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FILE COPY

Jack L. Haskins
Executive Director, Legislative Matters
Legislative Secretary

May 18, 1995

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 950001-EI

Enclosed for official filing in the above docket are an original and fifteen (15) copies of the following:

1. Prepared direct testimony and exhibit of S. D. Cranmer.
2. Prepared direct testimony and exhibit of M. L. Gilchrist.
3. Prepared direct testimony and exhibit of G. D. Fontaine.
4. Prepared direct testimony of M. W. Howell.

Sincerely,

Jack L. Haskins

lw

Enclosures

Howell
DOCUMENT NUMBER - DATE
04891 MAY 1995
FPSC-RECORDS/REPORTING

Cranmer
DOCUMENT NUMBER - DATE
04888 MAY 1995
FPSC-RECORDS/REPORTING

Gilchrist
DOCUMENT NUMBER - DATE
04889 MAY 1995
FPSC-RECORDS/REPORTING

Fontaine
DOCUMENT NUMBER - DATE
04890 MAY 1995
FPSC-RECORDS/REPORTING

"Our business is customer satisfaction"

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clause with Generating)
Performance Incentive Factor) Docket No. 950001-EI
_____)

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 18th day of May, 1995 on the following:

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EXHIBIT
FILE 5024

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 950001-EI

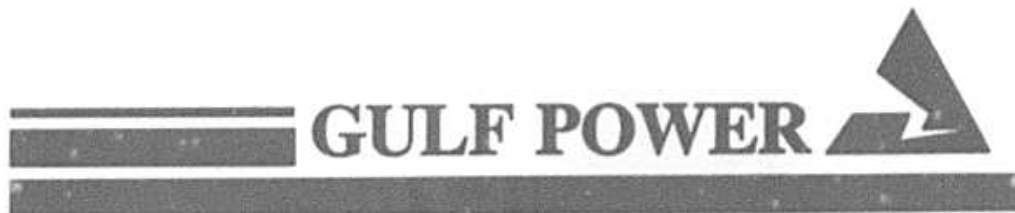
PREPARED DIRECT TESTIMONY
OF

M. W. HOWELL

FUEL COST RECOVERY AND
PURCHASED POWER CAPACITY COST RECOVERY

FINAL TRUE-UP

MAY 19, 1995



DOCUMENT NUMBER DATE

04891 MAY 19 95

FPSC-RECORDS/REPORTING

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Direct Testimony of
4 M. W. Howell
5 Docket No. 950001-EI
6 Date of Filing: May 19, 1995

7 Q. Please state your name, business address and occupation.

8 A. My name is M. W. Howell, and my business address is 500
9 Bayfront Parkway, Pensacola, Florida 32501. I am
10 Manager of Transmission and System Control for Gulf
11 Power Company.

12 Q. Have you previously testified before this Commission?

13 A. Yes. I have testified in various rate case,
14 cogeneration, territorial dispute, planning hearing,
15 fuel clause adjustment, and purchased power capacity
16 cost recovery dockets.

17 Q. Please summarize your educational and professional
18 background.

19 A. I graduated from the University of Florida in 1966 with
20 a Bachelor of Science Degree in Electrical Engineering.
21 I received my Masters Degree in Electrical Engineering
22 from the University of Florida in 1967, and then joined
23 Gulf Power Company as a Distribution Engineer. I have
24 since served as Relay Engineer, Manager of Transmission,
25

1 Manager of System Planning, Manager of Fuel and System
2 Planning, and Manager of Transmission and System
3 Control. My experience with the Company has included
4 all areas of distribution operation, maintenance, and
5 construction; transmission operation, maintenance, and
6 construction; relaying and protection of the generation,
7 transmission, and distribution systems; planning the
8 generation, transmission, and distribution system
9 additions in the future; bulk power interchange
10 administration; overall management of fuel planning and
11 procurement; and operation of the system dispatch
12 center.

13 I have served as a member of the Engineering
14 Committee and the Operating Committee of the
15 Southeastern Electric Reliability Council, chairman of
16 the Generation Subcommittee and member of the Edison
17 Electric Institute System Planning Committee, and
18 chairman or member of a number of various technical
19 committees and task forces within the Southern electric
20 system and the Florida Electric Power Coordinating
21 Group, regarding a variety of technical issues including
22 system operations, bulk power contracts, generation
23 expansion, transmission expansion, transmission
24 interconnection requirements, central dispatch,
25 transmission system operation, transient stability.

1 underfrequency operation, generator underfrequency
2 protection, system production costing, computer
3 modeling, and others.
4

5 Q. What is the purpose of your testimony in this
6 proceeding?

7 A. I will summarize Gulf Power Company's purchased power
8 recoverable costs for energy purchases and sales that
9 were incurred during the October 1, 1994 through March
10 31, 1995 recovery period. I will then compare the
11 actual costs to their projected levels for the period
12 and discuss the primary reasons for the differences.

13 I will also summarize the capacity expenses and
14 revenues that were incurred during the recovery period,
15 compare these figures to their projected levels, and
16 discuss the reasons for the differences.
17

18 Q. During the period October 1, 1994 through March 31,
19 1995, what was Gulf's actual purchased power recoverable
20 cost for energy purchases and how did it compare with
21 the projected amount?

