony, direct testimony?

A Yes. I am there.

Q On page seven, you reference portions of witness Caldwell's testimony in which he briefly describes this program, right? Correct?

A Correct.

Q Can you describe the type of projects that qualify for this program? And when I say, this program, I mean the Smart Grid Investment Grant Program.

A Yeah, if you can give me just a moment so I can pull out the right folder.

As part of the grant program -- and again, the company didn't provide a lot of testimony on this. Just very limited testimony in a few places in this filing. But it's a program that would meet the requirement -- the federal requirements for the grant funds. Typically it's for improving the efficiency and reliability of the system.

MR. YOUNG: Ms. Ramas, hold on one second, please. I am sorry to interrupt. Did somebody -- other than, I guess, Office of Public Counsel or Ms. Ramas, can everyone else place their phone on mute because we are getting feedback on this end?

THE WITNESS: They are typically projects you think of -- they are described as smart grid projects, and I don't have a lot of data from the company on what all it entails. I did find some information on Southern Company's website.

But, again, as I indicated when we first started, I am no longer recommending these adjustments I had in my testimony associated with that program.

BY MR. YOUNG:

Q Okay. Using Gulf as an example, can you describe the types of projects undertaken by Gulf that would qualify for the Smart Grid Program?

A Yes. I don't have a specific breakdown of what all Gulf is doing under the program. But I know for other utilities I am doing, or that I have reviewed -- for example Potomac Electric Power Company, within the District of Columbia they are replacing all their meters with an advanced metering infrastructure and smart meters, and that qualified for them under the matching funding program.

Gulf specifically, though, they have a few items in their filing related to transmission and distribution projects that they are using that funding for. And it would have to be things that would improve the efficiency of the system, but beyond that, I don't have a breakdown of what specifically Gulf is doing with the funds, or Suthern Company, for that matter.

Q All right. Let me ask it this way; are you familiar with the Smart Grid Investment Grant Program's application process?

A Only vaguely. I haven't been intimately involved with that process. As I said before, there is another utility that I am reviewing that has received significant funds related to replacing the meters, but I did not review what it entails as far as the application or the contracting itself.

Q Well, let me ask you -- I will ask a series of questions. If you don't know, just say you don't know, okay?

A Okay.

Q To your knowledge, would an application for the Smart Grid Investment Grant Program funds by a utility parent company, such as Suthern Company, require information itemizing the allocation of grant funds amongst its subsidiaries?

A I don't know.

Q Okay. Does the Department of Energy require an applicant, following an award of the Smart Grid Investment Grant funds, to account for the timing and amounts of distribution of those funds to its subsidiaries?

A I believe so. I know for the other utility I reviewed, they have been required to do some reporting but I don't know the specifics of what's required.

Q Okay. Is there a timetable set forth in the application for distribution of funds from the parent company to its subsidiaries?

A Not that I see. The only information I have been able to find on the timing of the funds was from Suthern Company's website. But I was unable to find anything within the filing addressing the projected amounts that would be passed on, or be used for Gulf specific projects.

Q Okay. And following an award of grant funds under the Smart Grid Investment Grant Program, does a utility have to adhere to any DOE, Department of Energy, monitoring programs with respect to the use of the grant funds provided to ensure that it's used to foster only qualified projects?

A I don't know.

Q Okay. Now, looking at the transmission plant additions -- keeping on page seven of your testimony.

A Yes.

Q You indicated that Gulf budgeted -- you indicated that Gulf budgeted 4,815,000 and 5,640,000 respectively for 2011 and 2012 transmission capital additions associated with the Smart Grid Investment

Grant program, correct?
A Correct.
Q And on page nine of your testimony, you recommended that -- and I will give you a chance to get there. Page nine.
A I am there.
Q You recommended that the pro -- excuse me -- the projected 2011 and 2012 transmission related Smart Grid Investment Grant Program projects expenditures of 4,815,000 and 5,640,000, respectively, be excluded from rate base; is this correct?
A Is that page nine?
Q Yeah. It's page nine, and look at specifically page -- line 14, I have removed --
A Yeah, that was the $7,635,000 reduction to the 2012 plant and service. And again, this is the -- as I mentioned before, I am no longer recommending this adjustment.
Q Okay. I am hearing some feedback, a little bit.
Ms. Ramas, can you please refer to your Exhibit DR-1, Schedule B-2, page one of three, line four?
A That was B-2, page three?
Q B-2, page one of three.

A I am there.

Q I just want to clarify the -- you have -- just to clarify, you are no longer recommend this adjustment which remove Smart Grip Investment Grant Program projects, correct?

A Correct. As I mentioned previously, I was satisfied with the company's rebuttal that they have, in fact, only included their portion of the project costs, and that the portion isn't going to be covered by the grant.

Q Okay. One second, please.

I just want to get your input on this, Ms. Ramas, are you aware of any federal regulations prohibiting a flow-through of the DOE Smart Grid Investment funds to the ratepayers?

A I guess, if you could explain what you mean by flow-through.

Q One second.

A If what you are asking is is there anything that prohibits the exclusion of the portion of the projects funded by the government from rate base; no, I am not aware of anything that would do that.

Q Okay. How does the removal of your -- the adjust -- the removal of the adjustment that you recommended impact your -- the balance for the 2012

average test year plant service balance?

A It would -- if you look in my Schedule B-2, page one of three, on line four I showed the adjustment to the average test year plant and service associated with those projects in the transmission area. And I had reflected originally a $7,635,000 reduction to plant and service, and I am no longer recommending that. So therefore, the plant and service presented in my schedule would need to increase by that amount.

And then there is another piece for the distribution portion of those projects which are shown on my Exhibit DR-1 Schedule B-3. On that schedule, line two, I recommended a reduction to distribution plant and service, the average balance in the test year of $2,970,000. I am no longer recommending that. So then the average test year plant and service balance in my schedules would need to increase by that $2,970,000 for the distribution portion of those grant projects.

So it would be -- the total impact would be a combination of the 7,635,000 related to transmission projects, and the $2,970,000 related to distribution project.

The revised plant and service amount that I believe has been presented in the Office of Public Counsel's prehearing statement includes the impact of removing these adjustments. So that has been reflected there within those numbers.

Q All right. What is the impact on the accumulated depreciation income tax?

A Yes, I haven't been -- actually I had prepared and sent to the Office of Public Counsel a revised Schedule B-2, page one of three, and revised Schedule B-3 that shows -- that are revised to remove the adjustments specific to those grant projects. And it would also flow through the impact on depreciation expense and on accumulated depreciation.

I can either go through those numbers now; or if you want, it might be easy to provide those to you. And then it would give you all the impacts, including accumulated depreciation and depreciation expense.

MR. YOUNG: All right. Yeah, Joe?

MR. McGLOTHLIN: Yes.

MR. YOUNG: I think I have seen that. Did you provide that to us? I might be mistaken.

MR. McGLOTHLIN: No, that hasn't been distributed but it's in shape to distribute today or any time you want it.

