



June 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:

Enclosed for official filing in Docket No. 980001-EI are an original and ten copies of the following:

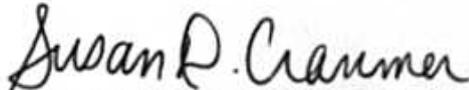
1. Petition of Gulf Power Company for Approval of Final Fuel Cost Recovery True-up Amounts and GPIF Adjustment for October 1997 through March 1998; Estimated Fuel Cost Recovery True-up Amounts for April 1998 through September 1998; Projected Fuel Cost Recovery Amounts for October 1998 through December 1998; Final Purchased Power Capacity Cost Recovery True-up Amounts for October 1996 through September 1997; Estimated Purchased Power Capacity Cost Recovery True-up Amounts for October 1997 through September 1998; Projected Purchased Power Capacity Cost Recovery True-up Amounts for October 1998 through December 1998; GPIF Targets and Ranges for October 1998 through December 1998; Estimated As-available Avoided Energy Costs and Fuel Cost Recovery Factors to be applied beginning with the period October 1998 through December 1998; Capacity Cost Recovery Factors to be applied to with the period October 1998 through December 1998. *06567-98*
2. Prepared direct testimony and exhibit of M. F. Oaks. *06568-98*
3. Prepared direct testimony and exhibit of G. D. Fontaine. *06569-98*
4. Prepared direct testimony and exhibit of M. W. Howell. *06570-98*
5. Prepared direct testimony and exhibit of S. D. Cranmer. *06571-98*

ACK _____
AFA _____
APP _____
CAF _____
CMU _____
CTR _____
EAG _____
LEG _____
LIN _____
OPC _____
RCH _____
SEC _____
WAS _____
OTH _____

Ms. Blanca S. Bayo
June 19, 1998
Page Two

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 NT computer.

Sincerely,



Susan D. Cranmer
Assistant Secretary and Assistant Treasurer

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. 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 14th day of June 1998 on the following:

Leslie J. Paugh, Esquire
FL Public Service Commission
2540 Shumard Oak Boulevard
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 33733-4042

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

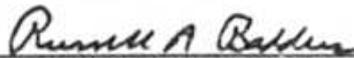
Suzanne Brownless, Esquire
Miller & Brownless, P.A.
1311-B Paul Russell Road
Suite 201
Tallahassee FL 32301

Joseph A. McGlothlin, Esq.
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
117 S. Gadsden Street
Tallahassee FL 32301

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

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

Kenneth A. Hoffman, Esq.
Rutledge, Ecenia, Underwood,
Purnell & Hoffman, P.A.
P. O. Box 551
Tallahassee FL 32302-0551



JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 0007455
BEGGS & LANE
P. O. Box 12950
Pensacola FL 32576
(850) 432-2451
Attorneys for Gulf Power Company

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 980001-EI

PREPARED DIRECT TESTIMONY AND EXHIBIT
OF
M. W. HOWELL

**FUEL COST RECOVERY
OCTOBER 1998 - DECEMBER 1998**

**CAPACITY COST RECOVERY
OCTOBER 1998 - DECEMBER 1998**

JUNE 22, 1998



A SOUTHERN COMPANY

DO NOT WRITE IN THESE SPACES

06570 JUN 22 88

FLORIDA PUBLIC SERVICE 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. The purpose of my testimony is to support Gulf Power
9 Company's projection of purchased power recoverable
10 costs for energy purchases and sales for the period
11 October, 1998 - December, 1998. Also, as part of the
12 estimated true-up for the current recovery period
13 (October 1997 - September 1998), I will support Gulf
14 Power Company's updated projection of purchased power
15 capacity costs for the months June 1998 through
16 September 1998. Finally, I will support the Company's
17 projection of purchased power capacity costs for the
18 October, 1998 - December, 1998 recovery period. The
19 projection data I support is used by Gulf's witness
20 Susan Cranmer to calculate the estimated capacity cost
21 true-up for the October 1997 - September 1998 recovery
22 period and the total recoverable capacity cost for the
23 period October 1998 - December 1998.

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

3 A. Yes. My exhibit consists of one schedule to which I
4 will refer. This schedule was prepared under my
5 supervision and direction.

6 Counsel: We ask that Mr. Howell's Exhibit,
7 comprised of one Schedule, be
8 marked for identification as
9 Exhibit_____(MWH-1).

10
11 Q. What is Gulf's projected purchased power recoverable
12 cost for energy purchases for the October, 1998 -
13 December, 1998 recovery period?

