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Pensacola, Florida 32520

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May 19, 1998



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:

RE: Docket No. 980001-EI

Enclosed for official filing in the above docket are an original and ten (10) copies of the following:

1. Prepared direct testimony and exhibit of S. D. Cranmer.
2. Prepared direct testimony and exhibit of M. F. Oaks.
3. Prepared direct testimony and exhibit of G. D. Fontaine.
4. Prepared direct testimony of M. W. Howell.
5. Revised schedules A-5 for the months September 1997 – March 1998. 05605-98
6. Schedules A5-A for the months October 1997 – March 1998 inadvertently omitted from monthly fuel filings previously submitted.

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Cranmer".

Susan D. Cranmer
Assistant Secretary and Assistant Treasurer

lw

Enclosures

DOCUMENT NUMBER-DATE

05605 MAY 20 88

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 980001-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 19th day of May 1998 on the following:

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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FUEL AND PURCHASED POWER COST RECOVERY

DOCKET NO. 980001-EI

PREPARED DIRECT TESTIMONY
OF
M. W. HOWELL

FINAL TRUE-UP

MAY 20, 1998



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

05604 MAY 20 98

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 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 October 1, 1997 through March
11 31, 1998 recovery period. I will then compare these
12 actual costs to their projected levels for the period
13 and discuss the primary reasons for the differences.

14 I will also summarize the actual capacity expenses
15 and revenues that were incurred during the October 1,
16 1996 through September 30, 1997 recovery period, compare
17 these figures to their projected levels, and discuss the
18 reasons for the differences.

19
20 Q. During the period October 1, 1997 through March 31,
21 1998, what was Gulf's actual purchased power recoverable
22 cost for energy purchases and how did it compare with
23 the projected amount?

24 A. Gulf's actual total purchased power recoverable cost for
25 energy purchases, as shown on line 12 of Schedule A-1,

1 was \$9,427,206 for 600,652,515 KWH as compared to the
2 projected amount of \$6,609,297 for 442,280,000 KWH. The
3 actual cost per KWH purchased was 1.5695 ¢/KWH as
4 compared to the projected 1.4944 ¢/KWH, or 5% above the
5 projection. Although the actual unit price was higher
6 than projected, it was lower than Gulf's 1.8647 ¢/KWH
7 generation cost. Therefore, Gulf purchased 36% more KWH
8 than projected.

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

12 A. During October, November, and December of the recovery
13 period, Gulf's higher than projected territorial and
14 off-system loads required it to purchase more economy
15 power through the Southern electric system power pool at
16 a higher unit price than was forecasted in order to meet
17 its load obligations. However, Gulf was able to
18 purchase this energy at a unit price lower than its
19 generation cost to meet its territorial needs due to
20 lower cost pool energy from higher than budgeted system
21 nuclear and hydro generation.

22
23 Q. During the period October 1, 1997 through March 31,
24 1998, what was Gulf's actual purchased power fuel cost
25 for energy sales and how did it compare with the

1 projected amount?

2 A. Gulf's actual total purchased power fuel cost for energy
3 sales, as shown on line 18 of Schedule A-1, was
4 \$17,583,382 for 1,081,188,734 KWH as compared to the
5 projected amount of \$13,588,600 for 839,460,000 KWH.
6 This resulted in a variance above budget of \$3,994,782,
7 or 29%. The actual fuel cost per KWH sold was 1.6263
8 ¢/KWH as compared to 1.6187 ¢/KWH, or less than 1% above
9 the projection.

10

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

13 A. Gulf's energy sales were over the projection due to the
14 Southern electric system's higher territorial and off-
15 system load requirements. Because of this higher
16 demand, Gulf was able to sell more of its higher cost
17 energy to other pool members in order for them to meet
18 their load.

19

20 Q. How are Gulf's net purchased power fuel costs affected
21 by Southern electric system energy sales?

22 A. As a member of the Southern electric system power pool,
23 Gulf Power participates in these sales. Gulf's
24 generating units are economically dispatched to meet the
25 needs of its territorial customers, the system, and

1 off-system customers.

2 Therefore, Southern system energy sales provide a
3 market for Gulf's surplus energy and generally improve
4 unit load factors. The cost of fuel used to make these
5 sales is credited against, and therefore reduces,
6 Gulf's fuel and purchased power costs. Overall, Gulf's
7 Total Fuel and Net Power Transactions for the recovery
8 period, as shown on line 20 of Schedule A-1, were
9 slightly below budget.

10

11 Q. During the period October 1, 1996 through September 30,
12 1997, how did Gulf's actual net purchased power capacity
13 transactions compare with the net projected
14 transactions?

15 A. My direct testimony during the August 1996 hearings in
16 Docket No. 960001-EI stated that Gulf's net projected
17 purchased power capacity cost for the October 1, 1996
18 through September 30, 1997 recovery period was
19 \$11,481,953. However, as I discussed in my testimony,
20 this projected capacity cost did not include the
21 positive effects of the revision to Southern Companies'
22 Intercompany Interchange Contract (IIC) due to Amendment
23 No. 6.

24 On November 22, 1996, Gulf Power Company filed a
25 petition for a mid-course correction to the original

1 capacity cost recovery factors for the recovery period
2 in order to reflect Gulf's substantial projected
3 capacity cost savings produced by the implementation of
4 IIC Amendment No. 6. The mid-course correction resulted
5 in revised projected capacity costs for the October 1,
6 1996 through September 30, 1997 recovery period of
7 \$6,129,818. The new mid-course factors became effective
8 beginning January 1997.

9 The actual net capacity cost for the October 1,
10 1996 through September 30, 1997 recovery period was
11 \$4,899,142. This represents a further decrease in cost
12 of \$1,230,676, or 20% less than the revised projection.
13

14 Q. Please explain the reasons for this capacity cost
15 difference.

16 A. The \$1,230,676 capacity cost decrease is attributable to
17 lower than expected IIC transaction costs in the months
18 of January through September 1997, and is due to a
19 slight decrease in actual owned capacity on the Alabama
20 and Georgia Power systems. Under the capacity reserve
21 equalization mechanism of the IIC, this lower owned
22 capacity caused these companies to pick up a greater
23 proportion of higher system reserves that resulted from
24 lower system loads. During this time, Gulf's owned
25 capacity was near projected levels and Gulf's IIC cost

1 was lower than projected. In summary, the lower
2 reserves of other system operating companies due to
3 lower owned capacity caused Gulf to have substantially
4 lower capacity costs during the recovery period.
5

6 Q. Did Gulf Power Company participate in any other capacity
7 transactions that impacted its recoverable capacity
8 costs during the October 1, 1996 through September 30,
9 1997 recovery period?

10 A. Yes. The forecast of capacity costs for the recovery
11 period only included transactions under Gulf's long-term
12 capacity agreements. However, Gulf also participated in
13 several short-term capacity purchases and sales from
14 June through September 1997. These short-term capacity
15 transactions were included in the actual IIC capacity
16 equalization calculations, but they were not a factor in
17 the overall capacity cost decrease for the recovery
18 period.
19

20 Q. Does this conclude your testimony?

21 A. Yes.
22
23
24
25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 980001-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.

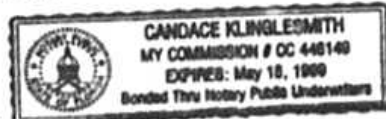
M. W. Howell

M. W. Howell
Transmission and System Control
Manager

Sworn to and subscribed before me this 15th day of May, 1998.

I acknowledge before me this date
that the foregoing appears to me
and she did not take an oath.

Candace Klingesmith
Notary Public, State of Florida at Large



Commission No.

My Commission Expires