MR. YOUNG: Okay. Well, can we get that -- do you want to make it a part of this exhibit -- I mean, as attachment -- an exhibit to this deposition or is that your plan?

MR. McGLOTHLIN: That would work.

MR. YOUNG: Okay. So that would be late filed Exhibit No. 1.

(Whereupon, Late-Filed Exhibit No. 1 was marked for identification.)

MR. YOUNG: Also, does that -- does it also show the impact on accumulated deferred income taxes?

MR. McGLOTHLIN: Put that question to Donna, please.

BY MR. YOUNG:

Q Ms. Ramas?

A No, my original adjustments I made in DR-1 Schedule B-2 and B-3, I did not have the information to know the impact on accumulated deferred income taxes specific to those projects so I didn't adjust that. So there would be nothing to reverse for the accumulated deferred income taxes on that.

MR. YOUNG: Okay. So we will just -- as late filed Exhibit No. 1, Joe, you want -- I guess, since you are planning to distribute it, do you want to name it? Give it a name, or give it a title?

MR. McGLOTHLIN: Ramas Revised Schedules B-1

and B-2, is that right, Donna?
THE WITNESS: B-2 and B-3.
MR. McGLOTHLIN: B-2 and B-3, excuse me.
MR. YOUNG: Okay.
BY MR. YOUNG:
Q Looking at the Crist Unit 6 and 7 turbine projects.
A Yes.
Q And specifically looking at your supplemental testimony.
A I have it.
Q On page six and seven of the supplemental testimony, you state that the Crist Unit 6 and 7 turbine projects may also qualify for the 50 percent bonus depreciation for tax purposes; is this correct?
A Correct.
Q Would you agree that --
A I --
Q Go ahead. I am sorry.
A In my opinion, it would most likely qualify, and the company's rebuttal did not indicate that it does not qualify. So it's my opinion that, again, as I said in my testimony, I believe they most likely qualify.
Q So with that being said, would you agree that -- would you agree that if these projects are

placed in service in 2012 as proposed by Gulf, they will qualify for the 50 percent depreciation bonus?

A They should.

Q Okay. And would you agree that the inclusion of the turbines in the rate base would increase the balance of the accumulated depreciation -- accumulated deferred income taxes included in the capital structure at zero cost, and reduce the overall cost of capital?

A Yes. And I believe in the original filing -- I have no reason to believe that the accumulated deferred income tax balance in the capital structure in the original filing does not exclude these. To the best of my knowledge, they are included based on the average test year approach.

Q I am sorry, can you repeat that last part of your response?

A Yeah. I probably didn't word it very artfully.

Included within the company's capital structure calculation is their estimated average test year accumulated deferred income tax balances. Of course, part of that was removed through their clause and ECCR adjustment, but these projects should have been included on an average basis in that capital structure at the starting number.

Q Okay. And in your supplemental direct testimony, at the bottom of page six and on page seven -- leading to page seven.

A Yes.

Q You state that -- well, I will let you get a chance to read that first, that last paragraph on the bottom of page six and on top of page seven.

A Yes.

Q Okay.

A I have read it.

Q All right. You state that the impacts of bonus depreciation on the accumulated deferred income taxes, which are included in the rate base at zero cost, are based on the projected average test year balance and not the annualized year-end level; correct?

A Correct.

Q Can you please explain that statement?

A Yes. In the company's original filing -- and it's Schedule D, it includes a line item for deferred taxes. And the amount included would have been based on the ave-- their projected average test year balance of deferred taxes.

However, as I point out in my supplemental testimony, they are now requesting to annualize the impacts of these turbine upgrade projects, but there is no acknowledgment anywhere to also then annualize impact on accumulated deferred income taxes that would result.

And as I indi -- the accumulated deferred income taxes with the 50 percent bonus depreciation is a significant benefit to the company that reduces their tax payment for the year these are placed into service significantly. So I recommend that if the Commission does accept an annualization of these projects, that you also need to somehow acknowledge that significant accumulated deferred income taxes that would result from those projects. So that should also somehow be annualized so the ratepayers would also get the benefit of that tax deduction, or acknowledgment of it in rate base.

Q Okay. And on page seven of your supplemental direct testimony, you state that if the two turbine upgrades occur in 2012 qualify for bonus depreciation treatment, significant tax benefits will result. Do you see that? And it's line one, two and three. It's on the top.

I am sorry, Ms. Ramas.

A Yes.

Q All right. Also on page seven on the top, lines one, two and three, you state that if the two turbine upgrades occur in 2012 qualify for bonus

depreciation treatment, significant tax benefits will result. Do you see that?

A Yes, I do.

Q Okay. Could you -- you would please explain the significant tax benefits you are referring to in this statement?

A Yes. If they qualify for the 50 percent bonus depreciation, that means, for income tax purposes, they can depreciate, first of all, 50 percent of the cost of those projects on their tax returns for the 2012 tax year. And then the remaining balance -- or the remaining 50 percent, they then also get to apply the normal tax depreciation rates, too.

Q Okay.

A And that results in the amount of depreciation expense associated with these projects that are taken on the tax return being significantly greater than the amount of depreciation expense recorded on the company's books, and that is factored into rate.

So that difference -- how that is treated is it increases accumulated deferred income tax balance on the company's books. And Florida, the accumulated deferred income tax balance is reflected as a portion of the capital structure at zero cost. However, most other jurisdictions I participate in, instead of flowing it through the capital structure, they will actually reduce the rate base for the accumulated deferred income tax balance.

And in theory, the impact should be the same or similar if it's in the capital structure at zero cost versus being a reduction to rate base. But the main cause of that significant tax benefit in that year is the fact that they can depreciate a significant portion of that investment in the first year that it goes into service.

Q   All right. Do you have -- do you know -- do you have a -- do you know the dollar amount of significant tax benefits you are referring to?

A   No. I could not find anywhere in the information the company provided the amount of projected tax deduction they would take with this. A simplified method to estimate it would be to apply a 50 percent rate to the project costs, and then apply the typical tax depreciation rate to the remaining balance; but I haven't gone through and done that calculation.

Q   Okay.

A   That would be something that the company and its tax department would be best qualified to do, because there are some items that are capitalized that are treated differently for tax depreciation purposes, but that's something that the company should be able to easily quantify.

Q On page eight of your supplemental direct testimony, you state that the adjustment to annualized deferred income tax could be done using two significant methods. Would you please explain the two methods to annualize that you refer to?

A Yes. The first one is explained beginning on line 13, and that would be to annualize the amount included in the deferred tax component of the capital structure to include the full bonus depreciation that would result on those projects instead of an average test year approach. But if you do that method, you would have to update the full rate of return calculation because you would be increasing the amount that's included at zero cost in the capital structure.

The second approach, which I think would be a more simplified approach, would be to take the difference between what the full accumulated deferred income tax would be with the 50 percent bonus depreciation as compared to the average balance, and to take that difference and reflect it as a reduction to the rate base.

