

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 020001-EI

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

PREPARED DIRECT TESTIMONY

OF

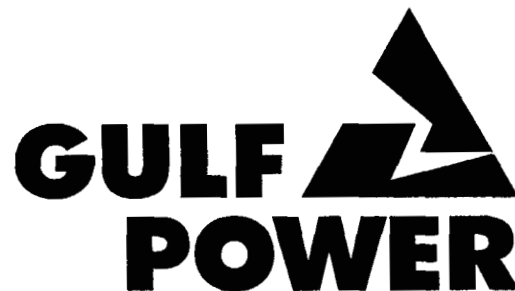
M. W. HOWELL

FINAL TRUE-UP

JANUARY– DECEMBER 2001 (Fuel)

JANUARY– DECEMBER 2001 (Capacity)

April 1, 2002



A SOUTHERN COMPANY

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1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Direct Testimony of
4 M. W. Howell
5 Docket No. 020001-EI
6 Date of Filing: April 1, 2002

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

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

11 Q. Have you previously testified before this Commission?

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

15 Q. Please summarize your educational and professional background.

16 A. I graduated from the University of Florida in 1966 with a Bachelor of
17 Science Degree in Electrical Engineering. I received my Masters Degree
18 in Electrical Engineering from the University of Florida in 1967, and then
19 joined Gulf Power Company as a Distribution Engineer. I have since
20 served as Relay Engineer, Manager of Transmission, Manager of System
21 Planning, Manager of Fuel and System Planning, and Transmission and
22 System Control Manager. My experience with the Company has included
23 all areas of distribution operation, maintenance, and construction;
24 transmission operation, maintenance, and construction; relaying and
25

1 protection of the generation, transmission, and distribution systems;
2 planning the generation, transmission, and distribution systems; bulk
3 power interchange administration; overall management of fuel planning
4 and procurement; and operation of the system dispatch center.

5 I am a member of the Engineering Committees and the Operating
6 Committees of the Southeastern Electric Reliability Council and the
7 Florida Reliability Coordinating Council, and have served as chairman of
8 the Generation Subcommittee of the Edison Electric Institute System
9 Planning Committee. I have served as chairman or member of many
10 technical committees and task forces within the Southern electric system,
11 the Florida Electric Power Coordinating Group, and the North American
12 Electric Reliability Council. These have dealt with a variety of technical
13 issues including bulk power security, system operations, bulk power
14 contracts, generation expansion, transmission expansion, transmission
15 interconnection requirements, central dispatch, transmission system
16 operation, transient stability, underfrequency operation, generator
17 underfrequency protection, and system production costing.

18

19 Q. What is the purpose of your testimony in this proceeding?

20 A. I will summarize Gulf Power Company's (Gulf) purchased power
21 recoverable costs for energy purchases and sales that were incurred
22 during the January 2001 through December 2001 recovery period. I will
23 then compare these actual costs to the amounts originally projected in
24 Gulf's September 2000 fuel filing for the period and discuss the reasons
25 for the differences.

1 I will also summarize the actual capacity expenses that were
2 incurred during the January 2001 through December 2001 recovery
3 period. I will compare this figure to the amount originally projected in
4 Gulf's September 2000 fuel filing and discuss the reason for the
5 difference.

6
7 Q. During the period January 2001 through December 2001, what was Gulf's
8 actual purchased power recoverable cost for energy purchases and how
9 did it compare with the projected amount?

10 A. Gulf's actual total purchased power recoverable cost for energy
11 purchases, as shown on line 12 of the December 2001 Period-to-Date
12 Schedule A-1 was \$67,844,985 for 2,479,017,424 KWH as compared to
13 the originally projected amount of \$53,620,570 for 1,618,627,000 KWH
14 that was filed September 21, 2000 in Docket No. 000001-EI. The actual
15 cost per KWH purchased was 2.7368 ¢/KWH as compared to the
16 projected amount of 3.3127 ¢/KWH, or 17% under the projection.

17
18 Q. What were the events that influenced Gulf's purchase of energy?

19 A. During the January 2001 through December 2001 recovery period, mild
20 weather resulted in lower than forecasted loads across the Southern
21 electric system (SES) and the Southeast United States. This increased
22 the availability of lower priced energy from neighboring utilities and power
23 marketers. This was the major contributing factor to Gulf's increased
24 purchases of lower cost energy. While these mild weather conditions
25 produced SES territorial loads that were 4.5% lower than projected, Gulf's

1 load was only 0.3% under budget. This comparison of loads illustrates
2 that the mild weather did not reduce Gulf's territorial energy needs as
3 much as it did for other utilities. Since Gulf's energy needs remained
4 virtually unchanged, Gulf experienced increased opportunities to purchase
5 from lower priced off-system utility resources that were not needed to
6 serve their own lower loads. As I stated earlier, unit prices for Gulf's total
7 purchases were 17% lower than projected. Therefore, Gulf purchased
8 more energy at a lower unit price than was forecasted during the January
9 2001 through December 2001 period in order to meet its total load
10 obligations.

