

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 010001-EI

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

PREPARED DIRECT TESTIMONY

OF

M. W. HOWELL

ESTIMATED TRUE-UP

JANUARY– DECEMBER 2001 (Fuel)

JANUARY– DECEMBER 2001 (Capacity)

AUGUST 20, 2001



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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 2001 through December 2001 recovery
12 period. I will compare these January 2001 through
13 December 2001 estimated true-up amounts to the amounts
14 originally projected in Gulf's September 2000 fuel
15 filing 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 2001 through December 2001 recovery period. I will
20 compare these figures to the amounts originally
21 projected in Gulf's September 2000 capacity filing for
22 the period and discuss the reason for the difference.

1 Q. During the period January 2001 through December 2001,
2 what is Gulf's actual / estimated purchased power
3. recoverable cost for energy purchases and how does it
4 compare with the September 2000 projected amount?

5 A. Using seven months actual data and five months
6 originally projected data, Gulf's total estimated
7 purchased power recoverable cost for energy purchases,
8 as shown on line 12 of the January 2001 - December 2001
9 Schedule E-1B1 is \$58,879,266 for 1,883,589,539 KWH as
10 compared to the September 2000 projected amount of
11 \$53,620,570 for 1,618,627,000 KWH. The estimated true-
12 up cost per KWH purchased is 3.1259 ¢/KWH as compared to ,
13 the originally projected cost of 3.3127 ¢/KWH, or 6%
14 under the projection made last fall.

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

18 A. During January through July of the 2001 recovery period,
19 Gulf purchased more energy than projected from Southern
20 electric system (SES) operating companies and non-
21 associated entities to meet its increased territorial
22 and off-system loads. The unit prices for these
23 purchases during the January through July period were
24 lower than projected due to the mild spring and early
25 summer weather in the Southeast U. S. that increased

1 availability of lower cost market energy from
2 neighboring utilities and power marketers. Therefore,
3 the two projections differ because Gulf actually
4 purchased more pool and market energy at a lower overall
5 unit price than was forecasted during the January
6 through July period in order to meet its higher total
7 load obligations.

8
9 Q. During the period January 2001 through December 2001,
10 what is Gulf's actual / estimated purchased power fuel
11 cost for energy sales and how does it compare with the
12 September 2000 projected amount?

13 A. Using seven months actual data and five months
14 originally projected data, Gulf's total estimated
15 purchased power fuel cost for energy sales, as shown on
16 line 18 of the January 2001 - December 2001 Schedule
17 E-1B1 is \$62,888,086 for 3,157,926,772 KWH as compared
18 to the September 2000 projected amount of \$70,452,000
19 for 3,102,125,000 KWH. The estimated true-up cost per
20 KWH sold is 1.9914 ¢/KWH as compared to 2.2711 ¢/KWH, or
21 12% under the projection.

22
23 Q. What is the primary reason for the difference between
24 the two projections of Gulf's energy sales?

25 A. During January through July of the 2001 recovery period,

1 Gulf's energy sales were slightly over the projection
2 due to higher Unit Power sales to south Florida
3 utilities and higher sales to other off-system
4 customers. The unit prices for these sales during the
5 January through July period were lower than projected
6 due to the mild regional weather conditions that
7 increased availability of lower cost energy to be sold
8 to the off-system market. Therefore, the two
9 projections differ because Gulf sold more energy to off-
10 system customers at a lower unit price than was
11 projected during the January through July period.

12
13 Q. During the period January 2001 through December 2001,
14 what is Gulf's projection of actual / estimated net
15 purchased power capacity transactions and how does it
16 compare with the September 2000 projection of net
17 capacity transactions?

18 A. The total estimated net capacity cost for the January
19 2001 through December 2001 recovery period, consisting
20 of actual January through July costs and a revised
21 projection of August through December costs, is
22 \$15,693,362 as compared to Gulf's September 2000
23 projected purchased power capacity cost of \$17,084,405.
24 The difference between these projections is a \$1,391,043
25 cost decrease, or 8% lower than costs that were filed in

1 September 2000.

2

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

5 A. The projected \$1,391,043 capacity cost decrease for the
6 January 2001 through December 2001 period is primarily
7 attributable to changes in the SES operating companies'
8 owned capacity amounts that are used in the Intercompany
9 Interchange Contract (IIC) capacity equalization
10 calculation to determine Gulf's monthly IIC costs.
11 Gulf's IIC costs during January through July were lower
12 than projected because the actual IIC owned capacity
13 amounts for other SES operating companies decreased by a
14 greater amount as compared to Gulf's owned capacity.
15 This resulted in Gulf being a lower net purchaser of
16 capacity through the IIC during the January through July
17 period.

18 Gulf's revised projection for IIC and market
19 capacity costs during August through December 2001 is
20 only slightly higher than the original projection for
21 these months. Therefore, the above mentioned change
22 that lowered Gulf's actual IIC costs for January through
23 July is the primary reason for Gulf's \$1,391,043
24 capacity cost decrease during the January 2001 through
25 December 2001 cost recovery period.

1 Q. Does this conclude your testimony?

2 A. Yes.

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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 010001-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 16th day of August,

2001. "

Jackie L. Whipple

Notary Public, State of Florida at Large



Jackie L Whipple
My Commission DD041506
Expires August 23, 2006