Under that simpler method, you wouldn't have -- the capital structure wouldn't tie exactly into rate base any longer, but it is a simplified way to isolate the impact of annualizing these projects.

Q Okay. Have you performed these calculations in this case?

A No. And, again, one of the main reasons I haven't is that OPC does not recommend these projects be annualized. We recommend they be reflected under the traditional approach, which uses a 13-month average rate base balance. So this adjustment wouldn't be necessary. It's only necessary if the Commission agrees with the company's request to annualize these projects.

Q So would you agree that the impact on the bonus depreciation should probably be reflected in the balance sheet of the accumulated deferred income tax, including the capital structure?

A Yes, it should be.

Q And would you agree that a specific adjustment to the balance of the accumulated deferred income tax included in the capital structure would be appropriate to reflect the changes in the amount of deferred income tax due to the bonus depreciation?

A Yes. And under the 13-month average approach, I have no reason to believe that the company's test year deferred income tax balance contained in its Schedule D of its filing, I have no reason to believe that this project isn't already included in their bonus depreciation. Therefore, my concern is that if you do agree and to go an annualized approach, I know for a fact it's not included in there on an annualized basis.

Q Okay. And would you agree that the removal of the same projects from the rate base would also require specific adjustments for the balance of the accumulated deferred income tax?

A Now, when you say removal, you mean removing them in their entirety, or shifting back to the clause?

Q Removing them in their entirety?

A And just disallowing them?

Q Yes.

A Yeah, then you should also remove the deferred income tax impact from the capital structure associated with these projects if you are not allowing those projects in rate base.

Q Okay. And would you agree that both methods to annualize would reduce the same revenue requirements -- the same revenue requirement impact?

MR. McGLOTHLIN: Question for clarification. When you say both methods, you are referring to the alternative methods and her supplemental testimony?

MR. YOUNG: Yes.

MR. McGLOTHLIN: Thank you.

THE WITNESS: For annualizing the deferred income tax impact?

BY MR. YOUNG:

Q Yes.

A Yes, they should have the same or a similar result.

Q All right. On page seven of your supplemental testimony, you made a statement that I would like for you to explain.

A Okay. I am at that page.

Q You state that the project should -- that the turbine projects should be included in rate based on the average period in which they will be in service during the 2012 test year in this case. And to allow otherwise would be the equivalent of a single issue ratemaking and would violate the matching principle.

A Yes.

Q Okay. Can you explain what do you mean by that statement -- can you explain that statement, rather?

A Okay. By the matching principle, it's very important to synchronize the various components of revenue requirements in a case. You need to synchronize the investment that is placed into service to serve customers with the revenue you are going to collect from those customers and with the expenses you are going to incur to serve those customers, so that's why you select a test year.

And in Florida, you use a 13-month average test year approach. And by using a 13-month average test year, you are determining the average balance during that period of investments that's used to serve those customers that are on the system during that 12-month period.

So you allow it included in rate base based on the average balance throughout that year. But then you also estimate for that test year, and in Florida you use a future test year, so you are estimating the customer growth, and the amount of customers during that same 12-month period, as well as the amount of revenue you project to receive from those customers during the 12-month period, as well as the expenses you project to incur during that period.

So they are all synchronized. You are reflecting customers as they are added, and you are reflecting the average rate base during that period that's used to serve those customers. So you need to match all those components in order to determine the revenue requirement needed to serve those customers.

Another way to explain it, you know, the matching principle, is there are very few but some jurisdictions do use the historic test years with year-end balances. And there, you also have to match all the components.

You would take the plant as of a specific point in time and the investment as of a point in time, but you also annualize the revenue from customers that are receiving service as of that point in time, and you are annualizing the expenses as of that point in time. So you are making sure that all the components of what's required to serve customers in determining the revenue requirements are matched up. So you are using consistent periods in making the determination.

Q Let me ask you, have you done a calculation -- have you done a computation on all temporary differences and deferred income tax resulting from the recommended adjustment of Crist Unit 6 and 7 turbine projects as discussed in your supplemental testimony?

A No, I haven't calculated the deferred income tax impact specific to those projects. That's something that really the company would need to do in their tax department. I don't have a breakdown of the different components -- of the different costs that have been capitalized for those projects to determine which are depreciated for tax purposes, that's really something the company would need to do. I could probably come up with an estimate. But if you want a precise amount of accumulated deferred income taxes, or the tax impact of these projects, that's really something the company would need to do.

Q All right. One second, please.

MR. YOUNG: All right. Joe, I am going to ask for another late filed in terms of the estimate -- the estimated computation of all temporary differences and deferred income tax resulting from the recommended adjustment and Ms. Ramas' supplemental testimony.

MR. McGLOTHLIN: All right.

THE WITNESS: Okay. And just as a qualifier, that adjustment is only recommended if the Commission adopts the company's annualization approach that it's requesting?

MR. YOUNG: Yes.

THE WITNESS: Okay. And, again, it will be an estimate, but I will make sure I list out my assumptions that I use in making the estimate.

MR. YOUNG: Okay. That's fine. And that's late filed Exhibit 2. Joe, you want to title it?

MR. McGLOTHLIN: I am trying to make notes as you described it, Keino. Estimated temporary timing differences, Crist Unit 1 and 2 turbines, right?

MR. YOUNG: Crist Unit 6 and 7 turbines.

THE WITNESS: All right.

(Whereupon, Late-Filed Exhibit No. 2 was marked for identification.)

MR. McGLOTHLIN: And we will provide that. And on that exhibit, we will express the caveat that it is applicable only if our primary position is not accepted.

MR. YOUNG: Yes. All right. With that, let's take a -- let's come back at 45 -- my clock says it's 2:35. Let's take a 10-minute break, come back at 2:45, all right?

MR. McGLOTHLIN: All right.

THE WITNESS: Okay.

(Brief recess.)

BY MR. YOUNG:

Q Back on the record.

Before I move off of certain topics. Ms. Ramas, can you please turn to page 49 of your direct testimony?

A I am there.

Q On at the top of page 49, the answer to the question, you state that Schedule C-7 reflects the

impact on the federal and state income tax expenses resulting from OPC's recommended adjustment to operating expense. Do you see that?

A Yes, I do.

Q Okay. Is that -- did I read that correctly? Did I summarize it correctly?

A Yeah. The purpose of the adjustment is to reflect our -- the impact of our operating expense adjustments on income tax expenses.

Q All right. Can you please refer to Schedule C?

A Would that be C-1?

Q C-7. I am sorry.

A Yes, I'm there.

Q Line one.

A Yes.

Q This schedule shows a $40,091 adjustment in jurisdictional operating income adjustments, is this correct?

A It's $40,019,000.

Q Okay. $40,019,000, okay. I am sorry. So it's $40,019,000?

A Yes.

Q Can you -- you would please briefly explain the total dollar amount for the recommended adjustment

and please state whether the permanent difference resulting from the adjustments are considered in the total dollar amount?

