

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 010001-EI

**FUEL COST AND PURCHASED POWER COST
RECOVERY CLAUSE**

PREPARED DIRECT TESTIMONY

OF

M. W. HOWELL

FINAL TRUE-UP

JANUARY– DECEMBER 2000 (Fuel)

JANUARY– DECEMBER 2000 (Capacity)

April 2, 2001



A SOUTHERN COMPANY

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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. 010001-EI
6 Date of Filing: April 2, 2001

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

8 A. My name is M. W. Howell, and my business address is One
9 Energy Place, Pensacola, Florida 32520. I am
10 Transmission and System Control Manager for Gulf Power
11 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
18 Q. Please summarize your educational and professional
19 background.

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

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

12 I am a member of the Engineering Committees and
13 the Operating Committees of the Southeastern Electric
14 Reliability Council and the Florida Reliability
15 Coordinating Council, and have served as chairman of the
16 Generation Subcommittee of the Edison Electric Institute
17 System Planning Committee. I have served as chairman or
18 member of many technical committees and task forces
19 within the Southern electric system, the Florida
20 Electric Power Coordinating Group, and the North
21 American Electric Reliability Council. These have dealt
22 with a variety of technical issues including bulk power
23 security, system operations, bulk power contracts,
24 generation expansion, transmission expansion,
25 transmission interconnection requirements, central

1 dispatch, transmission system operation, transient
2 stability, underfrequency operation, generator
3 underfrequency protection, and system production
4 costing.

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

8 A. I will summarize Gulf Power Company's purchased power
9 recoverable costs for energy purchases and sales that
10 were incurred during the January 2000 through December
11 2000 recovery period. I will then compare these actual
12 costs to their projected levels for the period and
13 discuss the primary reasons for the differences.

14 I will also summarize the actual capacity expenses
15 that were incurred during the January 2000 through
16 December 2000 recovery period. I will compare these
17 figures to their projected levels and discuss the
18 reasons for the differences.

19
20 Q. During the period January 2000 through December 2000,
21 what was Gulf's actual purchased power recoverable cost
22 for energy purchases and how did it compare with the
23 projected amount?

24 A. Gulf's actual total purchased power recoverable cost for
25 energy purchases, as shown on line 12 of the

1 December 2000 Period-to-Date Schedule A-1 was
2 \$59,472,461 for 1,858,330,624 KWH as compared to the
3 originally projected amount of \$31,622,732 for
4 1,081,420,000 KWH that was filed October 1, 1999 in
5 Docket No. 990001-EI. The actual cost per KWH purchased
6 was 3.2003 ¢/KWH as compared to the projected
7 2.9242 ¢/KWH, or 9% over the projection.

8
9 Q. What were the events that influenced Gulf's purchase of
10 energy?

11 A. During the recovery period, Gulf's increased energy
12 purchases to meet its total load obligations were
13 primarily driven by the extremely hot and dry weather
14 that prevailed in July and August of 2000. The unit
15 prices for the purchases during the January through
16 December period were higher than projected due to the
17 unavailability of low cost generation from Southern
18 electric system (SES) hydro units and the dispatch of
19 higher cost SES fossil steam generation to meet higher
20 SES territorial and off-system loads. Therefore, Gulf
21 purchased more energy at a higher unit price than was
22 forecasted during the January through December 2000
23 period in order to meet its total load obligations.

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1 Q. During the period January 2000 through December 2000,
2 what was Gulf's actual purchased power fuel cost for
3 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 the December 2000 Period-
7 to-Date Schedule A-1 was \$83,972,815 for 3,629,966,149
8 KWH as compared to the October 1999 projected amount of
9 \$43,471,000 for 2,312,065,000 KWH. The actual fuel cost
10 per KWH sold was 2.3133 ¢/KWH, or 23% over the projected
11 amount of 1.8802 ¢/KWH.

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

15 A. Gulf's energy sales were over the projection due to the
16 higher SES territorial demand and off-system customer
17 demand for Unit Power energy during the recovery period.
18 Because of this higher demand, Gulf was able to sell
19 more of its higher cost energy to these customers and to
20 other SES pool members to satisfy their total load
21 obligations. Overall, Gulf's energy sales produced
22 revenues that more than offset its increased cost of
23 energy purchases for the recovery period.

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

3 A. Gulf, as a member of the SES power pool, participates in
4 these energy sales. Gulf's generating units are
5 economically dispatched to meet the needs of its
6 territorial customers, the system, and off-system
7 customers. The SES energy sales provide a market for
8 any surplus energy resulting from the dispatch of Gulf's
9 units and, therefore, generally improve Gulf's
10 generating unit load factors. The cost of fuel used to
11 make these sales is credited against, and therefore
12 reduces, Gulf's fuel and purchased power costs.

13

14 Q. During the period January 2000 through December 2000,
15 how did Gulf's actual net purchased power capacity cost
16 compare with the net projected cost?

17 A. The actual net capacity cost for the January 2000
18 through December 2000 recovery period was \$12,873,981.
19 Gulf's projected net purchased power capacity cost for
20 the January 2000 through December 2000 recovery period
21 was \$12,308,433, as indicated on revised Schedule CCE-1
22 that was filed in Docket No. 990001-EI on November 12,
23 1999. The difference between the actual net capacity
24 cost and the projected net capacity cost for the
25 recovery period is \$565,548, or an increase of 4.6%.

1 Q. Please explain the reason for the increase in capacity
2 cost.

3 A. The \$565,548 capacity cost net increase for the
4 January 2000 through December 2000 recovery period is
5 attributable to updated SES load and owned capacity data
6 inputs for the summer months that are used in the
7 Intercompany Interchange Contract (IIC) capacity
8 equalization process to determine Gulf's annual IIC
9 costs and Gulf's lower than projected transmission
10 revenues. Gulf's actual IIC costs increased by
11 \$1,995,049, while Gulf's actual transmission revenues
12 were \$227,531 below the original projection. These cost
13 increases, however, were largely offset by the combined
14 effect of a \$848,282 decrease in January through
15 December market capacity purchase costs and a \$808,750
16 capacity payment adjustment collected from a qualifying
17 facility (QF) for its failure to meet contracted
18 cogeneration unit availability requirements. Therefore,
19 the net effect of these cost changes is the above-
20 mentioned \$565,548 capacity cost increase for the
21 January 2000 through December 2000 cost recovery period.

22

23 Q. Does this conclude your testimony?

24 A. Yes.

25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 010001-EI

Before me the undersigned authority, personally appeared M. W. Howell, who being first duly sworn, deposes, and says that he is the Transmission and System Control Manager 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 29th day of
March, 2001.

Rollanda R. Cottrán

Notary Public, State of Florida at Large

Commission No.

My Commission Expires

