Gulf Power Company
500 Bayfront Parkway
Post Office Box 1151
Pensacola FL 32520-0770
Telephone 904 444-6365

1130

Jack L. Haskins
Manager of Rates and Regulatory Matters
and Assistant Secretary

the southern electric system

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FILE COPY

June 30, 1994

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. 931044-EI

Enclosed are an original and fifteen copies of the testimony of James I. Thompson and M. W. Howell on the behalf of Gulf Power Company to be filed in the above docket.

Sincerely,

Jack L. Haskins

lw

Enclosures

cc: Beggs & Lane
Jeffrey A. Stone, Esquire

ACK ✓
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FPSC-RECORDS/REPORTING

"Our business is customer satisfaction"

; Howell
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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Authority to Implement a Replacement Rate Schedule for Standby Electric Service by Gulf Power Company	)	Docket No. 931044-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished this 1st day of July 1994 by U.S. Mail or hand delivery to the following:

Mary Anne Helton, Esquire
Staff Counsel
FL Public Service Commission
101 East Gaines Street
Tallahassee FL 32399-0863

John W. McWhirter, Jr., Esquire
McWhirter, Reeves, McGlothlin,
Davidson & Bakas, P. A.
P. O. Box 3350
Tampa FL 33601-3350

Joseph A. McGlothlin, Esquire
Vicki Gordon Kaufman
McWhirter, Reeves, McGlothlin,
Davidson & Bakas, P.A.
315 S. Calhoun Street, Suite 716
Tallahassee FL 32301

Teresa E. Liles

G. EDISON HOLLAND, JR.
Florida Bar No. 261599
JEFFREY A. STONE
Florida Bar No. 325953
TERESA E. LILES
Florida Bar No. 510998
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32576
904 432-2451
Attorneys for Gulf Power Company

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET No. 941144-EI

GULF POWER COMPANY

DIRECT TESTIMONY OF
M. W. HOWELL

JULY 1, 1994

Gulf Power Company

Before the Florida Public Service Commission
Direct Testimony of
M. W. Howell
Docket No. 931044-EI
Date of Filing: July 1, 1994

Q. Please state your name, business and occupation.

A. My name is M. W. Howell, and my business address is 500 Bayfront Parkway, Pensacola, Florida 32501. I am Manager of Transmission and System Control for Gulf Power Company. In this position, I have management responsibility over Gulf's bulk power system planning function and the Company's bulk power interchange function, including the Company's participation in the Southern electric system's Intercompany Interchange Contract (IIC).

Q. Have you previously testified before this Commission?

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

Q. Please summarize your educational and professional background.

A. I graduated from the University of Florida in 1966 with a Bachelor of Science Degree in Electrical Engineering. I received my Masters Degree in Electrical Engineering from the University of Florida in 1967, and then joined Gulf Power Company as a Distribution Engineer. I have since served as Relay Engineer, Manager of Transmission, Manager of System Planning, Manager of Fuel and System Planning, and Manager of Transmission and System Control. My experience with the Company has included all areas of distribution operation, maintenance, and construction; transmission operation, maintenance and construction; relaying and protection of the generation, transmission, and distribution systems; planning the generation, transmission, and distribution system additions in the future; bulk power interchange administration; overall management of fuel planning and procurement; and operation of the system dispatch center.

I have served as a member of the Engineering Committee and the Operating Committee of the Southeastern Electric Reliability Council, chairman of the Generation Subcommittee and member of the Edison Electric Institute System Planning Committee, and

chairman or member of a number of various technical committees and task forces within the Southern electric system and the Florida Electric Power Coordinating Group, regarding a variety of technical issues including system operations, bulk power contracts, generation expansion, transmission expansion, transmission interconnection requirements, central dispatch, transmission system operation, transient stability, underfrequency operation, generator underfrequency protection, system production costing, computer modeling, and others.

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

A. The purpose of my testimony is to describe the conditions which influence Gulf's need for additional supply side or demand side capacity resources. I will discuss the role that the IIC and its capacity equalization component play in Gulf's provision of electric service. Finally, I will discuss the potential benefits that would accrue to our customers if we successfully encourage our self generating customers to perform planned preventive maintenance activities on their generation equipment at times other than during Gulf's summer peak months.

Q. What conditions influence Gulf's need for additional capacity resources?

A. Gulf, like all electric utilities, must anticipate the needs of its customers and plan its resources to be able to meet those needs. With regard to capacity resources, the primary driver is the Company's annual peak load. Gulf is a summer peaking utility. That is, the annual system peak load on Gulf Power Company's system occurs during the summer months. We therefore must plan our capacity resources in order to be sure that we have the capability to meet the summer peak with an appropriate margin of reserves. To the extent that there is a growth in the Company's summer peak load, there is a need for additional capacity resources.

