

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 020001-EI**

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

**PREPARED DIRECT TESTIMONY AND EXHIBIT**

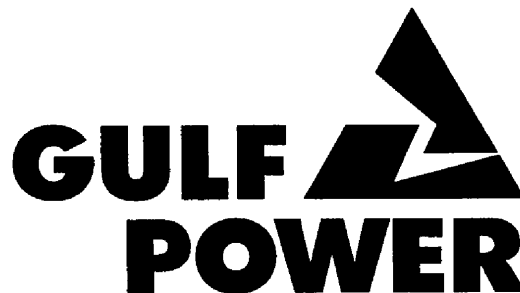
**OF**

**H. HOMER BELL**

**FUEL COST RECOVERY  
JANUARY 2003 – DECEMBER 2003**

**CAPACITY COST RECOVERY  
JANUARY 2003 – DECEMBER 2003**

**SEPTEMBER 20, 2002**



**A SOUTHERN COMPANY**

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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: September 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 filed testimony with this Commission?

12 A. Yes. I have filed testimony in support of Gulf's estimated/actual true-up  
13 projections of capacity and energy costs for the January 2002 through  
14 December 2002 recovery period.

15 Q. Please summarize your educational and professional background.

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

1 administration of Gulf's Intercompany Interchange Contract (IIC) and  
2 coordination of Gulf's generation planning activities.

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

9

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

11 A. The purpose of my testimony is to support Gulf Power Company's (Gulf)  
12 projection of purchased power recoverable costs for energy purchases  
13 and sales for the period January 2003 - December 2003. I will also  
14 support Gulf's projection of purchased power capacity costs for the  
15 January 2003 - December 2003 recovery period.

16

17 Q. Have you prepared an exhibit that contains information to which you will  
18 refer in your testimony?

19 A. Yes. I have one exhibit to which I will refer.

20

21 Counsel: We ask that Mr. Bell's Exhibit HHB-1 be  
22 marked for identification as  
23 Exhibit\_\_\_\_\_(HHB-1).

24

25

1 Q. What is Gulf's projected purchased power recoverable cost for energy  
2 purchases for the January 2003 - December 2003 recovery period?

3 A. Gulf's projected recoverable cost for energy purchases, shown on line 12  
4 of Schedule E-1 of the fuel filing, is \$6,912,775. These purchases result  
5 from Gulf's participation in the coordinated operation of the Southern  
6 electric system (SES) power pool, as well as the cogeneration purchased  
7 power contract with Solutia, Inc. (Solutia). This amount is used by Gulf's  
8 witness Ms. Davis as an input in the calculation of the fuel and purchased  
9 power cost adjustment factor.

10

11 Q. What is Gulf's projected purchased power fuel cost for energy sales for  
12 the January 2003 - December 2003 recovery period?

13 A. The projected fuel cost for energy sales, shown on line 18 of Schedule  
14 E-1, is \$98,584,000. These sales also result from Gulf's participation in  
15 the coordinated operation of the SES power pool. This amount is used by  
16 Gulf's witness Ms. Davis as an input in the calculation of the fuel and  
17 purchased power cost adjustment factor.

18

19 Q. Please compare Gulf's projected purchased power recoverable costs for  
20 energy purchases and sales for the January 2003 - December 2003  
21 recovery period to those projected costs for January 2002 - December  
22 2002 recovery period and explain the reasons the differences.

23 A. Gulf's purchased power recoverable cost for energy purchases for the  
24 2003 recovery period is \$6,912,775, or \$14,798,057 less than projected  
25 for the 2002 recovery period. This reduction in energy purchases can be

1 attributed to the May 2002 expiration of a 150 megawatt purchased power  
2 agreement and the addition of 574 megawatts of generating capacity at  
3 Plant Smith that will provide an increased supply of economical energy to  
4 meet Gulf's customers' needs. The resulting net increase in capacity  
5 resources will reduce Gulf's need to purchase from the SES pool and  
6 other sources.

7 Gulf's projected purchased power fuel cost for energy sales was  
8 projected to be \$98,584,000, or \$7,334,000 less than projected for the  
9 2002 recovery period. This reduction is primarily driven by the addition of  
10 other capacity resources on the SES operating companies' systems that  
11 will be available to serve the SES territorial and off system load needs.

12  
13 Q. What information is contained in your exhibit?

14 A. My exhibit lists the long-term power contracts that are included for  
15 capacity cost recovery, their associated megawatt amounts, and the  
16 resulting capacity dollar amounts. Also listed on my exhibit are the  
17 revenues produced by two non-firm market capacity sales agreements  
18 between the SES operating companies and utilities outside the system.

19  
20 Q. Which power contracts produce capacity transactions that are recovered  
21 through Gulf's purchased power capacity cost adjustment factor?

22 A. Two power contracts that produce recoverable capacity transactions  
23 through Gulf's purchased power capacity adjustment factor are the SES  
24 Intercompany Interchange Contract (IIC) and Gulf's cogeneration  
25 purchased power contract with Solutia. The Commission has authorized

1 the Company to include capacity transactions under the IIC for recovery  
2 through the purchased power capacity cost adjustment factor. Gulf will  
3 continue to have IIC capacity transactions during the January 2003 -  
4 December 2003 recovery period. The energy transactions under this  
5 contract are handled for cost recovery purposes through the fuel cost  
6 adjustment factor.

7 The Gulf/Solutia cogeneration purchased power contract enables  
8 Gulf to purchase 19 megawatts of firm capacity until June 1, 2005. Gulf  
9 has included the contract's annual costs for the January 2003 through  
10 December 2003 recovery period in this projection. The energy  
11 transactions under this contract have also been approved by the  
12 Commission for recovery, and these costs are included for cost recovery  
13 purposes through the fuel cost adjustment factor.

