

ORIGINAL
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 000001-EI

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

PREPARED DIRECT TESTIMONY

OF

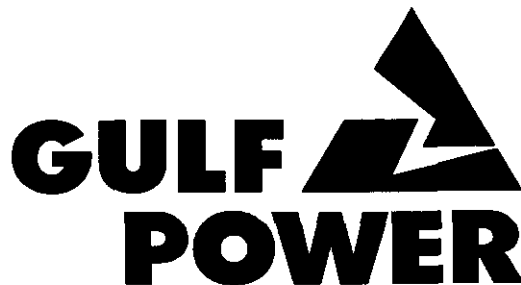
M. W. HOWELL

ESTIMATED TRUE-UP

JANUARY- DECEMBER 2000 (Fuel)

JANUARY- DECEMBER 2000 (Capacity)

AUGUST 21, 2000



A SOUTHERN COMPANY

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FPSC-REGULATORY REPORTING

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Direct Testimony of
4 M. W. Howell
5 Docket No. 000001-EI
6 Date of Filing: August 21, 2000

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

8 A. My name is M. W. Howell, and my business address is One
9 Energy Place, Pensacola, Florida 32520. I am
10 Transmission and System Control Manager for Gulf Power
11 Company.

12 Q. Have you previously testified before this Commission?

13 A. Yes. I have testified in various rate case,
14 cogeneration, territorial dispute, planning hearing,
15 fuel clause adjustment, and purchased power capacity
16 cost recovery dockets.

17
18 Q. Please summarize your educational and professional
19 background.

20 A. I graduated from the University of Florida in 1966 with
21 a Bachelor of Science Degree in Electrical Engineering.
22 I received my Masters Degree in Electrical Engineering
23 from the University of Florida in 1967, and then joined
24 Gulf Power Company as a Distribution Engineer. I have
25 since served as Relay Engineer, Manager of Transmission,

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 summarize Gulf Power
9 Company's actual / estimated true-up projections of
10 purchased power recoverable energy purchases and sales
11 for the January 2000 through December 2000 recovery
12 period. I will compare these January 2000 through
13 December 2000 estimated true-up amounts to those
14 originally projected in Gulf's October 1999 fuel filing
15 for the period and discuss the reason for the
16 difference.

17 I will also summarize the actual / estimated true-
18 up projection of net capacity expenses for the January
19 2000 through December 2000 recovery period. I will
20 compare these figures to the amounts originally
21 projected in Gulf's October 1999 fuel filing for the
22 period and discuss the reason for the difference.

23
24 Q. During the period January 2000 through December 2000,
25 what is Gulf's actual / estimated purchased power

1 recoverable cost for energy purchases and how does it
2 compare with the October 1999 projected amount?
3 A. Using seven months actual data and five months
4 originally projected data, Gulf's total estimated
5 purchased power recoverable cost for energy purchases,
6 as shown on line 12 of the January 2000 - December 2000
7 Schedule E-1B1 is \$50,694,846 for 1,539,450,440 KWH as
8 compared to the originally projected amount of
9 \$31,622,732 for 1,081,420,000 KWH. The estimated true-
10 up cost per KWH purchased is 3.2930 ¢/KWH as compared to
11 the originally projected cost of 2.9242 ¢/KWH, or 13%
12 over the projection made last fall.

13

14 Q. What is the primary reason for the difference between
15 the two projections of Gulf's energy purchases?

16 A. During January through July of the recovery period,
17 Gulf's increased energy purchases to meet its total load
18 obligations were primarily driven by the extremely hot,
19 dry weather that Gulf and other Southeastern U. S.
20 utilities experienced in July. The unit prices for the
21 purchases during the January through July period were
22 higher than projected due to the unavailability of low
23 cost generation from Southern electric system (SES)
24 hydro units through July and the dispatch of higher cost
25 fossil steam generation needed to meet higher SES

1 territorial and off-system loads during July.
2 Therefore, Gulf purchased more energy at a higher unit
3 price than was forecasted during the January through
4 July period in order to meet its total load obligations.

5
6 Q. During the period January 2000 through December 2000,
7 what is Gulf's actual / estimated purchased power fuel
8 cost for energy sales and how does it compare with the
9 October 1999 projected amount?

10 A. Using seven months actual data and five months
11 originally projected data, Gulf's total estimated
12 purchased power fuel cost for energy sales, as shown on
13 line 18 of the January 2000 - December 2000 Schedule
14 E-1B1 is \$63,796,469 for 3,025,160,257 KWH as compared
15 to the October 1999 projected amount of \$43,471,000 for
16 2,312,065,000 KWH. The estimated true-up cost per KWH
17 sold is 2.1089 ¢/KWH as compared to 1.8802 ¢/KWH, or 12%
18 over the original projection.

19
20 Q. What is the primary reason for the difference between
21 the two projections of Gulf's energy sales?

22 A. During January through July of the current recovery
23 period, Gulf's energy sales were over the projection due
24 to the higher off-system demand for Unit Power sales and
25 economy energy sales. Because of higher demand off our

1 system, Gulf was able to sell more of its higher cost
2 energy to off-system customers and to other SES pool
3 members for their off-system load obligations.

4
5 Q. During the period January 2000 through December 2000,
6 what is Gulf's projection of actual / estimated net
7 purchased power capacity transactions and how does it
8 compare with the October 1999 projection of net capacity
9 transactions?

10 A. The total estimated net capacity cost for the January
11 2000 through December 2000 recovery period, consisting
12 of actual January through July costs and a revised
13 projection of August through December costs, is now
14 \$13,760,688 as compared to Gulf's October 1999 projected
15 purchased power capacity cost of \$12,729,433. The
16 difference between these projections is \$1,031,255, or
17 8% higher than costs that were filed in October 1999.

18
19 Q. Please explain the reason for the increase in capacity
20 cost.

21 A. The projected \$1,031,255 capacity cost increase for the
22 January 2000 through December 2000 period is primarily
23 attributable to updated SES load and owned capacity data
24 inputs for the summer months that are used in the
25 Intercompany Interchange Contract (IIC) capacity

1 equalization process to determine Gulf's annual IIC
2 costs. These new IIC loads and capacity amounts have
3 increased Gulf's August through December IIC cost
4 projections by \$1,827,518. However, this projected
5 increase is partially offset by a \$534,328 decrease in
6 actual January through July IIC and market capacity
7 purchase costs and a \$261,935 decrease in August through
8 December projected market capacity purchase costs.
9 Therefore, the net effect of these cost changes is the
10 above-mentioned \$1,031,255 capacity cost increase for
11 the January 2000 through December 2000 cost recovery
12 period.

13

14 Q. Does this conclude your testimony?

15 A. Yes.

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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 18th day of August, 2000.

Rollanda Cothran
Notary Public, State of Florida at Large

Commission No.
My Commission Expires