Q. How is Gulf's system planning affected by its membership in the Southern electric system?

A. First of all, the fact that Gulf Power is an operating company member of the Southern electric system does not alter Gulf's basic responsibility to plan and procure the resources necessary to serve the needs of its customers over the long-term. Each operating company within the Southern electric system must plan and procure the necessary resources to serve the needs of their own customers over the long-term. However,

because of our membership in the Southern electric system and the associated power pooling arrangement, Gulf and the other operating companies are able to plan resource additions as a system as well as individual operating companies, and achieve lower overall costs than would be possible for each of the companies on a stand alone basis.

Q. What is the role of the IIC in Gulf's provision of electric service to its customers?

A. The IIC is the vehicle that allows all of the operating companies of the Southern electric system to participate in pool operations and realize all the many benefits to their customers that accrue to all participants.

Q. What are these benefits?

A. They include the following:

1. Economic dispatch production cost savings.
2. Economic sharing of generating reserve capacity.
3. Ability to install large, efficient generating units.
4. Reduced requirements for operating reserves.
5. Pool market for temporary surpluses of capacity and energy on Gulf Power's system.

6. Ready supply of energy for purchase when Gulf Power is short.

7. Long-term power sale revenues.

8. Unit power sale benefits.

9. Peak-hour load diversity.

10. Economy energy transaction benefits.

These many benefits have long been recognized and noted by the Commission in prior proceedings. At least partially as a result of the benefits our customers receive, Gulf Power has been able to provide reliable electric service at low cost, and our rates are the lowest of any investor-owned electric utility in Florida.

Q. What is the purpose of the IIC capacity equalization process?

A. The capacity equalization component is only one piece of the IIC arrangement. The capacity equalization component is a device that has been approved by the Federal Energy Regulatory Commission (FERC) as a way to share in the capacity benefits of the system. The capacity equalization component exists only for the purpose of handling <u>temporary</u> surpluses and deficits in reserve capacity that will arise as a result of our pooling system. The capacity equalization mechanism is

not intended to serve as a long-term means of meeting the resource needs of any member of the Southern electric system.

Q. Does this mean that there are limits on the role the IIC capacity equalization plays in Gulf's business?

A. Yes. For example, Gulf does not use the capacity equalization model as a tool to evaluate the economics of customer load changes, capacity additions, or any other action needed to provide electric service to its customers. In all decisions, we try to determine what the customers' needs are and satisfy those needs in the most appropriate and cost-effective manner. Each of the other operating companies of the Southern system, acting for the benefit of their customers, is doing the same thing. If we all attempted to use the IIC and its mechanism for handling temporary surplus/deficit capacity transactions as a measure of what is good for our customers in the long-term, we likely would make many wrong decisions and would fail to satisfy the needs of our customers in the least costly manner.

Q. How do Gulf's IIC capacity equalization costs compare to the Company's total cost of providing electric service?

A. They are very small. For example, the annual IIC

capacity equalization costs for 1994 are projected to be less than one percent of the Company's total annual operating expenses. By comparison, Gulf's production related revenue requirements amount to fifty-five percent of the Company's total annual revenue requirements. The difference in magnitude between these two components of Gulf's cost of providing electric service and the fact that, from a planning perspective, the need to plan and procure resources sufficient to meet Gulf's summer peak loads demonstrates that of the two, Gulf's primary concern should be focused on properly managing the summer peak load as opposed to the effect of changes in load from month to month.

Q. How does this proper focus of concern relate to the provision of standby electric service?

A. By definition, the customers taking standby service from Gulf rely on their own generation to serve as the primary source of supply for all or part of their own electric power needs. From Gulf's planning perspective, it is the likelihood that the standby customer will be calling on Gulf to provide standby service at the time of the Company's annual peak that is the primary concern of Gulf Power. To the extent that these customers can be encouraged to plan their maintenance activities for

times other than at the time of Gulf's annual peak, then this will assist Gulf in deferring or avoiding the need for additional generating capacity or other capacity resources. Our experience with our current standby customers under the old standby rate shows that they indeed purchased standby service from Gulf Power during the summer months, at times when Gulf experiences its highest system loads and its highest cost to provide service. In fact, the Company has seen a fairly high incidence of standby demand at times during the summer months when the load is between 90% and 100% of Gulf's annual peak.

The shift in maintenance activities to months other than those in which Gulf's annual peak is likely to occur provides benefits to Gulf from a planning perspective in at least two ways. First, because the planned maintenance is occurring in an off-peak month rather than an on-peak month, the associated standby usage and related standby demand will also occur in the off-peak month. Second, because of the planned maintenance activity, the probability of an unplanned or forced outage of the customer's generation is reduced which also has the effect of reducing the possibility that the cogenerator would have a need for standby service at the time of Gulf's annual peak.

Q. Does this conclude your testimony?

A. Yes it does.

AFFIDAVIT

Docket No. 931044-EI

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

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 29th day of June, 1994.

Kenneth E Hargrove

Notary Public, State of Florida at Large

Commission No. CC 117163

My Commission Expires My commission expires July 19,1996.