A When you say permanent differences, do you mean the tax timing differences?

Q Yes.

A Yeah. Now, this is the impact on income tax expense under the normalized tax calculations. So what you have on line one are the total of all OPC's recommended adjustments to the jurisdictional operating income, which is found on my Schedule C-1, page two. It would include -- if you have Schedule C-1, page two, if you go to that, the total operating and maintenance expense adjustments on line 16 of 36,599,000. The total depreciation amortization expense adjustments on line 20, 524,000. The total adjustments to taxes other than income, which is basically a payroll tax expense adjustment on line 22 of 768,000. Plus it also picks up the additional imputed revenue recommended by Kim Dismukes on line one of Schedule C-2, page two of $2,110,000. The summary of those adjustments results in an increase in jurisdictional operating income before income tax the of $40,019,000.

And then on Schedule C-7, we then apply the composite income tax rate, which is a combination of the federal and Florida income tax rates, to determine the impact on income tax expense from -- that results from our recommended adjustments to the net operating income before taxes.

Q And that -- excuse me. Go ahead. I am sorry.

A Oh, this -- this is not an adjustment for tax timing differences at all. This is just the adjustment that needs to be made to the amount of income tax expense included in net operating income in the test year.

Q Okay. And the adjustment to income tax expense that you refer to on Schedule C-7 is 15,437,000, correct?

A Yes. It's an increase in income tax expense in that amount.

Q And that is -- and what about the adjustment on C-1 page, one of two, of 15,947,000?

A Yes. The amount on C-1, page one of two, in column B, are total recommended adjustments to federal and state income tax expense.

So if you turn to the next page, Schedule C-1, page two of two, we provide a breakdown of that amount on lines 23 through 25. One of the components is the parent debt adjustment. The other one is the adjustment we just discussed, is on Schedule C-7, for the impact of other adjustments on income tax expense for $15,437,000. And there is also an interest synchronization adjustment that I present on Schedule C-8.

Q Okay.

A So the amount on page one of C-1 you referenced is a combination of those three adjustments.

Q All right. So would you agree that the adjustment to income tax expense represents an adjustment to the current portion of the income tax expense and does not include the income tax resulting from OPC's proposed adjustments?

MR. McGLOTHLIN: I object to the form of the question.

Donna, if you understand it, go ahead, you can answer.

THE WITNESS: I am not sure I understand it. I didn't break down those adjustments between what would be deferred versus current income tax expense, because in setting rates, you base it on the amount to include in that operating income based on the total income tax expense year, which would have included a deferred and current portion. I didn't break it down between the two.

BY MR. YOUNG:

Q Okay.

A The vast majority, though, if not all of it, if you look at my Schedule C-1, page two of two, the majority of OPC's recommended adjustments, which would be mine and the other consultants retained by OPC, would impact current income tax expense, not deferred.

Q Okay. Ms. Ramas, can you please explain the IRS normalization requirements for regulated utilities with respect to depreciation?

A Yes. For ratemaking purposes, IRS requires that for the income tax expense that's included in the rate, you base it on the per book depreciation rate or the amount that -- it's based on the amount of depreciation expense that's based on the conditions approved with rates -- you don't include it based on the IRS depreciation rate.

How the impact of the difference between the IRS or tax depreciation rates used versus the regulatory depreciation rates used is acknowledged in the revenue requirement calculation, is that it goes into the accumulated deferred income tax balance, which is reflected in Florida in the capital structure at zero cost.

Q Okay. Would you -- I am sorry --

A As a result of for normalization rules, you are not allowed to include in the income tax expense component depreciation based on the tax depreciation rate.

Q Okay. Would you agree that tax normalization provisions of the Internal Revenue Code require the utility to record deferred income taxes in accordance with the accounting standards codification topic 740?

A Subject to check. I know it is required in the codification, I just haven't confirmed the number 740, but I do agree it is required.

Q And it's basically SFAS 109, Accounting for Income Taxes?

A Yeah, I would agree with that.

Q Okay. And would you agree that the IRS -- the IRS requires consistent application of estimates and projections of income tax expense, depreciation expense and the reserve for deferred taxes with respect to rate base for ratemaking purposes?

A I would agree with that.

Q And would you agree that a specific adjustment to the balance of the accumulated deferred income tax should be made to reflect the proposed adjustment to the accumulated depreciation, slash, depreciation expense?

A Yeah, I would agree.

Q And would you agree that the consequence of violating the normalization method of accounting is the

loss of ability to utilize accelerated tax methods of depreciation?

A   Yes.

Q   One second, please.

Ms. Ramas, looking at the American Jobs Act -- I'm sorry. Ms. Ramas, looking at the American Jobs Act of 2011.

A   Yes.

Q   In your direct testimony, page 53, you state that you would recommend that the impact of the proposed American Jobs Act of 2011 be reflected in this rate case if the Act is signed into law prior to the completion of the hearing in this case; is that correct?

A   What I say is if a new act is signed into law -- oh, I am sorry. Could you repeat the question? I thought you were referring to -- are you referring to the September 8th, 2011 American Jobs Act proposal of 2011.

Q   Yes.

A   Okay. Could you repeat the question, then? I am sorry. I thought you were referring to the previous act.

Q   Okay. You stated that you would recommend that the impact of the proposed American Jobs Act of 2011 be reflected in this rate case if the Act is signed

into law prior to the completion of the hearing in this case, is this correct?

A Yes.

Q Would you agree that the impact of the Act on deferred income tax should also be reflected if it is enacted prior to the agenda or prior to the completion of the hearing in this case, and the Commission --

A Yes.

Q -- and also prior to Commission decision in Gulf's rate case?

A Yes. And even if it isn't this specific act, if there is an act passed that ultimately allows for the bonus depreciation to be increase from the 50 percent in 2012 to 100 percent, then, yes, it's my opinion that the impact of that should be reflected on the deferred income taxes that are included in the capital structure in this case.

Q Have you had an opportunity to look at witness McMillan's exhibits and testimony and exhibits?

A Yes, I have.

Q And so are you familiar with his -- are you familiar with his exhibits?

A Yeah, the exhibit -- yes, I am.

Q Okay. Let me get to it.

Can you please refer to McMillan's Exhibit

RJM-1, Schedule 12, page two?

MR. GUYTON: That's out of his direct?

MR. YOUNG: Yes.

THE WITNESS: I have that in front of me now.

BY MR. YOUNG:

Q Would you agree that the $492.1 million included in the company's filing is an appropriate amount for the accumulated deferred income tax to include at -- to include in the capital structure as the beginning balance of the total company -- for the total company?

MR. McGLOTHLIN: While she's thinking about that question, would you give me the reference to his exhibit again, please?

MR. YOUNG: Exhibit RJM-1, Schedule 12, page two.

MR. McGLOTHLIN: Thank you.

