



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:

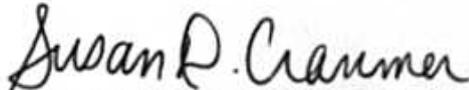
1. Petition of Gulf Power Company for Approval of Final Fuel Cost Recovery True-up Amounts and GPIF Adjustment for October 1997 through March 1998; Estimated Fuel Cost Recovery True-up Amounts for April 1998 through September 1998; Projected Fuel Cost Recovery Amounts for October 1998 through December 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:

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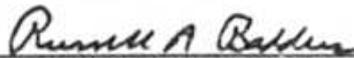
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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**FUEL COST RECOVERY AND
PURCHASED POWER CAPACITY COST RECOVERY**

DOCKET NO. 980001-EI

PREPARED DIRECT TESTIMONY AND EXHIBIT
OF
S. D. CRANMER

OCTOBER 1998 - DECEMBER 1998

JUNE 22, 1998



A SOUTHERN COMPANY

DOCUMENT NUMBER DATE

06571 JUN 22 88

FPCO-REC'D-REPORTING

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 Susan D. Cranmer
5 Docket No. 980001-EI
6 Fuel and Purchased Power Cost Recovery
7 Date of Filing: June 22, 1998

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

9 A. My name is Susan Cranmer. My business address is One
10 Energy Place, Pensacola, Florida 32520-0780. I hold the
11 position of Assistant Secretary and Assistant Treasurer
12 for Gulf Power Company.

13 Q. Please briefly describe your educational background and
14 business experience.

15 A. I graduated from Wake Forest University in
16 Winston-Salem, North Carolina in 1981 with a Bachelor of
17 Science Degree in Business and from the University of
18 West Florida in 1982 with a Bachelor of Arts Degree in
19 Accounting. I am also a Certified Public Accountant
20 licensed in the State of Florida. I joined Gulf Power
21 Company in 1983 as a Financial Analyst. Prior to
22 assuming my current position, I have held various
23 positions with Gulf including Computer Modeling Analyst,
24 Senior Financial Analyst, and Supervisor of Rate
25 Services.

1 My responsibilities include supervision of: tariff
2 administration, cost of service activities, calculation
3 of cost recovery factors, the regulatory filing function
4 of the Rates and Regulatory Matters Department, and
5 various treasury activities.

6

7 Q. Have you previously filed testimony before this
8 Commission in Docket No. 980001-EI?

9 A. Yes, I have.

10

11 Q. What is the purpose of your testimony?

12 A. The purpose of this testimony is to discuss the
13 calculation of Gulf Power's fuel cost recovery factors
14 for the period October 1998 through December 1998. I
15 will also discuss the calculation of the purchased power
16 capacity cost recovery factors for the period October
17 1998 through December 1998. In addition to this direct
18 testimony, I am submitting separate supplemental
19 testimony in support of Gulf's request that new factors
20 not be implemented until February 1999.

21

22 Q. Are you familiar with the Fuel and Purchased Power Cost
23 Recovery Clause Calculation for the period of October
24 1998 through December 1998?

25 A. Yes, these documents were prepared under my supervision.

1 Q. Have you verified that to the best of your knowledge and
2 belief, the information contained in these documents is
3 correct?

4 A. Yes, I have.

5 Counsel: We ask that Ms. Cranmer's Exhibit
6 consisting of fourteen schedules,
7 be marked as Exhibit No. _____ (SDC-2).
8

9 Q. Ms. Cranmer, what has Gulf calculated as the fuel cost
10 recovery true-up to normally be applied in the period
11 October 1998 through December 1998?

12 A. The fuel cost recovery true-up for this period is a
13 decrease of .0423¢/kwh. This includes a final true-up
14 under-recovery for the October 1997 through March 1998
15 period of \$225,379. As shown on Schedule E-1A, it also
16 includes an estimated true-up over-recovery of
17 \$1,097,022 for the current period. The resulting over-
18 recovery is \$871,643.

19
20 Q. What has been included in this filing to reflect the
21 GPIF reward/penalty for the period of October 1997
22 through March 1998?

