

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 030001-EI

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

**PREPARED DIRECT TESTIMONY
OF**

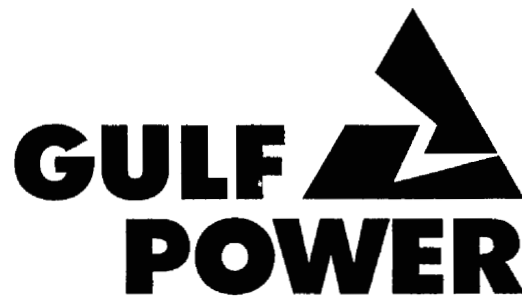
H. HOMER BELL

ESTIMATED TRUE-UP

JANUARY– DECEMBER 2003 (Fuel)

JANUARY– DECEMBER 2003 (Capacity)

AUGUST 12, 2003



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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 2003 through December 2003 recovery period.
12 I will compare these January 2003 through December 2003 estimated
13 true-up amounts to the amounts originally projected in Gulf's September
14 2002 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 2003 through December 2003 recovery
17 period. I will compare these figures to the amounts projected in Gulf's
18 October 2002 revised capacity filing for the period and discuss the reason
19 for the difference.

20
21 Q. During the period January 2003 through December 2003, what is Gulf's
22 actual / estimated purchased power recoverable cost for energy
23 purchases and how does it compare with the September 2002 projected
24 amount?

25 A. Using actual data for January through July 2003 and a revised projection

1 for August through December 2003, Gulf's total estimated purchased
2 power recoverable cost for energy purchases, shown on line 12 of the
3 January 2003 - December 2003 Schedule E-1B-1 is \$24,781,930. The
4 estimated amount of purchased energy is 1,090,939,811 KWH. The
5 September 2002 projected cost of energy purchases was \$6,912,775 for
6 285,605,000 KWH. The estimated true-up cost per KWH purchased is
7 2.2716 ¢/KWH as compared to the originally projected cost of
8 2.4204 ¢/KWH, or 6% under the projection made last fall.

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

12 A. During the period January through July 2003, Gulf purchased a higher
13 than projected volume of energy due to the combination of January's cold
14 weather, a planned outage for Smith Unit 3 in March that was not yet
15 scheduled at the time of the September 2002 projection, and the
16 availability of lower cost energy from the resources of the Southern
17 electric system (SES). With the exception of January and March, when
18 Gulf experienced higher average unit costs for its energy purchases, Gulf
19 purchased this additional energy from the SES power pool at a lower cost
20 per KWH due to lower than projected SES loads and greater availability of
21 SES nuclear and hydro generation. As a result, Gulf's overall purchase
22 activity for January through July 2003 produced an increased amount of
23 energy purchases at a lower cost per KWH.

24 Gulf has revised its purchased power projection for August through
25 December 2003 to incorporate updates to the SES generating unit

1 marginal fuel prices and system loads. This revised projection indicates
2 that Gulf will purchase more energy at a lower average cost than was
3 originally projected for August through December 2003. Therefore, the
4 actual energy purchase results through July 2003, combined with the new
5 projection for August through December 2003, produce a higher projected
6 volume of energy purchases at a lower cost per KWH for the January
7 2003 through December 2003 recovery period.

8
9 Q. During the period January 2003 through December 2003, what is Gulf's
10 actual / estimated purchased power fuel cost for energy sales and how
11 does it compare with the amount projected in September 2002?

12 A. Using actual data for January through July 2003 and a revised projection
13 for August through December 2003, Gulf's total estimated purchased
14 power fuel cost for energy sales for January through December 2003,
15 shown on line 18 of the January 2003 - December 2003 Schedule E-1B-1,
16 is \$94,399,317. The estimated amount of energy sales is
17 4,942,065,794 KWH. The originally projected amount was \$98,584,000
18 for 4,822,911,000 KWH. The estimated / actual true-up cost per KWH
19 sold is 1.9101 ¢/KWH as compared to 2.0441 ¢/KWH, or 7% lower than
20 originally projected.

21
22 Q. What is the primary reason for the difference between Gulf's original
23 projection and the current projection of Gulf's energy sales?

24 A. During January through July of the current recovery period, Gulf sold less
25 energy at a lower average cost than was projected in September 2002

1 due to lower loads experienced by other SES operating companies for
2 most of the months through July 2003. These lower loads, caused by
3 milder than anticipated weather in the months following January and
4 unfavorable regional economic conditions, caused Gulf's units to generate
5 a lower than anticipated amount of energy for SES companies' needs.
6 Therefore, during the first seven months of 2003, Gulf sold less energy to
7 the pool at a lower than projected average unit cost.

8 Gulf's revised energy sales projection for August through
9 December 2003, that reflects SES marginal fuel price and system load
10 updates, indicates a slightly higher amount of energy sales at a lower
11 average unit cost than originally projected. Therefore, the lower actual
12 energy sales through July 2003, combined with the new projection for
13 August through December 2003, produce a higher projected volume of
14 energy sales at a lower cost per KWH for the entire 2003 recovery period.

15
16 Q. During the period January 2003 through December 2003, what is Gulf's
17 projection of actual / estimated net purchased power capacity transactions
18 and how does it compare with the October 2002 revised projection of net
19 capacity transactions?

20 A. As shown on Line 5 of Schedule CCE-1b, Gulf's total estimated net
21 capacity cost for the January 2003 through December 2003 recovery
22 period, consisting of January through July actual amounts and the
23 previously projected amounts for August through December, is
24 \$7,356,844. Gulf's projected net capacity cost of \$8,210,882 for the
25 recovery period is shown on Line 4 of Schedule CCE-1 that was revised in

1 October 2002. The difference between these projections is a cost
2 decrease of \$854,038, or 10% lower than the cost that was filed in
3 October 2002.

4

5 Q. Please explain the reason for the decrease in capacity cost.

6 A. The overall capacity cost decrease projected for the January 2003
7 through December 2003 period is primarily due to Gulf's lower
8 Intercompany Interchange Contract (IIC) reserve sharing cost. Through
9 July 2003, the actual megawatts of owned capacity for other SES
10 companies that was included in the IIC reserve sharing calculation was
11 lower than originally projected. At the same time, Gulf's owned capacity
12 remained near the originally projected level. Therefore, other SES
13 companies were responsible for sharing a greater percentage of system
14 reserves, and Gulf became a lower net purchaser of capacity reserves
15 through the IIC during the January through July 2003 period.

16 Gulf's IIC reserve sharing cost in August through December 2003 is
17 not expected to differ significantly from those included in the October
18 2003 projection for these months. Therefore, Gulf's lower reserve
19 requirement as compared to other SES operating companies'
20 requirements during January through July is the primary reason for Gulf's
21 \$854,038 capacity cost decrease during the January 2003 through
22 December 2003 cost recovery period.

23

24 Q. Does this conclude your testimony?

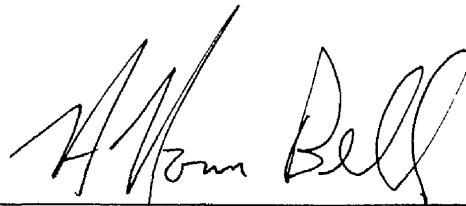
25 A. Yes.

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

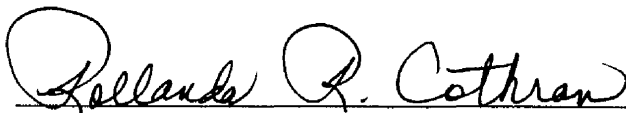
Docket No. 030001-EI

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 11th day of August,
2003.



Notary Public, State of Florida at Large

