

ORIGINAL
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 020001-EI

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

PREPARED DIRECT TESTIMONY

OF

H. HOMER BELL

ESTIMATED TRUE-UP

JANUARY– DECEMBER 2002 (Fuel)

JANUARY– DECEMBER 2002 (Capacity)

AUGUST 20, 2002



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

08756 AUG 20 02

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Direct Testimony of
4 H. Homer Bell
5 Docket No. 020001-EI
6 Date of Filing: August 20, 2002

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

8 A. My name is H. Homer Bell, and my business address is One Energy
9 Place, Pensacola, Florida 32520. I am a Senior Engineer in the
10 Generation Services Department of Gulf Power Company.

11 Q. Have you previously testified before this Commission?

12 A. No.

13
14 Q. Please summarize your educational and professional background.

15 A. I received my Bachelor of Science Degree in Electrical Engineering from
16 Mississippi State University in 1980 and I received my Master of Business
17 Administration Degree from the University of Southern Mississippi in
18 1982. I joined Gulf Power Company (Gulf) as an associate engineer in
19 Gulf's Pensacola District Engineering Department, and have since held
20 engineering positions in the Rates and Regulatory Matters Department
21 and the Transmission and System Control Department. I was promoted
22 to my current position as Senior Engineer in the Generation Services
23 Department in 2002. I am primarily responsible for the administration of
24 Gulf's Intercompany Interchange Contract (IIC) and coordination of Gulf's
25 generation planning activities.

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1 During my years of service with the company, I have gained
2 experience in the areas of distribution operation, maintenance, and
3 construction; retail and wholesale electric service tariff administration;
4 wholesale transmission service tariff administration; IIC and bulk power
5 sales contract administration; and transmission and control center
6 operations.

7
8 Q. What is the purpose of your testimony in this proceeding?

9 A. The purpose of my testimony is to summarize Gulf 's actual / estimated
10 true-up projections of purchased power recoverable energy purchases
11 and sales for the January 2002 through December 2002 recovery period.
12 I will compare these January 2002 through December 2002 estimated
13 true-up amounts to the amounts originally projected in Gulf's September
14 2001 fuel filing for the period and discuss the reason for the difference.

15 I will also summarize the actual / estimated true-up projection of net
16 capacity expenses for the January 2002 through December 2002 recovery
17 period. I will compare these figures to the amounts originally projected in
18 Gulf's September 2001 capacity filing for the period and discuss the
19 reason for the difference.

20
21 Q. During the period January 2002 through December 2002, what is Gulf's
22 actual / estimated purchased power recoverable cost for energy
23 purchases and how does it compare with the September 2001 projected
24 amount?

25 A. Using actual data for January through July 2002 and a revised projection

1 for August through December 2002, Gulf's total estimated purchased
2 power recoverable cost for energy purchases, shown on line 12 of the
3 January 2002 - December 2002 Schedule E-1B1 is \$39,371,209. The
4 estimated amount of purchased energy is 2,024,745,313 KWH. The
5 September 2001 projected cost of energy purchases was \$21,710,832,
6 for 755,649,000 KWH. The estimated true-up cost per KWH purchased is
7 1.9445 ¢/KWH as compared to the originally projected cost of
8 2.8731 ¢/KWH, or 32% under the projection made last fall.

9
10 Q. What is the primary reason for the difference between Gulf's original filing
11 and the current projection of Gulf's energy purchases?

12 A. Through July 2002 of the recovery period, Gulf purchased more energy
13 from the Southern electric system (SES) pool because of an increased
14 availability of lower cost SES generation resources. Gulf was able to
15 purchase this additional pool energy at a significantly lower cost per KWH
16 than originally projected due to the availability of lower cost SES
17 resources resulting from lower than projected loads experienced by the
18 other SES companies through July.

19 Gulf has revised its purchased power projection for August through
20 December 2002 to incorporate recent updates to the forecast for SES
21 generating unit marginal fuel prices, maintenance outage schedules, and
22 SES loads. This revised projection indicates slightly lower than originally
23 budgeted energy purchase cost for August through December 2002.

24 However, this is more than offset by the higher actual energy purchase
25 cost for January through July 2002 caused by Gulf's higher purchases of

1 economical pool energy.