11

12 Q. During the period January 2001 through December 2001, what was Gulf's
13 actual purchased power fuel cost for energy sales and how did it compare
14 with the projected amount?

15 A. Gulf's actual total purchased power fuel cost for energy sales, as shown
16 on line 18 of the December 2001 Period-to-Date Schedule A-1 was
17 \$49,220,847 for 2,710,293,657 KWH as compared to the September
18 2000 projected amount of \$70,452,000 for 3,102,125,000 KWH. The
19 actual fuel cost per KWH sold was 1.8161 ¢/KWH, or 20% under the
20 projected amount of 2.2711 ¢/KWH.

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

23 A. As with purchases discussed above, the mild weather during the period
24 significantly reduced Gulf's actual level of sales during the January 2001
25 through December 2001 recovery period. The unit prices for these sales,

1 as well as the level of sales during the period, were lower than projected.
2 Milder weather that results in lower loads typically results in more lower-
3 cost generation being available to serve a utility's load. Those utilities
4 had, then, less need to purchase from Gulf. Because of this occurrence
5 in 2001, Gulf did not have as many actual opportunities to sell its energy
6 to other utilities as compared to the forecast.

7
8 Q. During the 2001 recovery period, what was the fuel cost effect of these
9 lower than projected sales?

10 A. Because actual sales were lower than projected, and the unit price for
11 actual sales was also lower, Gulf's fuel and purchased power costs were
12 not reduced as much as forecasted by the revenue credit produced by
13 these sales.

14
15 Q. Was the actual 2001 level of net purchased power that resulted from
16 Gulf's provision of electric service beneficial to its customers?

17 A. Yes. While Gulf's customers always experience some level of price
18 uncertainty due to budget versus actual net purchased power variations,
19 the level of net energy cost incurred by Gulf in 2001 resulted from the
20 most economical purchase or sale of energy in each hour of the year due
21 to the economic dispatch process used by Gulf and the SES. The energy
22 obtained or sold as a result of serving Gulf's needs was done so in order
23 to produce the highest level of cost savings to the company's retail
24 customers.

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1 Q. Should this level of variation in the amount of purchases and sales be
2 expected to continue in the future?

3 A. Certainly not on a regular basis. The weather phenomenon that
4 influenced Gulf's purchase and sales during the January 2001 through
5 December 2001 recovery period was not normal. Gulf has typically been
6 very accurate in its prediction of net energy purchases. The company
7 does not expect this unusual variance to be typical in the future.

8

9 Q. During the period January 2001 through December 2001, how did Gulf's
10 actual net purchased power capacity cost compare with the net projected
11 cost?

12 A. The actual net capacity cost for the January 2001 through December
13 2001 recovery period, shown on line 4 of Schedule CCA-1, was
14 \$15,847,718. Gulf's projected net purchased power capacity cost for the
15 same period was \$17,084,405, as indicated on Schedule CCE-1 that was
16 filed September 21, 2000 in Docket No. 000001-EI. The difference
17 between the actual net capacity cost and the projected net capacity cost
18 for the recovery period is \$1,236,687, or a decrease of 7.2%.

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20 Q. Please explain the reason for the decrease in Gulf's capacity cost.

21 A. The total net capacity cost decrease for the January 2001 through
22 December 2001 recovery period is attributable to updated SES load and
23 owned capacity data inputs for the summer months that are used in the
24 Intercompany Interchange Contract (IIC) capacity equalization process to
25 determine Gulf's annual IIC costs and Gulf's lower than projected net

1 market capacity purchase costs due to higher capacity revenues. Gulf's
2 actual IIC and market capacity costs decreased by \$1,429,547. This cost
3 decrease, however, was partially offset by transmission revenues that
4 were \$192,860 below the original projection. Therefore, the net effect of
5 these cost changes is the above-mentioned \$1,236,687 capacity cost
6 decrease for the January 2001 through December 2001 cost recovery
7 period.

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9 Q. Does this conclude your testimony?

10 A. Yes.

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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 020001-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 28th day of March,

2002.

Rollanda R. Cothran

Notary Public, State of Florida at Large

