

Gulf Power Company
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ORIGINAL
FILE COPY

Susan D. Cranmer
Assistant Secretary and
Assistant Treasurer

the southern electric system

June 21, 1996

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

Enclosed for official filing in Docket No. 960001-EI are an original and fifteen copies of the following:

1. Petition of Gulf Power Company for Approval of Final Fuel Cost True-up Amounts and GPIF Adjustment for October 1995 through March 1996; Estimated Fuel Cost True-up Amounts for April 1996 through September 1996; Projected Fuel Cost Recovery Amounts for October 1996 through March 1997; Final Purchased Power Capacity Cost True-up Amounts for April 1995 through September 1995; Estimated Purchased Power Capacity Cost True-up Amounts for October 1995 through September 1996; Projected Purchased Power Capacity Cost Recovery Amounts for October 1996 through September 1997; GPIF Targets and Ranges for October 1996 through March 1997; Estimated As-available Avoided Energy Costs, and Fuel Cost Recovery Factors to be applied beginning with the period October 1996 through March 1997; and Capacity Cost Recovery Factors to be applied beginning with the period October 1996 through September 1997.
2. Prepared direct testimony and exhibit of M. F. Oaks.
3. Prepared direct testimony and exhibit of G. D. Fontaine.
4. Prepared direct testimony and exhibit of M. W. Howell.
5. Prepared direct testimony and exhibit of S. D. Cranmer.

ACK _____
AFA 2
APP _____
CAF _____
CMU _____
CTR _____
EAG Bass
LFS 1
LIN 3
GRC _____
RCH _____
SEC 1
WAS _____
OTH _____

Petition
DOCUMENT NUMBER-DATE
06721 JUN 24 96
FPSC-RECORDS/REPORTING

Oaks
DOCUMENT NUMBER-DATE
06722 JUN 24 96
"Our business is customer satisfaction"
FPSC-RECORDS/REPORTING

Fontaine Howell
DOCUMENT NUMBER-DATE
06723 JUN 24 96
FPSC-RECORDS/REPORTING

RECEIVED & FILED
JUN 24 1996
SUSAN D. CRANMER
DOCUMENT NUMBER-DATE
06724 JUN 24 96
FPSC-RECORDS/REPORTING
CRANMER
DOCUMENT NUMBER-DATE
06725 JUN 24 96
FPSC-RECORDS/REPORTING

Susan D. Cranmer

Ms. Blanca S. Bayo
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In addition to the schedules attached to the testimony, enclosed is one copy for the hearing record of Schedules A1 through A9 previously filed with the Commission for the months of December 1995, January, February, March, April, and May 1996. These schedules are identified as part of Ms. Cranmer's composite exhibit SDC-2.

Also enclosed is a 3.5 inch double sided, double density diskette containing the Petition in WordPerfect for Windows 6.1 format as prepared on a MS-DOS based computer.

Sincerely,



lw

Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clause with Generating)
Performance Incentive Factor)

Docket No. 960001-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 21st day of June 1996 on the following:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 960001-EI

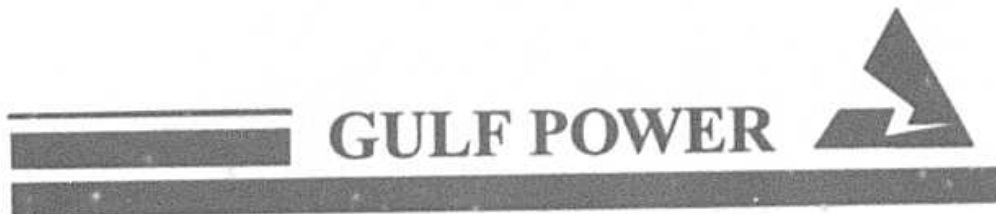
PREPARED DIRECT TESTIMONY
AND EXHIBIT OF

M. W. HOWELL

FUEL AND PURCHASED POWER COST RECOVERY

OCTOBER 1996 - MARCH 1997

JUNE 24, 1996



DOCUMENT NUMBER-DATE

06724 JUN 24 88

FPSC-RECORDS/REPORTING

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 system additions; bulk
9 power interchange administration; overall management of
10 fuel planning and procurement; and operation of the
11 system dispatch center.

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

1 protection, system production costing, computer
2 modeling, and others.

3

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

6 A. The purpose of my testimony is to support Gulf Power
7 Company's projection of purchased power recoverable
8 costs for energy purchases and sales costs for the
9 period October, 1996 - March, 1997. I will also support
10 the company's projection of purchased power capacity
11 costs for the October, 1996 - September, 1997 annual
12 recovery period.