THE WITNESS: Yes, I have no reason to dispute that. However, as we just went over, if a new act is signed into law that increases the bonus depreciation for 2012 from 50 percent to 100 percent, it would increase that balance. But I have no reason to dispute the starting number that's in the company's filing there.

MR. YOUNG: One second, please.

BY MR. YOUNG:

Q And the bonus depreciation will be a specific adjustment, correct?

A Yes. A specific adjustment would need to be made if that -- if the bonus depreciation rate is changed to 100 percent.

Q Okay.

A It would need to be an adjustment to that deferred income tax line item.

Q Can I get you to turn to your Schedule B-1, page two of two?

A I have it.

Q Can you please explain the jurisdictional separation factor shown on this schedule and why lines two and eight have a value of 1.00?

A These are projects that are distribution plant and service, so they would be specific to the Florida jurisdictional operation. And again, the adjustments on line one and eight are tied to the grant program, so I am no longer recommending those adjustments.

BY MR. YOUNG:

Q One second.

All right. Can you please -- sticking with -- look at Schedule B-2, page two of three.

A I have that.

Q Are you aware if any of the dollar amounts on this page are associated with the projects related to Gulf's previous storm hardening plans?

A I don't have a breakout of which -- how much is included for that plan, no.

Q Okay. Could you please explain why -- I am sorry, I am jumping ahead.

Can you please refer to Schedule C-1, page two of two?

A I am there.

Q Can you please explain why the jurisdictional separation factor on lines 10 and 11 are 1.00 when tree trimming and pole inspection occurs for both transmission and distribution?

A I would have to check with Mr. Shultz. He sponsored the adjustments on those two lines, and I would have discussed with him which factor to apply. I am not certain his adjustments are already on a jurisdictional basis.

If you can give me a moment, I can pull his schedules. I believe he may have already given them to me on a jurisdictional basis. So if you want to hold on just a moment and let me pull those.

Q No problem.

Yes. The first one that you identified on

line 10, the tree trimming expense. If you go to Mr. Shultz's Schedule C-2, the schedule specifically identifies it as distribution vegetative management tree trimming. So it's based on amounts specific to distribution. So I assume that was why he used 100 percent jurisdictional factor. On his Schedule C-2 at line 16, he shows it as 100 percent jurisdictional.

And similarly on Schedule C-3 for the pole line inspection expense, he also identifies 100 percent jurisdictional adjustment. My assumption is that his adjustment was specific to the distribution poles, but it should -- it will probably indicate as such within his testimony.

A And I just realized, as I am talking to you and looking at some of these schedules, I am turning my head to look at the schedule. Can you hear me clearly on the phone?

Q Yes. Yes, ma'am.

A Okay. Thank you.

Q Schedule C-4, page one of two, line one.

A Yes, I am there.

Q It states, remove -- under the description, first it has -- are you there? Do you see adjustment to O&M expense?

A Yes, I do.

Q And it says remove incentive compensation cost from test year?
A Yes.
Q And that amount is $12,623,632, correct?
A Correct.
Q Now, can you please turn to -- do you have Gulf's Response to Citizens' Fourth Set of Interrogatories with you, number 185?
A Yes, I do. Just give me a moment to pull the right one out.
MR. GUYTON: You wouldn't have an extra copy, would you?
MR. YOUNG: No, I don't think so. Do you have an extra copy?
MR. GUYTON: That's all right.
THE WITNESS: The question 185? I have it right here. And it may be the company presents incentive comp information in response to 184. 185 is specific to employees positions.
BY MR. YOUNG:
Q I am sorry. It's 184. You are correct. I stand corrected. You are right.
A I have that right here.
Q And it's page 15 of 30. On the fourth and fifth lines of the indented paragraph.

A Yes.

Q It's more so of the sixth line. And I am going to ask you about a number.

Do you see in the paragraph the sentence begins, however, applying the jurisdictional factor to the total O&M expenses?

A Yes.

Q All right. Gulf applies a total jurisdictional factor to a total O&M expenses of .9800918. Do you see that?

A Yes.

Q Similarly, should a jurisdictional factor of .9800918 be applied to your recommended adjustments reflected in Schedule C-4 of your DR-1, page one of two?

A Yes. And I do use that same factor after I carry forward the incentive compensation expense adjustment to my Schedule C-1, page two of two. I apply that .9800918 factor to determine the jurisdictional amount.

Q Can you state where did you do that again, please?

A Okay. If you look at my Schedule C-1, page two of two. There is a column that -- I have three columns. The first one is total adjustment, which ties in to my backup Schedule C-2 through C-8. But then there is a jurisdictional separation factor column, and it's the third column that gives their jurisdictional amount.

Q Yes.

A So if you look on line four of Schedule C-1, page two of two, that's where I apply that jurisdictional factor to the incentive compensation expense adjustment.

Q Okay. Looking at Schedule C-3 of your exhibit, page one of two, reduction of test year labor costs.

A Yes, I have that.

Q Line 10 on the schedule.

A Yes.

Q Line 10 reflects -- line 10 reflects an adjustment to test year labor costs in the amount of $3,195,627; correct?

A Correct.

Q Should this adjustment -- should the same jurisdictional factor of .9800918 also be applied to the proposed $3,195,627 reduction in the test year labor costs?

A Yes. In fact, I do that also on Schedule C-1, page two of two. I transfer over to that schedule the total adjustment of $3,196,000, and then I apply that jurisdictional allo -- the jurisdictional separation factor of .9800918.

Q Okay.

A Yeah, I used this approach where I provide the total adjustment and then factor in the jurisdictional amount on Schedule C-1, because it's somewhat consistent with how the company presents its MFR filing.

Q Okay.

A So when you go through all my individual adjustments schedules to determine which allocation factor I used, you would then go to Schedule C-1, page two of two, or schedule, I believe, B-1, page two of two for the rate based items.

Q Okay. Looking at uncollectible account expense.

A Yes.

Q Can you please refer to page 20, line seven to page 22, line five of your direct testimony?

A Yes, I have that.

Q Starting on page 20, line 16.

A Yes.

Q Would you agree that the bad debt factor proposed by Gulf is calculated as the net uncollectible writeoff to gross revenues from the sales of electricity for each year starting 2007 through 2010?

A No. The rate used by the company, which was a rate of .3321 percent is a number that appears to be specific to 2012. And I indicate in my testimony the company didn't identify how it came up with that factor. And in my testimony, I am recommending that it be based on an average factor using that four-year period, 2007 through 2010, which results in a factor of .3056 percent, as opposed to the .3321 percent used by the company.

Q Look at page 20, line 19. It says, Gulf's MFR Schedule C-11 provide the bad debt factor calculating net uncollectible writeoffs to gross revenue from retail sales of electricity for each year, 2007 to 2010.

A Yes. They presented that on that schedule, but the factor they used for 2012 isn't calculated based off those 2007 through 2010 amounts that they provided in their MFR Schedule C-11.

Q All right. Keeping on page 20.

A Yes.