2

3 Q. During the period January 2002 through December 2002, what is Gulf's
4 actual / estimated purchased power fuel cost for energy sales and how
5 does it compare with the September 2001 projected amount?

6 A. Using actual data for January through July 2002 and a revised projection
7 for August through December 2002, Gulf's total estimated purchased
8 power fuel cost for energy sales for January through December 2002,
9 shown on line 18 of the January 2002 - December 2002 Schedule E-1B1,
10 is \$70,328,328. The estimated amount of energy sales is
11 3,887,325,384 KWH. The September 2001 projected amount was
12 \$105,918,000 for 4,456,170,000 KWH. The estimated true-up cost per
13 KWH sold is 1.8092 ¢/KWH as compared to 2.3769 ¢/KWH, or 24% lower
14 than originally projected.

15

16 Q. What is the primary reason for the difference between Gulf's original filing
17 and the current projection of Gulf's energy sales?

18 A. During January through July of the 2002 recovery period, Gulf's energy
19 sales were under the September 2001 projected amount due to lower
20 SES loads at the other companies through July 2002, which reduced
21 Gulf's opportunities to sell energy from its generating units. The unit
22 prices for these sales during the January through July 2002 recovery
23 period were also lower than projected due to the availability of lower cost
24 generation alternatives on the SES produced by lower overall loads at the
25 other companies.

1 Gulf's pool sales for August through December 2002 are projected
2 to continue at slightly lower levels than originally projected, but the lower
3 level of actual sales that Gulf experienced in January through July 2002
4 due to lower SES loads is the primary reason Gulf's projected fuel cost for
5 energy sales is lower than the September 2001 projection.

6
7 Q. During the period January 2002 through December 2002, what is Gulf's
8 projection of actual / estimated net purchased power capacity transactions
9 and how does it compare with the September 2001 projection of net
10 capacity transactions?

11 A. As shown on Line 5 of Schedule CCE-1b, the total estimated net capacity
12 cost for the January 2002 through December 2002 recovery period,
13 consisting of actual amounts for January through July and the originally
14 projected amounts for August through December, is \$3,147,925 as
15 compared to Gulf's September 2001 projected purchased power capacity
16 cost of \$3,584,605. The difference between these projections is a
17 \$436,680 cost decrease, or 12% lower than the cost that was filed in
18 September 2001.

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

21 A. The projected \$436,680 capacity cost decrease for the January 2002
22 through December 2002 period is primarily attributable to changes in
23 Gulf's owned capacity amounts that are used in the Intercompany
24 Interchange Contract (IIC) capacity equalization calculation to determine
25 Gulf's monthly IIC costs. Gulf's IIC costs during January through July

1 were lower than projected because Smith Unit 3 became commercially
2 available on April 22, 2002, which was over one month earlier than
3 projected. The addition of Smith Unit 3 to the IIC calculation of owned
4 capacity earlier than expected resulted in Gulf being a lower net
5 purchaser of capacity through the IIC during the January through July
6 period.

7 Gulf's IIC costs during August through December 2002 are not
8 expected to differ significantly from those included in the original
9 projection for these months. Therefore, the above mentioned change that
10 lowered Gulf's actual IIC costs for January through July is the primary
11 reason for Gulf's \$436,680 capacity cost decrease during the January
12 2002 through December 2002 cost recovery period.

13
14 Q. Does this conclude your testimony?

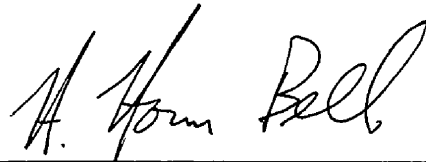
15 A. Yes.
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STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

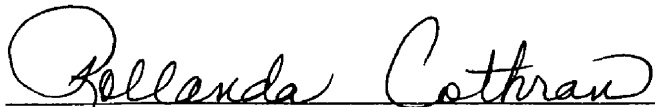
Docket No. 020001-EI

Before me the undersigned authority, personally appeared H. Homer Bell, who being first duly sworn, deposes, and says that he is Senior Engineer in the Generation Services Department 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.



H. Homer Bell
Senior Engineer, Generating Services Dept.

Sworn to and subscribed before me this 19th day of August,
2002.



Notary Public, State of Florida at Large

