

ORIGINAL

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March 31, 2000

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. 000001-EI are an original and ten copies of the following:

1. Prepared direct testimony and exhibit of M. F. Oaks. 04046-00
2. Prepared direct testimony and exhibit of J. R. Douglass. 04047-00
3. Prepared direct testimony of M. W. Howell. 04048-00
4. Prepared direct testimony and exhibit of T. A. Davis. 04049-00

Sincerely,

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

AFA _____
 APP _____
 CAF _____
 CMU _____
 CTR _____
 EAQ _____
 LEG _____
 MAS _____
 OPC _____
 RRR _____
 SEC _____
 TAW _____

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Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

Handwritten initials

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 000001-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 31st day of March 2000 on the following:

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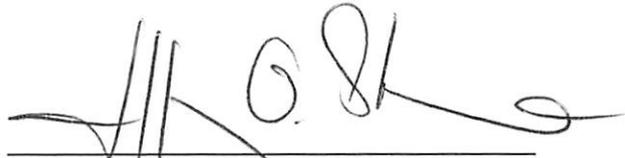
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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 000001-EI

**FUEL COST AND PURCHASED POWER COST
RECOVERY CLAUSE**

PREPARED DIRECT TESTIMONY

OF

M. W. HOWELL

FINAL TRUE-UP

JANUARY - DECEMBER 1999 (Fuel)

JANUARY - DECEMBER 1999 (Capacity)

April 3, 2000



DOCUMENT NUMBER-DATE

04048 APR-38

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 January 1999 through December
11 1999 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 that were incurred during the January 1999 through
16 December 1999 recovery period. I will compare these
17 figures to their projected levels and discuss the
18 reasons for the differences.

19
20 Q. During the period January 1999 through December 1999,
21 what was Gulf's actual purchased power recoverable cost
22 for energy purchases and how did it compare with the
23 projected amount?

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

1 1999 Period-to-Date Schedule Schedule A-1 was
2 \$43,927,438 for 1,417,493,736 KWH as compared to the
3 projected amount of \$10,463,260 for 540,370,000 KWH.
4 The actual cost per KWH purchased was 3.0990 ¢/KWH as
5 compared to the projected 1.9363 ¢/KWH, or 60% over the
6 projection.

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

10 A. During April, and July through October of the recovery
11 period, Gulf's higher actual territorial and off-system
12 loads required Gulf to purchase more power than was
13 projected to meet its load obligations. The higher
14 market prices for energy in the tight Southeast market
15 have certainly gathered everyone's attention. Because
16 Gulf is currently purchasing capacity and energy to meet
17 its peak needs, and other utilities in the Southeast
18 United States are also experiencing increased needs for
19 generation resources, Gulf's opportunities to purchase
20 lower cost energy resources during the summer months
21 have diminished. Therefore, Gulf purchased more energy
22 at a higher unit price than was forecasted in order to
23 meet its load obligations.

1 Q. During the period January 1999 through December 1999,
2 what was Gulf's actual purchased power fuel cost for
3 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 18 of the December 1999 Period-
7 to-Date Schedule A-1 was \$84,458,830 for 4,059,640,752
8 KWH as compared to the projected amount of \$43,762,600
9 for 2,452,809,000 KWH. This resulted in a variance
10 above budget of \$40,696,230, or 93%. The actual fuel
11 cost per KWH sold was 2.0805 ¢/KWH as compared to
12 1.7842 ¢/KWH, or 17% over the projection.

13

14 Q. What were the events that influenced Gulf's sale of
15 energy?

16 A. Gulf's energy sales were over the projection due to the
17 higher demand on the Southern electric system (SES) for
18 Unit Power and economy energy during the recovery
19 period. Because of higher demand off our system, Gulf
20 was able to sell more of its higher cost energy to off-
21 system customers and to other SES pool members for their
22 off-system load obligations. Overall, Gulf's energy
23 sales produced revenues that more than offset its
24 increased cost of energy purchases for the recovery
25 period.

1 Q. How are Gulf's net purchased power fuel costs affected
2 by SES energy sales?

3 A. As a member of the SES power pool, Gulf participates in
4 these sales. Gulf's generating units are economically
5 dispatched to meet the needs of its territorial
6 customers, the system, and off-system customers.

7 Therefore, SES energy sales provide a market for
8 Gulf's surplus energy and generally improve unit load
9 factors. The cost of fuel used to make these sales is
10 credited against, and therefore reduces, Gulf's fuel
11 and purchased power costs.

12

13 Q. During the period January 1999 through December 1999,
14 how did Gulf's actual net purchased power capacity
15 transactions compare with the net projected
16 transactions?

17 A. The actual net capacity cost for the January 1999
18 through December 1999 recovery period was \$6,214,377.
19 Gulf's net projected purchased power capacity cost for
20 the January 1999 through December 1999 recovery period
21 was \$7,007,984, as indicated in my October 12, 1998
22 direct testimony filed for the November 1998 fuel
23 hearings in Docket No. 980001-EI. The difference
24 between the actual net capacity cost and the projected
25 net capacity cost for January 1999 through December 1999

1 is \$793,607, or a decrease of 11%.

2

3 Q. Please explain the reason for the decrease in capacity
4 cost.

5 A. The \$793,607 capacity cost decrease for the January 1999
6 through December 1999 period is attributable to an
7 unanticipated allocation of market capacity sale revenue
8 to Gulf during the months August 1999 through December
9 1999. These revenues result from service provided under
10 the 1999 Georgia Power Company / Oglethorpe Power
11 Corporation Short-term Non-firm Sales contract.

12

13 Q. Does this conclude your testimony?

14 A. Yes.

15

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25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 000001-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 31st day of March, 2000.

Rollanda Cothran

Notary Public, State of Florida at Large

Commission No.

My Commission Expires