14  
15 Q. Are there any other arrangements that produce capacity transactions that  
16 are recovered through Gulf's purchased power capacity cost adjustment  
17 factor?

18 A. Yes. Gulf, as a member of the SES, will participate in two agreements to  
19 sell non-firm market capacity in 2003 that are included in Gulf's capacity  
20 cost projections for the January 2003 - December 2003 recovery period.  
21 One agreement provides for the sale of non-firm, fully recallable capacity  
22 from SES resources to a neighboring utility. The other agreement, which  
23 is also non-firm and fully recallable, provides a load following type of  
24 service to another neighboring utility. These agreements will produce  
25 fixed monthly revenues that will be allocated to all SES operating

1 companies. The revenues from these non-firm sales will produce credits  
2 that will lower the overall 2003 projected capacity costs. Any scheduled  
3 energy transactions associated with these capacity sales are handled for  
4 cost recovery purposes through the fuel cost adjustment factor.

5

6 Q. What are Gulf's IIC capacity transactions that are projected for the  
7 January 2003 - December 2003 recovery period?

8 A. As shown on my Exhibit HHB-1, capacity transactions under the IIC vary  
9 during each month of the recovery period. IIC capacity purchases in the  
10 amount of \$6,042,798 are projected for the year. IIC capacity sales  
11 during the same period are projected to be \$69,531. As a result of these  
12 purchases and sales, Gulf's net capacity transactions under the IIC for the  
13 recovery period are net purchases amounting to \$5,973,267.

14

15 Q. What is the cost of Gulf's capacity purchase from Solutia that is projected  
16 for the January 2003 - December 2003 recovery period?

17 A. As shown on my Exhibit HHB-1, Gulf is projected to pay \$746,424, or  
18 \$62,202 per month, to Solutia for the firm capacity purchase made  
19 pursuant to the Commission approved contract.

20

21 Q. What amount of revenues associated with Gulf's market capacity sales is  
22 projected for the January 2003 - December 2003 recovery period?

23 A. As shown on my Exhibit HHB-1, Gulf is projected to receive a total of  
24 \$210,672 from the sale of non-firm capacity to non-associated utilities.

25

1 Q. What are Gulf's total projected net capacity transactions for the January  
2 2003 - December 2003 recovery period?

3 A. As shown on my Exhibit HHB-1, the net purchases under the IIC, the  
4 Solutia contract purchases, and the non-firm market capacity sales will  
5 result in a projected net capacity cost of \$6,509,019. This figure is used  
6 by Gulf's witness Ms. Davis as an input into the calculation of the total  
7 capacity transactions to be recovered through the purchased power  
8 capacity cost adjustment factor for this annual recovery period.

9

10 Q. Please compare Gulf's January 2003 - December 2003 projected net  
11 capacity cost to those projected costs for January 2002 - December 2002  
12 recovery period and explain the reason for the difference.

13 A. Gulf's net capacity cost is projected to be \$2,846,414 higher than the  
14 2002 net capacity cost projection due to its higher 2003 IIC capacity cost.  
15 This cost increase results from the addition of system capacity that is  
16 needed across the SES to reliably serve customers' current and future  
17 needs. Gulf is projected to purchase its share of the system reserves  
18 produced by these capacity additions, and its IIC capacity costs will  
19 increase under the monthly IIC reserve sharing process.

20

21 Q. Does this conclude your testimony?

22 A. Yes.

23

24

25



AFFIDAVIT

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.



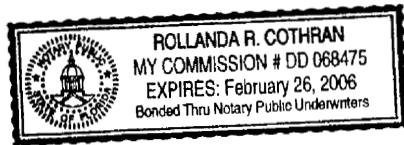
H. Homer Bell  
Senior Engineer, Generating Services Dept.

Sworn to and subscribed before me this 19<sup>th</sup> day of September,

2002.



Notary Public, State of Florida at Large



**GULF POWER COMPANY  
PROJECTED PURCHASED POWER CONTRACT TRANSACTIONS  
JANUARY 2003 - DECEMBER 2003**

Contract	MW Purchase/(Sale)	Capacity (\$) Costs/(Receipts)
<b>Southern Company</b>		
<b>Intercompany Interchange (IIC)</b>		
January 2003	329.1	987,342
February	260.5	312,625
March	164.9	197,858
April	(66.5)	(39,919)
May	(24.6)	(29,612)
June	70.6	443,424
July	91.8	1,572,676
August	58.0	994,253
September	166.6	1,332,507
October	132.3	75,527
November	28.6	16,337
December	193.2	110,249
SUBTOTAL		<u>5,973,267</u>
<b>Solutia</b>		
January 2003	19.0	62,202
February	19.0	62,202
March	19.0	62,202
April	19.0	62,202
May	19.0	62,202
June	19.0	62,202
July	19.0	62,202
August	19.0	62,202
September	19.0	62,202
October	19.0	62,202
November	19.0	62,202
December	19.0	62,202
SUBTOTAL		<u>746,424</u>

GULF POWER COMPANY  
PROJECTED PURCHASED POWER CONTRACT TRANSACTIONS  
JANUARY 2003 - DECEMBER 2003

Contract	Capacity (\$) Costs/(Receipts)
Non-Firm Capacity	
Sales	
January 2003	(17,556)
February	(17,556)
March	(17,556)
April	(17,556)
May	(17,556)
June	(17,556)
July	(17,556)
August	(17,556)
September	(17,556)
October	(17,556)
November	(17,556)
December	(17,556)
SUBTOTAL	<u>(210,672)</u>
 <b>TOTAL</b>	 <b>6,509,019</b>