

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

ORIGINAL
FILE COPY

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

The southern electric system

November 11, 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. 940001-EI

Enclosed for official filing in Docket No. 940001-EI 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.

ACK _____
 AED _____
 APP _____
 CAF _____
 CMU _____
 CTR _____
 EAG _____
 LEG _____
 LIN _____
 OPC _____
 RCH _____
 SEC _____
 WAS _____
 WTH _____

Sincerely,

Jack L. Haskins
Jack L. Haskins
iw

Enclosures

Cranmer
DOCUMENT NUMBER-DATE
11463 NOV 14 94
FPSC-RECORDS/REPORTING

Gilchrist *Fontaine*
DOCUMENT NUMBER-DATE DOCUMENT NUMBER-DATE
11464 NOV 14 94 11465 NOV 14 94
FPSC-RECORDS/REPORTING FPSC-RECORDS/REPORTING

Howell
DOCUMENT NUMBER-DATE
11466 NOV 14 94
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. 940001--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 11th day of November, 1994 on the following:

Martha Brown, Esquire
FL Public Service Commission
101 East Gaines Street
Tallahassee FL 32399-0863

Jack Shreve, Esquire
Office of Public Counsel
111 W. Madison St., Suite 812
Tallahassee FL 32399-1400

James McGee, Esquire
Florida Power Corporation
P. O. Box 14042
St. Petersburg FL 33711

Matthew M. Childs, Esquire
Steel, Hector & Davis
215 South Monroe, Suite 601
Tallahassee FL 32301-1804

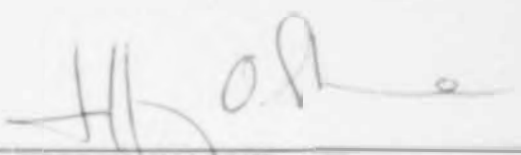
Joseph A. McGlothlin, Esquire
McWhirter, Grandoff & Reeves
315 S. Calhoun St., Suite 716
Tallahassee FL 32301

Suzanne Brownless, Esquire
2546 Blairstone Pines Drive
Tallahassee FL 32301

Lee L. Willis, Esquire
James D. Beasley, Esquire
Macfarlane Ausley Ferguson
& McMullen
P. O. Box 391
Tallahassee FL 32302

Floyd R. Self, Esquire
Messer, Vickers, Caparello,
French and Madison
P. O. Box 1876
Tallahassee FL 32302-1876

David M. Kleppinger, Esquire
McNees, Wallace & Nurick
100 Pine Street
P. O. Box 1166
Harrisburg PA 17108-1166



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. 940001-EI

PREPARED DIRECT TESTIMONY

M. W. HOWELL

FUEL COST RECOVERY AND
PURCHASED POWER CAPACITY COST RECOVERY

FINAL TRUE-UP

NOVEMBER 14, 1994



DOCUMENT NUMBER-DATE

11466 NOV 14 8

FPSC-RECORDS/REPORTING

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GULF POWER COMPANY

Before the Florida Public Service Commission
Direct Testimony of
M. W. Howell
Docket No. 940001-EI
Date of Filing: November 14, 1994

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

14 A. My name is M. W. Howell, and my business address is 500
15 Bayfront Parkway, Pensacola, Florida 32501. I am
16 Manager of Transmission and System Control for Gulf
17 Power Company.

18
19 Q. Have you previously testified before this Commission?

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

24
25 Q. Please summarize your educational and professional
26 background.

27 A. I graduated from the University of Florida in 1966 with
28 a Bachelor of Science Degree in Electrical Engineering.
29 I received my Masters Degree in Electrical Engineering
30 from the University of Florida in 1967, and then joined
31 Gulf Power Company as a Distribution Engineer. I have

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
7 proceeding?

8 A. I will summarize Gulf Power Company's purchased power
9 fuel costs for energy purchases and sales that were
10 incurred during the April 1, 1994 through September 30,
11 1994 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 and revenues that were incurred during the recovery
16 period, compare these figures to their projected levels,
17 and discuss the reasons for the differences.