Q Lines 21 through 24, you testify that you presented the bad debt factor and the amounts used by Gulf to calculate those factors for each year 2007 through 2010 on Schedule C-2 attached to your testimony, and those bad debt factors vary from year to year, and range from a low of .2804 percent to a high of

.3323 percent in 2009. Do you see that? Is that a correct statement?

A   Yes, that's correct.

Q   That's a correct summary of your testimony?

A   Yes, it is.

Q   Okay. And on page 21, lines one through two, you agree that the bad debt factor for 2010 was 2. -- was .2937, which is lower than the 2009 rate; correct?

A   Correct.

Q   And based upon your review of the information furnished on page 48 of Gulf's MFR Schedule C-11, would you agree that the bad debt factor provided by Gulf in projecting the future rate year amounts to uncollectibles is .3321 percent?

A   Yes. That's what they used for as estimated 2012 rates.

Q   Okay. Starting on page 21, line six, you testified that Gulf provided no explanation on how the factor was determined. Can you please explain what do you mean by no explanation was provided on how the factor was determined?

A   Yes. If you go to their schedule MFR Schedule C-11, which was page 48 of the MFR that you just referenced.

Q   Yes.

A On line seven is where they present their projected 2012 net writeoffs, their gross revenues from sale of electricity, and then their resulting bad debt factor for 2012, which is based on dividing their projected 2012 net writeoffs by their 2012 gross revenues from sales of retail electricity, and that's that .3321 percent.

But you can't use the numbers provided on that same schedule for the prior years to come up to that 33 -- .3321 percent. There is nowhere on that schedule where they show how they came up with the projected net writeoff for 2012 that they used in determining that .3321 percent factor.

They provide, on line six above, a four-year total. And they provide, on lines one through four, actual amounts gross 2007 through 2010, and a forecast amount for 2011. But they don't show how they go from those amounts to their projected 2012 balance of .3321 percent.

Q Okay. On the same page, lines six through nine, you state that the actual calculation of the projections for 2011 and 2012 presented in the MFR Schedule C-11 were not provided. From the information that was provided, were you able to determine how the calculations were made?

A No. I mean, for the bad debt factor itself for each of those years on line seven, it simply determined by dividing the projected net writeoffs for each of those years by the projected gross revenues from sales of retail electricity. But there is nothing showing how they determined those projected net writeoffs in 2011 and 2012 for coming up with that bad debt rate in those years.

Q Did you use the information provided by Gulf in that MFR Schedule C-11 to verify and determine how the calculations were made?

MR. McGLOTHLIN: I'm going to object to the form. I think she just said that Gulf did not provide the information that would enable her to understand how that calculation was made.

MR. YOUNG: Okay.

BY MR. YOUNG:

Q Ms. Ramas.

A Yes.

Q If you want to, you can repeat the answer that Joe McGlothlin just made.

A Can you repeat the question?

Q Did you use the information provided in Gulf's MFR Schedule C-11 to verify and determine how the calculations were made?

MR. YOUNG: And, Joe, your objection -- same objection, I know. We can -- it's stated for the record.

MR. McGLOTHLIN: Same objection.

THE WITNESS: No. And again, I did use the information -- the actual amounts presented in that schedule for 2007 through 2010 in making my recommended adjustment. And I know for the actual years presented, it is lines three -- or if you look at their exhibit, it is column three, which is net writeoffs, divided by column six, which is the bad -- which is the gross revenue from sales of electricity. So I guess I don't know what you're asking for beyond that.

BY MR. YOUNG:

Q Okay. Can you please tell me what you were able to determine from the information and projections furnished in the filings?

MR. McGLOTHLIN: Specific to bad debt?

THE WITNESS: As far as it pertains to the uncollectible rate?

BY MR. YOUNG:

Q Yes.

A Yes. I mean, as I discussed in my testimony, and shown in my Schedule C-2, the rates, the uncollectible rate are the ratio of net writeoffs to the gross revenue from sales varies from year to year. I mean, it was .2804 percent in 2007, and then it increases in 2008 and 2009, and then it declined again in 2010; which is the main reason that we recommend that an average rate be used for forecasting uncollectible expense, because it does vary from year to year.

And as I pointed out in my testimony, it did decline between 2009 and 2010. So despite the oil spill in 2010, the resulting bad debt factor actually declined as compared to the prior year.

Q Okay. Referring to the information provided by Gulf in the MFR Schedule 7 and your testimony, would you agree that Citizens used Gulf's information to calculate the projected bad debt factor for uncollectible account expense based on a four-year average?

A Yes, based on the company's MFR Schedule C-11.

Q And that -- and a factor of .3056, correct?

A Yeah. That was the four-year average bad debt factor and the one that I would recommend be used in the test year.

Q All right. Starting on page 21, line 14.

A Yes.

Q Is the averaging method four-year used by

Gulf -- by Citizens to determine the bad debt factor consistent with the method used in the recent rate case with this commission?

MR. McGLOTHLIN: Keino, can you identify which rate case you are referring to?

BY MR. YOUNG:

Q In the past rate cases in terms of TECO, Progress, Florida Power & Light and the Commission history. Basically looking at the historical view.

A Yeah, I didn't look at those, but I know in other cases that I have participated in in Florida, typically an average is used. But when I prepared this testimony, I don't think I went back to the company -- the other companies' filings in those cases, or the decisions on that specific issue. So as I sit here today, I don't know.

Q Okay. Well, let me ask you this; can you please explain why the bad debt factor recommended by Citizens that the average projected uncollectible account expense over four years is appropriate and should be used instead of a bad debt factor of .3321 proposed by Gulf?

A The primary reason is that the level of uncollectibles and the ratio of net writeoffs to retail revenues fluctuates from year to year. So it's appropriate to use an average in order to normalize the costs to include in the test year in the case.

And a second reason for that is I haven't seen any support from the company justifying their .3321 percent factor. It's higher than the most recent actual factor they provided for 2010, and higher than the historic average rates. Therefore, I highly recommend that an average factor based on actual historic information be used for projecting bad debt -- the bad debt rate going forward.

Q Okay. On page 21, starting on lines 17, you discuss your --

A Yes.

Q You discussed your recommended calculation of expense for uncollectibles.

A Yes.

Q You state that you have utilized a four-year average to reach the .3056 percent that you are recommending. Why did you choose those four years instead of 2008 through 2011?

A The 2011 number provided in the MFRs is an estimate. It's not an actual number. And for normalization purposes, to determine an average, say, normal level, actual amounts should be used, not projections. So that's why I used 2007 through 2010, as opposed to 2008 through 2011. That 2011 number isn't an actual known amount. It's a projection.

Q Okay. I would like now to turn your attention to the issues of employee benefits and deferred compensation, okay?

A Okay.

Q On page 39 of your direct testimony -- and also can you please have available -- do you have Gulf's MFR Schedule 35 and Gulf's Response to Citizens' Interrogatory Number 184 with you? I know we discussed Gulf's response.

