

ORIGINAL
FILE COPY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET No. ~~000005~~ - EU

GULF POWER COMPANY

REBUTTAL TESTIMONY OF
M. W. HOWELL

JUNE 3, 1994

DOCUMENT NUMBER-DATE
05443 JUN-3 94
FPCD-REGULATORY/REPORTING

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

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

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

5

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

7 A. My purpose is to rebut portions of the testimony of Mr.
8 Jeff Parish of Alabama Electric Cooperative ("AEC"),
9 testifying on behalf of Gulf Coast Electric Cooperative,
10 Inc. ("the Coop"), relating to the Intercompany
11 Interchange Contract ("IIC") and its impact in this
12 dispute.

13

14 Q. Overall, how would you characterize Mr. Parish's
15 testimony?

16 A. First, let me say that I consider Jeff to be a friend of
17 mine. He used to work for Gulf Power Company ("Gulf
18 Power"), and I have always enjoyed our professional
19 relationship. Nevertheless, his testimony is little
20 more than a veiled attempt to mask the basic problem -
21 the Coop's rates are considerably higher than Gulf
22 Power's.

23 If the correctional facility takes service from the
24 Coop, the Department of Corrections will pay
25 considerably higher electric bills than if it takes

1 service from Gulf Power. Gulf Power Witness William C.
2 Weintritt has testified that the bill will, in fact, be
3 21% higher from the Coop than from Gulf Power.

4

5 Q. Could you elaborate?

6 A. Yes. Mr. Parish's testimony suggests that Gulf Power's
7 IIC capacity transactions should be compared to the
8 Coop's cost of capacity purchases from AEC to determine
9 the impact on the customer. On Page 9, Lines 16-21, he
10 makes this comparison. He then goes on to discuss the
11 sources of energy for Gulf Power and AEC without ever
12 comparing the relative energy costs. This leaves the
13 silent but implied impression that energy cost is not a
14 factor. Yet, the Coop's own witness, Mr. Archie Gordon,
15 offers in his testimony that the energy cost to the
16 customer will be 35% higher if purchased through AEC as
17 compared to Gulf Power. This demonstrates that,
18 relative to Mr. Parish's testimony, the only relevant
19 issue for the Commission to consider is what the
20 customer has to pay.

21

22 Q. Will either Gulf Power or AEC have to add generation
23 capacity to serve this load?

24 A. Certainly not. The load is just too small to
25 immediately cause a need for new capacity on either

1 system.

2 But one cannot ignore the fact that all load
3 requires generation. There is always a generation cost
4 to serve load. Mr. Parish and I are in agreement on
5 that point. However, it is not appropriate to compare
6 an IIC capacity component impact with demand charges
7 from AEC.

8

9 Q. Why is this so?

10 A. The purpose of the IIC is, primarily, to allow all the
11 operating companies of the Southern electric system to
12 be able to participate in pool operation and realize all
13 the many benefits to their customers which accrue to all
14 participants. The capacity equalization is only for the
15 purpose of handling temporary surpluses and deficits
16 that will arise as a result of our pooling system. It
17 is never appropriate to use these as a proxy for our
18 overall generation costs. For pricing capacity to our
19 customers, we utilize average generation costs, not
20 temporary IIC capacity equalization impacts. A proper
21 review of the IIC would include all its benefits.

22

23 Q. What are these benefits?

24 A. They include the following:

25 1. Economic dispatch production cost savings.

- 1 2. Economic sharing of generating reserve
- 2 capacity.
- 3 3. Ability to install large, efficient generating
- 4 units.
- 5 4. Reduced requirements for operating reserves.
- 6 5. Pool market for temporary surpluses of
- 7 capacity and energy on Gulf Power's system.
- 8 6. Ready supply of energy for purchase when Gulf
- 9 Power is short.
- 10 7. Long-term power sale revenues.
- 11 8. Unit power sale benefits.
- 12 9. Peak-hour load diversity.
- 13 10. Economy energy transaction benefits.

14 These many benefits have long been recognized and
15 noted by the Commission in prior proceedings. At least
16 partially as a result of the benefits our customers
17 receive, Gulf Power's rates are the lowest of any
18 investor-owned utility in the state, and significantly
19 lower than the Coop. For Mr. Parish to focus on the
20 capacity equalization only, and ignore other benefits,
21 is completely inappropriate.

22

23 Q. Are there other problems with Mr. Parish's comparison?

24 A. Yes. The IIC assumes that all companies' loads are
25 growing, and that all companies will need to add

1 generation over time. In fact, if all companies grow at
2 the same relative rate, IIC payments do not change, even
3 though loads are growing.

4

5 Q. If this were a large load, enough to cause Gulf Power or
6 AEC to consider a change in its generation expansion,
7 would it be appropriate to look at IIC transactions?

8 A. No. In fact, a large number of small loads such as this
9 prison would eventually constitute a "large" load. A
10 way to compare the two companies might then be to look
11 at what their avoided generation costs are. Gulf
12 Power's avoided capacity would be a combustion turbine
13 (CT), the least cost capacity addition. Unless AEC's
14 avoided unit were also a CT, then its avoided costs
15 would likewise be higher than Gulf Power's.

16

17 Q. Mr. Parish states that the IIC is complicated. Is this
18 true?

19 A. Yes. Although certainly not intended by design to be
20 complicated, a calculation which tries to capture all
21 the component costs of generating capacity sharing among
22 pool members will wind up being complicated regardless
23 of the specifics of the agreement. Our IIC is subject
24 to the jurisdiction of and approved by the Federal
25 Energy Regulatory Commission.

1 We have made several presentations to the FPSC
2 staff on the contract to ensure a better understanding
3 of the IIC's effect on Gulf Power and its retail
4 customers. I'm not sure to what degree Mr. Parish
5 understands the details, but he has certainly misapplied
6 the overall concept in an attempt to mask the fact that
7 the Coop's rates are significantly higher than ours.

8
9 Q. Mr. Parish stated that he approximated the revisions to
10 the IIC to estimate pool transactions for the prison
11 load. Was his approximation correct?

12 A. Since he didn't furnish it to us, I have no idea how
13 many technical errors are in his calculations. What is
14 interesting is that his analysis yielded a \$29,251 cost
15 after three years. The entire utility industry is now
16 in a period of unprecedented change. The IIC has been,
17 and will continue to be, a dynamic document responding
18 to changes in the industry, and we should expect
19 significant changes in those three years. By that time,
20 the entire calculation mechanism may have changed, as
21 well as all the data.

22 What he carefully avoided saying was that for the
23 first year, the IIC cost will be \$0. Now I maintain
24 that if it were appropriate to consider IIC payments
25 (which it is not), then Gulf Power would have a

1 tremendous first year cost advantage which the Coop
2 would find difficult, even impossible, to overcome.

3

4 Q. Does this complete your testimony?

5 A. Yes.

6

7

8

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 930885-EU

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
Manager of Transmission and System
Control

Sworn to and subscribed before me this 1 day of

June, 1994.

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 27, 1997
CC303770