22 A. Gulf's actual total purchased power recoverable cost for
23 energy purchases, as shown on line 12 of Schedule A-1,
24 was \$12,615,250 as compared to the projected amount of
25 \$2,335,000. This resulted in a variance above budget of

1 \$10,280,250, or 440%. The actual cost per KWH purchased
2 was 1.1635 ¢/KWH as compared to 1.8658 ¢/KWH, or 38%
3 below the projection.
4

5 Q. What were the events that influenced Gulf's purchase of
6 energy?

7 A. Gulf was able to purchase significantly more economy
8 power through the Southern electric power pool to meet
9 its load than was forecasted for the period due to the
10 availability of lower cost pool energy. Gulf purchased
11 1,084,248,708 KWH, shown on line 12 of Schedule A-1, as
12 compared to the estimate of 125,150,000 KWH, or 766%
13 more. The actual average cost was 1.1635 ¢/KWH as
14 compared to the estimate of 1.8658 ¢/KWH, a decrease of
15 0.7023 ¢/KWH from budget.

16 This average actual cost of purchases of 1.1635
17 ¢/KWH was actually 43% less per KWH than Gulf's actual
18 average fuel cost of system generation, shown on line 5,
19 which was 2.0388 ¢/KWH. Gulf's system net generation
20 was 4,298,211,000 KWH, or 27% under our estimate, but
21 was over budget in unit cost by 8%.

1 Q. During the period October 1, 1994 through March 31,
2 1995, what was Gulf's actual purchased power fuel cost
3 for energy sales and how did it compare with the
4 projected amount?

5 A. Gulf's actual total purchased power fuel cost for energy
6 sales, as shown on line 18 of Schedule A-1, was
7 \$17,850,216 as compared to the projected amount of
8 \$33,651,600. This resulted in a variance below budget
9 of \$15,801,384, or 47%. The actual fuel cost per KWH
10 sold was 1.2917 ¢/KWH as compared to 1.7530 ¢/KWH, or
11 26% below the projection.

12
13 Q. What were the events that influenced Gulf's sale of
14 energy?

15 A. Gulf's off-system sales, shown on line 18, were
16 554,687,293 KWH, or 29%, under the projection for the
17 period. These off-system sales were under the
18 projection due to Gulf's decreased sale of energy to the
19 Southern electric system power pool to meet the pool's
20 overall energy requirements. The higher cost of energy
21 available from Gulf's units compared with the cost of
22 energy generated by the other pool members caused Gulf
23 to sell less energy than budgeted to the pool for off-
24 system obligations.

25

1 Q. How are Gulf's net purchased power fuel costs affected
2 by Southern electric system energy sales?

3 A. As a member of the Southern electric system power pool,
4 Gulf Power participates in these sales. Gulf's
5 generating units are economically dispatched to meet the
6 needs of its territorial customers, the system, and
7 off-system customers.

8 Therefore, Southern system energy sales provide a
9 market for Gulf's surplus energy and generally improve
10 unit load factors. The cost of fuel used to make these
11 sales is credited against, and therefore reduces, Gulf's
12 fuel and purchased power costs.

13

14 Q. During the period October 1, 1994 through March 31,
15 1995, how did Gulf's actual net purchased power capacity
16 cost compare with the net projected cost?

17 A. In the Purchased Power Capacity Cost Recovery portion of
18 Docket No. 940001-EI, I testified that the projected net
19 purchased power capacity cost for the October 1, 1994
20 through March 31, 1995 recovery period was \$5,125,921.
21 The actual net capacity cost was \$4,891,009. This
22 represents a decrease in cost of \$234,912, or 5% less
23 than projected.

24 The projected net IIC capacity cost for the
25 October 1, 1994 through March 31, 1995 recovery period

1 was \$5,425,921. The actual net IIC capacity cost for
2 the filing period was \$5,187,189, which is \$238,732 or
3 4% less than projected.

4 The projected Florida Power Corporation Schedule E
5 capacity revenue for the period was \$300,000. The
6 actual Schedule E capacity revenue for the recovery
7 period was \$296,180, or 1% less than projected. This
8 revenue was essentially on target for the recovery
9 period.

10

11 Q. Please explain the reasons for the IIC capacity cost
12 difference.

13 A. Gulf's actual net IIC capacity cost was less than budget
14 because the Southern electric system had less actual
15 system capacity to be equalized. Therefore, Gulf was
16 responsible for purchasing its historical load ratio
17 share of the lower system reserve capacity, enabling the
18 company have a lower IIC capacity cost.

19

20 Q. Does this conclude your testimony?

21 A. Yes.

22

23

24

25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 950001-EI

Before me the undersigned authority, personally appeared M. W. Howell, who being first duly sworn, deposes, and says that he is the Manager of Transmission and System Control of Gulf Power Company, a Maine corporation, that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.

M. W. Howell
M. W. Howell
Transmission and System Control
Manager

Sworn to and subscribed before me this 18 day of May, 1995.

Peggy Allen Wilson
Notary Public, State of Florida at Large

Commission No.

My Commission Expires

PEGGY ALLEN WILSON
"Notary Public-State of Florida"
My Commission Expires July 29, 1997
CC303770