13

14 Q. Have you prepared an exhibit that contains information
15 to which you will refer in your testimony?

16 A. Yes. My exhibit consists of one schedule to which I
17 will refer. This schedule was prepared under my
18 supervision and direction.

19 Counsel: We ask that Mr. Howell's Exhibit,
20 comprised of one Schedule, be
21 marked for identification as
22 Exhibit_____(MWH-1).

23

24

25

1 Q. What are Gulf's projected purchased power recoverable
2 costs for energy purchases and sales for the October,
3 1996 - March, 1997 recovery period?

4 A. Gulf's projected recoverable cost for energy purchases,
5 shown on line 12 of Schedule E-1 of the fuel filing, is
6 \$5,499,969. The projected fuel cost for energy sales,
7 shown on line 18 of Schedule E-1, is \$21,122,000. These
8 transactions result from Gulf's participation in the
9 coordinated operation of the Southern electric system
10 power pool. These amounts are used by Gulf's witness
11 Susan Cranmer as an input in the calculation of the fuel
12 and purchased power cost adjustment factor.

13

14 Q. What information is contained in your exhibit?

15 A. Schedule 1 of my exhibit lists the names of the power
16 contracts that are included for capacity cost recovery,
17 their associated megawatt amounts, and the resulting
18 capacity dollar amounts.

19

20 Q. Which power contracts produce capacity transactions that
21 are recovered through Gulf's purchased power capacity
22 cost recovery factors?

23 A. The two power contracts that produce recoverable
24 capacity transactions through Gulf's purchased power
25 capacity recovery factors are the Southern electric

1 system's Intercompany Interchange Contract and Gulf's
2 cogeneration capacity purchase contract with Monsanto
3 Company. The Commission has authorized the Company to
4 include capacity transactions under the Intercompany
5 Interchange Contract (IIC) for recovery through the
6 purchased power capacity cost recovery factors. Gulf
7 will have IIC capacity transactions during the October,
8 1996 - September, 1997 annual recovery period. The
9 energy transactions under this contract for these
10 periods are handled for cost recovery purposes through
11 the fuel cost recovery factors.

12 The Gulf Power Company/Monsanto Company
13 cogeneration capacity contract enables Gulf to purchase
14 19 megawatts of firm capacity from June 1, 1996 until
15 June 1, 2005. In Docket No. 921167-EU, the Commission
16 authorized Gulf to include the capacity transactions
17 under this contract for recovery through the purchased
18 power capacity cost recovery factors. Therefore, Gulf
19 has included these costs for recovery during the
20 October, 1996 - September, 1997 recovery period. The
21 energy transactions under this contract have also been
22 approved by the Commission for recovery and these costs
23 are handled for cost recovery purposes through the fuel
24 cost recovery factors.

25

1 Q. Have there been any changes to the IIC with regard to
2 capacity transactions since the last recovery factor
3 adjustment proceedings?

4 A. No, there have not been any changes to the contract
5 itself. However, on November 1, 1995, in accordance
6 with both the contract and the requirements of the
7 Federal Energy Regulatory Commission (FERC), the
8 Southern electric system made its annual IIC
9 informational filing with the FERC. The informational
10 filing reflects updated historical load responsibility
11 ratios, the expected system load, and the capacity
12 resource amounts for the 1996 budget cycle that are used
13 in the IIC capacity equalization calculation to
14 determine the capacity transactions and costs for each
15 operating company. Included in the above mentioned
16 capacity resource amounts is Gulf's firm capacity
17 purchase from Monsanto.

18 The inputs into the capacity equalization
19 calculation contained in this FERC informational filing
20 were updated again in 1996. These changes reflect the
21 latest information used in the projection of capacity
22 transactions among the Southern electric system's
23 operating companies for the October, 1996 -September,
24 1997 recovery period.

25

1 Q. Does the Southern electric system plan to make any
2 changes to the IIC that was used in the most recent
3 recovery factor adjustment proceedings?

4 A. Yes. In an effort to update and improve the IIC's
5 capacity equalization process, the Southern electric
6 system has crafted IIC Amendment No. 6. As the
7 Commission is probably aware, Southern proceeded to file
8 this change with the PERC on May 10, 1996. This
9 amendment, dated May 1, 1996, proposes to change four
10 specific components of the IIC capacity equalization
11 method.

12 The pricing methodology, used to account for
13 temporary surpluses and deficits of generating capacity
14 among the System's operating companies, will be changed
15 from the current pricing based upon the total embedded
16 costs of each company's fossil and pumped storage hydro
17 resources to pricing based upon the cost of peaking or
18 equivalent resources. This new pricing more accurately
19 reflects the cost of added system capacity. The
20 methodology used to determine the respective load
21 responsibilities of each operating company will be based
22 upon the average of each company's non-coincident load
23 for the ten highest hours of each month for three
24 historical years instead of the current historical non-
25 coincident peak hour basis for each month.