18
19 Q. During the period April 1, 1994 through September 30,
20 1994, what was Gulf's actual purchased power fuel cost
21 for energy purchases and how did it compare with the
22 projected amount?

23 A. Gulf's actual total purchased power fuel cost for energy
24 purchases, as shown on line 11 of Schedule A-1, was
25 \$19,806,789 as compared to the projected amount of

1 \$5,822,000. This resulted in a variance above budget of
2 \$13,984,789, or 240%. The actual fuel cost per KWH
3 purchased was 1.8403 ¢/KWH as compared to 1.8380 ¢/KWH,
4 or 0.1% above the projection.

5

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

8 A. Gulf was able to purchase significantly more economy
9 power through the Southern electric power pool to meet
10 its load than was forecasted for the period due to the
11 availability of lower cost pool energy. Gulf purchased
12 1,076,290,940 KWH, shown on line 11 of Schedule A-1, as
13 compared to the estimate of 316,750,000 KWH, or 240%
14 more. The actual average cost was 1.8403 ¢/KWH as
15 compared to the estimate of 1.8380 ¢/KWH, a very slight
16 increase of 0.0023 ¢/KWH over budget.

17 This average actual fuel cost of purchases of
18 1.8403 ¢/KWH was actually 5% less per KWH than Gulf's
19 actual average fuel cost of system generation, shown on
20 line 4, which was 1.9373 ¢/KWH. Gulf's system net
21 generation was 5,497,665,000 KWH, or 8% under our
22 estimate, but was over budget in unit cost by 4%.

23

24

25

- 1 Q. During the period April 1, 1994 through September 30,
2 1994, 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 17 of Schedule A-1, was
7 \$29,469,775 as compared to the projected amount of
8 \$22,775,400. This resulted in a variance above budget
9 of \$6,694,375, or 29%. The actual fuel cost per KWH
10 sold was 1.8039 ¢/KWH as compared to 1.8596 ¢/KWH, or 3%
11 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 17, were
16 1,633,709,618 KWH, or 33% over the projection for the
17 period. These off-system sales were over the projection
18 due to Gulf's increased sale of energy to the Southern
19 electric system power pool to meet the pool's obligation
20 for these sales. The lower cost of energy available
21 from Gulf's resources compared with the cost of energy
22 generated by the other pool members allowed Gulf to sell
23 more energy than budgeted to the pool for off-system
24 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 Q. During the period April 1, 1994 through September 30,
14 1994, how did Gulf's actual net purchased power capacity
15 transactions compare with the net projected
16 transactions?

17 A. In a previous cost recovery proceeding in Docket No.
18 940001-EI, I testified that the projected net purchased
19 power capacity cost for the April 1, 1994 through
20 September 30, 1994 recovery period was \$494,906. The
21 actual net capacity cost was \$622,607. This represents
22 an increase in cost of \$127,701, or 26% more than
23 projected.

24 The projected net IIC capacity cost for the
25

1 April 1, 1994 through September 30, 1994 recovery period
2 was \$1,094,906. The actual net IIC capacity cost for
3 the filing period was \$1,204,135, or 10% more than
4 projected.

5 The projected Florida Power Corporation Schedule E
6 capacity revenue for the period was \$600,000. The
7 actual Schedule E capacity revenue for the recovery
8 period was \$581,528, or 3% less than projected.

9
10 Q. Please explain the reasons for this difference.

11 A. First, Gulf's actual net IIC capacity cost was higher
12 than budget because there was more actual system
13 capacity to be equalized because of higher demand side
14 program capacity and a lower actual system load.

15 Therefore, Gulf was responsible for sharing a
16 percentage of an increased level of system capacity and
17 the company had a slightly increased IIC capacity cost.

18 Second, Gulf's actual FPC Schedule E capacity
19 revenue was below budget because the Southern electric
20 system was required to give FPC capacity charge credits
21 due to reduced capacity transfer capabilities on the
22 Southern / Florida transmission interface caused by
23 Tropical Storm Alberto.

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25

1 Q. Does this conclude your testimony?

2 A. Yes.

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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 940001-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 9 day of November, 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 29, 1997
CC 303770