14 A. Gulf's projected recoverable cost for energy purchases,
15 shown on line 12 of Schedule E-1 of the fuel filing, is
16 \$2,594,610. These purchases result from Gulf's
17 participation in the coordinated operation of the
18 Southern electric system power pool. This amount is
19 used by Ms. Cranmer as an input in the calculation of
20 the fuel and purchased power cost adjustment factor.

21
22 Q. What is Gulf's projected purchased power fuel cost for
23 energy sales for the October, 1998 - December, 1998
24 recovery period?

25 A. The projected fuel cost for energy sales, shown on line

1 18 of Schedule E-1, is \$ 8,215,600. These sales also
2 result from Gulf's participation in the coordinated
3 operation of the Southern electric system power pool.
4 This amount is used by Ms. Cranmer as an input in the
5 calculation of the fuel and purchased power cost
6 adjustment factor.
7

8 Q. What information is contained in your exhibit?

9 A. Schedule 1 of my exhibit lists the power contracts that
10 are included for capacity cost recovery, their
11 associated megawatt amounts, and the resulting capacity
12 dollar amounts.
13

14 Q. Which power contracts produce capacity transactions that
15 are recovered through Gulf's purchased power capacity
16 cost recovery factors?

17 A. The two primary power contracts that produce recoverable
18 capacity transactions through Gulf's purchased power
19 capacity recovery factors are the Southern electric
20 system's Intercompany Interchange Contract (IIC) and
21 Gulf's cogeneration capacity purchase contract with
22 Monsanto Company. The Commission has authorized the
23 Company to include capacity transactions under the IIC
24 for recovery through the purchased power capacity cost
25 recovery factors. Gulf will continue to have IIC

1 capacity transactions during the October, 1998 -
2 December, 1998 recovery period. The energy transactions
3 under this contract for these periods are handled for
4 cost recovery purposes through the fuel cost recovery
5 factors.

6 The Gulf Power/Monsanto cogeneration capacity
7 contract enables Gulf to purchase 19 megawatts of firm
8 capacity from June 1, 1996 until June 1, 2005. Gulf has
9 included these costs for recovery during the October,
10 1998 - December, 1998 recovery period. The energy
11 transactions under this contract have also been approved
12 by the Commission for recovery, and these costs are
13 handled for cost recovery purposes through the fuel cost
14 recovery factors.

15
16 Q. Are there any other arrangements that produce capacity
17 transactions that are recovered through Gulf's purchased
18 power capacity cost recovery factors?

19 A. Yes. Gulf and other Southern electric system operating
20 companies have purchased market capacity for 1998, and
21 these purchases will continue through 2001. Gulf will
22 have monthly costs associated with these market
23 purchases for the October 1998 - December 1998 recovery
24 period.

25

1 Q. Has Southern made any changes to the IIC that were used
2 in the most recent recovery factor adjustment
3 proceedings?

4 A. No. However, on November 1, 1997, in accordance with
5 both the contract and the requirements of the FERC, the
6 Southern electric system made its annual IIC
7 informational filing with the FERC. The informational
8 filing reflects updated historical load responsibility
9 ratios, expected system load, and the capacity resource
10 amounts for the 1998 budget cycle that are used in the
11 IIC capacity equalization calculation to determine the
12 capacity transactions and costs for each operating
13 company. All of these changes are reflected in the
14 projection of capacity transactions among the Southern
15 electric system's operating companies for the October,
16 1998 - December, 1998 recovery period.

17
18 Q. Earlier in your testimony, you indicated that you would
19 support Gulf Power Company's updated projection of
20 purchased power capacity costs for the months June 1998
21 through September 1998 as part of the estimated capacity
22 cost true-up for the October 1997 - September 1998
23 recovery period. Please discuss the Company's updated
24 capacity cost projection.

25 A. Gulf's capacity costs for these months of the October

1 1997 - September 1998 recovery period are projected to
2 increase due to revised system load and capacity
3 information used in our IIC equalization calculation, as
4 well as revised costs related to the Southern electric
5 system market capacity purchases.

6 Gulf's IIC costs during June 1998 through
7 September 1998 have been impacted by the removal of
8 Municipal Electric Association of Georgia (MEAG) load
9 from system load projections and by an increase in
10 Georgia Power's owned capacity. Both of these changes
11 have increased available reserves on the Southern
12 electric system. Therefore, Gulf will purchase its
13 share of these increased reserves and its IIC capacity
14 costs are projected to increase accordingly.