23 A. This is shown on Line 32b of Schedule E-1 as an increase
24 of .0030¢/kwh, thereby rewarding Gulf by \$62,632.

25

- 1 Q. Ms. Cranmer, what is the levelized projected fuel factor
2 for the period October 1998 through December 1998?
- 3 A. Gulf has calculated a levelized fuel factor of
4 1.604¢/kwh. It includes projected fuel and purchased
5 power energy expenses for October 1998 through December
6 1998 and projected kwh sales for the same period, as
7 well as the true-up and GPIF amount. The calculated
8 levelized fuel factor also includes the special recovery
9 amount associated with the Air Products special
10 contract. The calculation of the special recovery
11 amount is presented on Schedule E-12 of my exhibit. The
12 levelized fuel factor has not been adjusted for line
13 losses.
- 14
- 15 Q. Ms. Cranmer, how were the line loss multipliers used on
16 Schedule E-1E calculated?
- 17 A. They were calculated in accordance with procedures
18 approved in prior filings and were based on Gulf's
19 latest mwh Load Flow Allocators.
- 20
- 21 Q. Ms. Cranmer, what fuel factor has Gulf calculated for
22 its largest group of customers (Group A), those on Rate
23 Schedules RS, GS, GSD, OSIII, and OSIV?
- 24 A. Gulf has calculated a standard fuel factor, adjusted for
25 line losses, of 1.624¢/kwh for Group A. Fuel factors

1 for Groups A, B, C, and D are shown on Schedule E-1E.
2 These factors have also been adjusted for line losses.

3

4 Q. Ms. Cranmer, how were the time-of-use fuel factors
5 calculated?

6 A. These were calculated based on projected loads and
7 system lambdas for the period October 1998 through
8 December 1998. These factors included the GPIF,
9 true-up, and special contract recovery cost amounts and
10 were adjusted for line losses. These time-of-use fuel
11 factors are also shown on Schedule E-1E.

12

13 Q. How does the calculated fuel factor for Rate Schedule RS
14 compare with the factor applicable to September and how
15 would the change affect the cost of 1000 kwh on Gulf's
16 residential rate RS?

17 A. The current fuel factor for Rate Schedule RS applicable
18 to September 1998 is 1.646¢/kwh compared with the
19 calculated factor of 1.624¢/kwh. For a residential
20 customer who uses 1000 kwh in October 1998, the fuel
21 portion of the bill would decrease from \$16.46 to
22 \$16.24.

23

24

25

- 1 Q. Ms. Cranmer, has Gulf updated its estimates of the
2 as-available avoided energy costs to be shown on COG1 as
3 required by Order No. 13247 issued May 1, 1984, in
4 Docket No. 830377-EI and Order No. 19548 issued June 21,
5 1988, in Docket No. 880001-EI?
- 6 A. Yes. A tabulation of these costs is set forth in
7 Schedule E-11 of my Exhibit SDC-2. These costs
8 represent the estimated averages for the period from
9 October 1998 through September 2000.
- 10
- 11 Q. Ms. Cranmer, you stated earlier that you are responsible
12 for the calculation of the purchased power capacity cost
13 (PPCC) recovery factors. Which schedules of your
14 exhibit relate to the calculation of these factors?
- 15 A. Schedule CCE-1, including CCE-1a and CCE-1b, and
16 Schedule CCE-2 of my exhibit relate to the calculation
17 of the PPCC recovery factors for the period October 1998
18 through December 1998.
- 19
- 20 Q. Please describe Schedule CCE-1 of your exhibit.
- 21 A. Schedule CCE-1 shows the calculation of the amount of
22 capacity payments to be recovered through the PPCC
23 Recovery Clause. Mr. Howell has provided me with Gulf's
24 projected purchased power capacity transactions under
25 the Southern Company Intercompany Interchange Contract

1 (IIC), Gulf's contract with Monsanto Chemical Company,
2 and certain market capacity transactions. Gulf's total
3 projected capacity payments for the period October 1998
4 through December 1998 are purchases of \$818,888. The
5 jurisdictional amount is \$790,086. For the period,
6 Gulf's requested recovery before true-up is the
7 difference between the jurisdictional projected
8 purchased power capacity costs and the approved
9 adjustment for former capacity transactions embedded in
10 current base rates. This adjustment amount was fixed in
11 Order No. PSC-93-0047-FOF-EI, dated January 12, 1993, as
12 an annual embedded credit of \$1,678,580, or \$1,652,000
13 net of revenue taxes. Thus, the projected recovery
14 amount that would be collected through the PPCC recovery
15 factors in the period October 1998 through December 1998
16 is \$1,203,086. This amount is added to the total true-
17 up amount to determine the total purchased power
18 capacity transactions that would be recovered in the
19 period.

20
21 Q. What has Gulf calculated as the purchased power capacity
22 factor true-up to be applied in the period October 1998
23 through December 1998?