A Yeah. Yeah. It will take me just a moment to pull them -- I have a folder set up for this. I have folders set up by issue, so it will take me just a moment to find them within that folder.

Q No problem. Take your time.

A Okay. Okay. I am at page 39 of my direct testimony, and I have MFR Schedule C-35 in front of me, and the response to Citizens' interrogatory 184.

Q Okay. On page 39 of your direct testimony, lines 21 through 23, you recommend that the interest on deferred compensation be removed based upon a review of Gulf's Response to Citizens' Interrogatory Number 184, correct?

A Yes, correct.

Q Can you please tell me what you discovered in Gulf's Response to Interrogatory Number 184 that caused you to recommend that interest be removed?

A Yes. Give me a moment. I am turning to the page of the response.

Q Not a problem.

A Yes. If you turn to page 184, page 18 of 30, under item C, that's where they give a breakout of the different items they included in the category of other employee benefits. There is interest on deferred compensation. And I discussed further on page 40 of my testimony, beginning on line 18, this adjustment and why I am removing it.

Basically it's additional interest that's being paid on deferred compensation currently at an interest rate of 6.78 percent. The company really provided no discussion of why interest, particularly at that high of rate, is being paid on that deferred compensation, or how those deferred compensation amounts resulted.

I presume, based on the limited information they provided in response to 184, subpart C at page 18, that it's likely related to executive and senior level employees; therefore, I see no basis or reason to pass that cost on to ratepayers.

Q All right. So considering the reasons provided in your direct testimony and the explanations provided by Gulf witness Kilcoyne's -- I think pronounced that right -- rebuttal testimony, do you still recommend the interest on the deferred taxes -- deferred compensation, excuse me, be removed?

MR. GUYTON: Object to allowing this witness to offer surrebuttal to witness Kilcoyne.

MR. YOUNG: Okay.

MR. GUYTON: All I can do is raise the objection.

MR. YOUNG: Yeah. That's fine.

THE WITNESS: So I can still respond?

BY MR. YOUNG:

Q Yes.

A Yes, there was nothing in her testimony that would change my mind. Certainly paying employees deferred salary interest at a rate of 6.78 percent is extremely generous, and ratepayers shouldn't be required to fund that.

Q Okay. Now, let's move to rate case expense.

A Okay. I am at page 41 of my testimony where that discussion begins.

Q All right. Let's look at your D-1, your Exhibit D-1, Schedule C-6, page two of two.

A Yes.
Q And on this exhibit, you show that -- you show the adjustments that you are recommending compared to the utility's requested amount, correct?
A Yeah, for the meals and travel expense component of rate case expense. Yes.
Q You have recommended a reduction in the number of the utility's personnel travel to the hearing, the number of days traveling and the corresponding adjustments to meals, rental vehicles and hotels; correct?
A Correct.
Q In the column entitled "Cost/Day/Fillup", however, you have no adjustments to the per day amounts that Gulf has used for any of the line items listed; correct?
A Correct.
Q Based on your discussion -- based on your decision not to adjust the amounts listed in the Cost/Day/Fillup column, do you believe that the costs per diem -- do you believe that the per diem costs reflected for hotels, rental vehicles, meals, et cetera, are reasonable?
A I hadn't really looked further into those, but I know when I stayed in Tallahassee, I paid less than

$141 per night for a hotel room, but I haven't done a separate analysis of current rates at this point. It just shows, basically, $65 per day per meal per person, and that seems -- that seems on the high end to me.

The travel rate at $64 per day, that's probably within a range of reasonableness, I would say. And the airfare also seems to be within a reasonable range.

Q Okay. Going back to your DR-1, Schedule C-3, page one of two.

A Yes.

Q Looking at -- looking at under the description, number 10, reduction of test year labor costs to reflect average employee vacancy levels pre-OPC?

A Pre-OPC, yes.

Q Okay. Does your adjustment of $3,195,627 shown as previously stated needs to be revised based on the latest employee count?

A No, not based on the latest employee count that was provided in the company's rebuttal, because I am still allowing for more employees than they currently have on hand.

If you look at my Schedule C-3, page two of two, it shows that I am recommending a test year employee allowance of 1,398 employees. And based on the information I have seen, the company still has less employees than that, so I am still allowing for more than the current level.

Q Okay.

A So I would not change my adjustment.

MR. YOUNG: All right. That's all I have. I have no further questions.

MR. GUYTON: Joe, I have a few.

MR. McGLOTHLIN: All right.

EXAMINATION

BY MR. GUYTON:

Q Is it Ms. Ramas or Ms. Ramas?

A Ramas.

Q And I apologize, I have heard it both ways, so if I jump into it and say it wrong, I apologize.

A That's fine. I respond to either way. I hear both frequently.

Q Ms. Ramas, my name is Charlie Guyton. I represent Gulf Power in this case, and I have a few questions for you.

A Okay.

Q And they are really -- do you have a copy of the draft prehearing order?

A I am not sure. Let me check.

Q Okay.

A Did that come out today?

Q No. We have been working from one came out from Ms. Klancke about a week or so ago, and you just referred to it earlier in an answer, and I just didn't know if that meant you had one. I can read the passages to you if you don't have it handy.

A Yeah, give me a moment, because I had the OPC positions, it's my understanding that went into that. Let me see if I have the actual statement.

Q Okay.

A I have in front of me what's entitled "Prehearing Statement, Office of Public Counsel", but I don't think I have anything that presents the combined positions.

MR. GUYTON: Okay. I have a more recent document. Joe, do you have it?

MR. McGLOTHLIN: I am trying to pull it up on the screen as we talk. I don't have it immediately in front of me.

MR. GUYTON: Okay. I am going to propose to read some positions just to see if they correctly reflect her position, but I want you to be in a position to make sure that I have read it correctly, Joe. Unless it's not -- otherwise I will just ask her to take it subject to check.

MR. McGLOTHLIN: Let's do that.

MR. GUYTON: Okay.

BY MR. GUYTON:

Q Ms. Ramas, you are listed by the Office of Public Counsel as the witness supporting OPC's position on Issue 99, and that issue reads, "is Gulf's requested annual operating revenue increase of 93,504,000 for the 2012 projected test year appropriate?"

And OPC's position reads, at least on my most recent draft, "no. Gulf's supplemental filing increases the amount of annual operating revenue increased from 93,504,000 to $101,618,000. OPC's recommended adjustments, including OPC's recommended impacts associated with the Crist turbine upgrades, results in the appropriate revenue increase of $16,221,000, Ramas."

A Yes, I assisted in preparing that statement. And that's consistent with the version I have here.

Q Okay. So both you and the Office of Public Counsel believe the appropriate revenue increase for Gulf in this case is $16,221,000?

A Yes, with one caveat. I wouldn't have flow-through to this number the changes that were agreed to in the debt cost rates that I spoke of earlier. So that would probably impact that a little bit.

Q But it does capture your Smart Grid adjustments?