15 Gulf's projected costs of market capacity
16 purchases in the Summer of 1998 have increased due to
17 additional market purchases. As I stated in my June 23,
18 1997 testimony, these additional purchases were to be
19 included in a future true-up filing. Rather than wait
20 until the final true-up filing for the October 1997 -
21 September 1998 recovery period, Gulf is including the
22 updated amounts for market capacity purchases in its
23 estimated true-up for the October 1997 - September 1998
24 recovery period because the information is now
25 available.

1 Q. What is the cost impact due to the changes in Gulf's IIC
2 capacity transactions that were originally projected for
3 June, 1998 through September, 1998?

4 A. IIC capacity transactions originally projected for June
5 1998 through September 1998 produced revenues of
6 \$1,110,098. Gulf now projects that its IIC capacity
7 transactions will produce a \$681,926 capacity cost for
8 June 1998 through September 1998. Therefore, the net
9 IIC cost impact to Gulf is \$1,792,024.

10

11 Q. What is the cost impact due to the Gulf's additional
12 market capacity purchases for June, 1998 through
13 September, 1998?

14 A. The originally projected costs of June 1998 through
15 September 1998 market capacity purchases were \$288,353.
16 Gulf's market capacity purchases are now projected to be
17 \$1,075,801. Therefore, the impact of these additional
18 market capacity purchases is \$787,448.

19

20 Q. What are Gulf's IIC capacity transactions that are
21 projected for the October, 1998 - December, 1998
22 recovery period?

23 A. As shown on Schedule 1 of my exhibit, capacity
24 transactions under the IIC vary during each month of the
25 recovery period. IIC capacity purchases in the amount

1 of \$89,299 are projected for the period. IIC capacity
2 sales during the same period are projected to be
3 \$23,303. Therefore, the Company's net capacity
4 transactions under the IIC for the period are net
5 purchases amounting to \$65,996.

6
7 Q. What is the cost of Gulf's capacity purchase from
8 Monsanto that is projected for the October, 1998 -
9 December, 1998 recovery period?

10 A. As shown on Schedule 1 of my exhibit, Gulf is projected
11 to pay \$186,606, or \$62,202 per month, to Monsanto for
12 the firm capacity purchase made pursuant to the
13 Commission approved contract.

14
15 Q. What is the cost of Gulf's market capacity purchases
16 that is projected for the October, 1998 - December, 1998
17 recovery period?

18 A. As shown on Schedule 1 of my exhibit, Gulf is projected
19 to pay a total of \$566,286 for the committed market
20 capacity purchases. Capacity in varying amounts will be
21 purchased during the months of October through December
22 of 1998. The individual suppliers and megawatt amounts
23 are not shown, since this is highly sensitive and
24 confidential information. Public availability of this
25 information would seriously undermine our competitive

1 position and cause our customers increased cost.

2

3 Q. What are Gulf's total projected net capacity
4 transactions for the October, 1998 - December, 1998
5 recovery period?

6 A. As shown on Schedule 1 of my exhibit, the net purchases
7 under the IIC, the Monsanto contract, and the committed
8 market capacity purchases will result in a projected net
9 capacity cost of \$818,888. This figure is used by Ms.
10 Cranmer as an input into the calculation of the total
11 capacity transactions to be recovered through the
12 purchased power capacity cost recovery factors for this
13 three month recovery period.

14

15 Q. Does this conclude your testimony?

16 A. Yes.

17

18

19

20

21

22

23

24

25

Florida Public Service Commission
 Docket No. 980001-EI
 GULF POWER COMPANY
 Witness: M. W. Howell
 Exhibit No. _____ (MWH - 1)
 Schedule 1

**GULF POWER COMPANY
 PROJECTED PURCHASED POWER CONTRACT TRANSACTIONS
 OCTOBER, 1998 - DECEMBER, 1998**

Contract	MW Purchase/(Sale)	Capacity (\$) Costs/(Receipts)
Southern Company Intercompany Interchange		
October 98	(12.2)	(2,840)
November	(87.9)	(20,463)
December	124.3	89,299
SUBTOTAL		<u>65,996</u>
Monsanto		
October 98	19.0	62,202
November	19.0	62,202
December	19.0	62,202
SUBTOTAL		<u>186,606</u>
Market Capacity Purchases		
October 98		188,762
November		188,762
December		188,762
SUBTOTAL		<u>566,286</u>
TOTAL		818,888

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 18th day of June, 1998.

Acknowledged before me this date
that he personally knows to me
and who did not take an oath.

Candace Klingebath

Notary Public, State of Florida at Large

Commission No.

My Commission Expires