24 A. The true-up for this period is an increase of \$911,323
25 as shown on Schedule CCE-1a. This includes a final

1 capacity cost true-up amount for October 1996 through
2 September 1997 of \$1,478,455 over-recovery. It also
3 includes an estimated under-recovery of \$2,389,778 for
4 the period October 1997 through September 1998 based on
5 eight months of actual data and four months of estimated
6 data. As discussed in his testimony, Mr. Howell has
7 provided me with updated amounts for net capacity
8 transactions for June through September 1998. Based on
9 this latest projection, the under-recovery of capacity
10 costs is expected to exceed 10% of the capacity costs
11 originally projected for the period October 1997 through
12 September 1998. Pursuant to Order No. 13694 in Docket
13 No. 840001-EI, Gulf is hereby notifying the Commission
14 that this situation is expected to occur. Rather than
15 making a mid-course correction to the factors for the
16 last two months of the current period, Gulf's calculated
17 factors for the October through December 1998 period
18 reflect the under-recovery.

19
20 Q. What methodology was used to allocate the capacity
21 payments to rate class?

22 A. As required by Commission Order No. 25773 in Docket
23 No. 910794-EQ, the revenue requirements have been
24 allocated using the cost of service methodology used in
25 Gulf's last full requirements rate case and approved by

1 the Commission in Order No. 23573 issued October 3,
2 1990, in Docket No. 891345-EI. Although the capacity
3 payments in that cost of service study were allocated to
4 rate class using the demand allocator based on the
5 twelve monthly coincident peaks projected for the test
6 year, for purposes of the PPCC Recovery Clause, Gulf has
7 allocated the net purchased power capacity costs to rate
8 class with 12/13th on demand and 1/13th on energy. This
9 allocation is consistent with the treatment accorded to
10 production plant in the cost of service study used in
11 Gulf's last rate case.

12

13 Q. How were the allocation factors calculated for use in
14 the PPCC Recovery Clause?

15 A. The allocation factors used in the Purchased Power
16 Capacity Cost Recovery Clause have been calculated using
17 the 1997 load data filed with the Commission in
18 accordance with FPSC Rule 25-6.0437. The calculations
19 of the allocation factors are shown in columns A through
20 I on Page 1 of Schedule CCE-2.

21

22 Q. Please describe the calculation of the cents/kwh factors
23 by rate class used to recover purchased power capacity
24 costs.

1 A. As shown in columns A through D on page 2 of Schedule
2 CCE-2, the 12/13th of the jurisdictional capacity cost
3 to be recovered is allocated to rate class based on the
4 demand allocator, with the remaining 1/13th allocated
5 based on energy. The total revenue requirement assigned
6 to each rate class shown in column E is then divided by
7 that class's projected kwh sales for the twelve-month
8 period to calculate the PPCC recovery factor. This
9 factor would be applied to each customer's total kwh to
10 calculate the amount to be billed each month.

11

12 Q. What is the amount related to purchased power capacity
13 costs recovered through this factor that would be
14 included on a residential customer's bill for 1000 kwh?

15 A. The purchased power capacity costs recovered through the
16 clause for a residential customer who uses 1000 kwh
17 would be \$1.26.

18

19 Q. When does Gulf propose to collect its fuel charges and
20 purchased power capacity charges?

21 A. The fuel and capacity factors will apply to October 1998
22 through December 1998 billings beginning with Bill
23 Group 1 meter readings scheduled on September 30, 1998
24 and ending with meter readings scheduled on December 30,
25 1998.

1 Q. Ms. Cranmer, does this complete your testimony?

2 A. Yes, it does.

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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 980001-EI

Before me the undersigned authority, personally appeared Susan D. Cranmer, who being first duly sworn, deposes, and says that she is the Assistant Secretary and Assistant Treasurer of Gulf Power Company, a Maine corporation, that the foregoing is true and correct to the best of her knowledge, information, and belief. She is personally known to me.

Susan D Cranmer
Susan D. Cranmer
Assistant Secretary and Assistant Treasurer

Sworn to and subscribed before me this 19th day of June,
1998.

Linda C. Webb
Notary Public, State of Florida at Large



LINDA C. WEBB
Notary Public-State of FL
Comm. Exp: May 31, 2002
Comm. No: CC 725888

GULF POWER COMPANY
FUEL AND PURCHASED POWER COST RECOVERY CLAUSE
Docket No. 980001-E1

Exhibit of Susan D. Cranmer filed separately pursuant to a request for confidential classification.