1 Unavailability factors, currently derived by applying
2 the three-year system average fossil steam
3 unavailability factors for all hours of the year, will
4 be based upon a three-year average of each company's
5 monthly unavailability factors by generation type for
6 the ten highest system load hours. Finally, the periods
7 used in simulation runs to establish the system's hydro
8 capacity ratings will be changed from four consecutive
9 hours to eight consecutive hours. The runs will also
10 use multiple historical years of flow data as opposed to
11 the current historical three-year average flow data.

12
13 Q. Has Gulf incorporated this new amendment into its
14 projections of IIC capacity transactions for the
15 October, 1996 - September, 1997 recovery period that is
16 being submitted for approval by the Commission in this
17 proceeding?

18 A. No. Until final FERC acceptance of Amendment No. 6, the
19 Southern electric system will continue to base its
20 monthly IIC capacity billing transactions upon the
21 current IIC. Gulf will not incorporate these changes
22 until final FERC acceptance of Amendment No. 6 is
23 obtained. At the present time it is unknown when and if
24 the System will obtain the necessary acceptance of the
25 amendment. If the changes are accepted and made

1 effective during the recovery period, Gulf will reflect
2 the resulting differences in the true-up filing for the
3 period. We will monitor the situation and be prepared
4 to propose a mid-course correction under the
5 Commission's established guidelines if this becomes
6 appropriate.

7
8 Q. What are Gulf's IIC capacity transactions that are
9 projected for the October, 1996 - September, 1997
10 recovery period?

11 A. As shown on Schedule 1 of my exhibit, capacity
12 transactions under the IIC vary during each month of the
13 annual recovery period. IIC capacity purchases in the
14 amount of \$10,906,277 are projected for the period. IIC
15 capacity sales during the same period are projected to
16 be \$170,748. Therefore, the Company's net capacity
17 transactions under the IIC for the period are net
18 purchases amounting to \$10,735,529. This compares well
19 to net purchases of \$10,499,074 that were projected for
20 the period October, 1995 - September, 1996.

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1 Q. What is the cost of Gulf's capacity purchase from
2 Monsanto that is projected for the October, 1996 -
3 September, 1997 recovery period?

4 A. As shown on Schedule 1 of my exhibit, Gulf is projected
5 to pay \$746,424, or \$62,202 per month, to Monsanto for
6 firm capacity purchases made pursuant to the Commission
7 approved contract.

8
9 Q. What are Gulf's total projected net capacity
10 transactions for the October, 1996 - September, 1997
11 recovery period?

12 A. As shown on Schedule 1 of my exhibit, the net purchases
13 under the IIC and the Monsanto contract will cause Gulf
14 to have a projected net capacity cost of \$11,481,953.
15 This annual figure is used by Ms. Cranmer as input into
16 the calculation of the total capacity transactions to be
17 recovered through the purchased power capacity cost
18 recovery factors for this twelve month recovery period.

19
20 Q. Does this conclude your testimony?

21 A. Yes.

22
23
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25

GULF POWER COMPANY
PROJECTED PURCHASED POWER CONTRACT TRANSACTIONS
OCTOBER, 1996 - SEPTEMBER, 1997

Contract	MW Purchase/(Sale)	Capacity (\$) Costs/(Receipts)
Southern Company		
Intercompany Interchange		
October 96	101.9	540,005
November	118.3	602,884
December	179.3	900,837
January 97	356.4	2,043,218
February	379.8	2,157,250
March	159.5	1,070,603
April	(27.8)	(170,748)
May	40.2	273,538
June	153.5	830,305
July	169.0	900,628
August	148.1	767,611
September	154.4	819,398
SUBTOTAL		10,735,529
Gulf Power / Monsanto		
October 96	19.0	62,202
November	19.0	62,202
December	19.0	62,202
January 97	19.0	62,202
February	19.0	62,202
March	19.0	62,202
April	19.0	62,202
May	19.0	62,202
June	19.0	62,202
July	19.0	62,202
August	19.0	62,202
September	19.0	62,202
SUBTOTAL		746,424
TOTAL		11,481,953

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 960001-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
Transmission and System Control
Manager

Sworn to and subscribed before me this 20 day of
JUNE, 1996.



Notary Public, State of Florida at Large

Commission No.

My Commission Expires

PAUL H. ROBERTS
"Notary Public-State of FL"
Comm. Exp. Sept. 12, 1998
Comm. No. CC 400548