A Yeah. It captures the removal -- my removal of those adjustments, so those are no longer reflected in deriving this number. And it includes the impact of the turbine upgrades based on the 13-month average approach.

Q So both you and the Office of Public Counsel advocate a rate increase for Gulf?

MR. McGLOTHLIN: Object to the form of the question.

THE WITNESS: I do, because that's where our numbers come out to when you run all of our recommended adjustments to the company's filing through. I am no aware of OPC having a position that differs form that $16,221,000.

BY MR. GUYTON:

Q Okay. Now, in this position that you are listed as supporting, it states that "Gulf's supplemental filing increases the amount of Gulf's annual operating revenue increase from 93,504,000 to $101,618,000."

That reference to Gulf's supplemental filing is Gulf's request to move cost recovery for the Crist 6 and 7 turbine upgrades from the environmental cost to

base rates?

A Yes. It would be based on the revenue requirement impact presented in Mr. McMillan's supplemental testimony on that subject.

Q So you see the movement of cost recovery from ECRC or cost recovery from base rates as a base rate increase?

A Yes, because the purpose of this document is to present the amount of base rate increase. So, yes, it is now included in the amount of revenue requirements that we would be calculating as a result of this case.

Q Okay. I am going to read another position to you that you are also listed as supporting, and I am going to read the issue and the position. And you might want to turn to it in your draft prehearing statement there. Would you refer to Issue 8, please?

A Eight?

Q Yes, ma'am.

A Okay. Just a moment. Yes. I am there.

Q And that issue reads, on my copy, and I want to make sure it does on yours, "should the capitalized items currently approved for recovery through the environmental cost recovery clause be included in rate base for Gulf?"

Is that the way your issue reads?

A Yes, it is.

Q And does your position say, "yes, OPC generally favors placing capitalized items in rate base as opposed to allowing the utility to continue to recover associated costs through a cost recovery clause," paren, "Ramas," end paren?

A Yes, it does.

Q Okay. So if consistent with your earlier answer, moving cost recovery from ECRC to base rate is a base rate increase, what is the base rate increase that OPC is proposing in Issue 8 where it advocates moving capitalized items from ECRC into rate base?

A That number you cited earlier -- let me find the exact number. Just a moment. The $16,221,000 includes moving those turbine upgrade projects into base rate. So that's what we are advocating in this case be included in base rates, including that project.

Q Okay. And is it only limited to those capitalized projects and not other projects that have been capitalized and recovered through ECRC?

A Yeah, but that's the only item that we have -- that I am aware of that has been moved from the company -- let me back up. It's the only adjustment that we have made from the company's original filing. The company's original filing has the ECRC, or the recovery cost project removed from base rates, and ours still has those removed. We are only adding in and including the costs associated with those turbine upgrades that are specifically discussed in McMillan's supplemental testimony and in my supplemental testimony.

Q So you are not recommending the movement of other costs that have been recovered through ECRC and capitalized in ECRC into base rates?

A No, I have not done that. And I haven't discussed with OPC their position on that, but they are aware that our recommended rate increase does not include that.

MR. GUYTON: Okay. Joe, do we have a stipulation on eight?

MR. McGLOTHLIN: What would the stipulation be?

MR. GUYTON: Well, I am wondering if your position there is that you want to move all the capitalized items into -- from ECRC into base rates, or if you are just talking about the turbine upgrades. It wasn't clear to me.

MR. McGLOTHLIN: For purposes of this case, the turbine upgrade is the only item that we have focused on. If you want to talk about anything broader than that, I don't think we can do that at the moment.

MR. GUYTON: Okay. No, I am not inviting that. I was reading your position that broadly until I asked Ms. Ramas.

But having said that, Ms. Ramas, that's all that I have for you this afternoon, and I wish you a pleasant weekend.

THE WITNESS: You also. Thank you.

MR. YOUNG: Joe.

MR. McGLOTHLIN: Very briefly.

EXAMINATION

BY MR. McGLOTHLIN:

Q Ms. Ramas, staff counsel asked you a series of questions that relate to the requirements for normalization of tax calculations and accelerated -- this is normal depreciation; do you remember that exchange?

A Yes, I do.

Q Do any of your positions or recommendations, would they violate any of the standards to which you referred?

A No, they would not.

MR. McGLOTHLIN: That's all I have.

MR. YOUNG: All right.

(Whereupon, the deposition was concluded at

3:53 p.m., and the witness did not waive reading and signing.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA R. KRICK, Professional Court Reporter, certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter translated under my supervision; and the foregoing pages, numbered 4 through 72, are a true and correct record of the aforesaid proceedings.

I further certify that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 6th day of December, 2011.

Debra R. Krick
____

DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #DD797877
EXPIRES JULY 13, 2012

ERRATA SHEET

I have read the transcript of my deposition, pages 4 through 72 and hereby subscribe to same, including any corrections and/or amendments listed below.

DATE:______________________ ___________________________
DONNA MARIE RAMAS

(In re: Petition for increase in rates by Gulf Power company, Docket No. 110138-EI)

PAGE/LINE	CORRECTION/AMENDMENT	REASON FOR CHANGE

DATE OF DEPOSITION: 12/2/2011

REPORTER: DEBBIE KRICK

PREMIER REPORTING
114 West 5th Avenue
Tallahassee, FL 32303
(850) 894-0828

December 6, 2011

TO: Joseph A. McGlothlin, Esq.

re: Petition for increase in rates by Gulf Power Company

Dear Mr. McGlothlin:

Enclosed please find your copy of the deposition of DONNA MARIE RAMAS taken on 12/2/2011, in the above-styled case.

As the witness did not waive reading and signing, I am also attaching the errata sheet as the last page of the transcript and request that your office make the necessary arrangements with your witness to read your copy of the deposition, noting any corrections on the errata sheet, then dating and signing the errata sheet, within 30 days or before commencement of trial, whichever is first.

PLEASE FORWARD THE ORIGINAL, SIGNED AND DATED to all counsel of record. If the errata sheet or a request for an extension is not received within 30 days, Counsel may assume that the signature has been waived.

It was a pleasure working with you on this matter.

Sincerely yours,

Debra R. Krick

DEBBIE R. KRICK

Professional Reporter
Enclosures (Errata sheet and transcript.)

CERTIFICATE OF OATH

STATE OF Michigan

COUNTY OF Wayne

I, the undersigned authority, certify that Donna Ramas personally appeared before me at the offices of Larkin + Associates and was duly sworn by me to tell the truth.

WITNESS my hand and official seal in the City of Livonia, County of Wayne, State of Michigan, this 2nd day of December, 20 11.

Kathleen K Niemiec

Notary Public

State of Michigan

Personally known X OR produced identification ________.

Type of identification produced ________________.

KATHLEEN K. NIEMIEC
NOTARY PUBLIC, STATE OF MI
COUNTY OF WAYNE
MY COMMISSION EXPIRES Jul 31, 2015
ACTING IN COUNTY OF Wayne