

Gulf Power Company  
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ORIGINAL  
FILE COPY

Susan D. Cranmer  
Assistant Secretary and  
Assistant Treasurer

the southern electric system

May 17, 1996

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 960001-EI

Enclosed for official filing in the above docket are an original and fifteen (15) copies of the following:

ACK	<input checked="" type="checkbox"/>	
AFA	<input checked="" type="checkbox"/>	1. Prepared direct testimony and exhibit of S. D. Cranmer. 05566-96
APP	<input type="checkbox"/>	
CAF	<input type="checkbox"/>	2. Prepared direct testimony and exhibit of M. F. Oaks. 05567-96
CMU	<input type="checkbox"/>	
CTR	<input type="checkbox"/>	3. Prepared direct testimony and exhibit of G. D. Fontaine. 05568-96
EAG	<input checked="" type="checkbox"/>	4. Prepared direct testimony of M. W. Howell. 05569-96

LEG 1  
LIN 3 Sincerely,

OPC \_\_\_\_\_  
RCH \_\_\_\_\_ *Susan D. Cranmer*

SEC 1  
WAS \_\_\_\_\_ lw

OTH \_\_\_\_\_ Enclosures

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost )  
Recovery Clause with Generating )  
Performance Incentive Factor )  
\_\_\_\_\_ )

Docket No. 960001-EI

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 17th day of May 1996 on the following:

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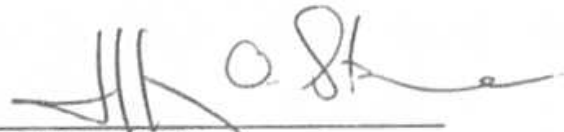
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 960001-EI

PREPARED DIRECT TESTIMONY  
OF

M. W. HOWELL

FUEL AND PURCHASED POWER COST RECOVERY

FINAL TRUE-UP

MAY 20, 1996



DOCUMENT NUMBER-DATE

05569 MAY 20 1996

FPSC-RECORDS/REPORTING



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 system additions; bulk  
9       power interchange administration; overall management of  
10      fuel planning and procurement; and operation of the  
11      system dispatch center.

12               I have served as a member of the Engineering  
13      Committee and the Operating Committee of the  
14      Southeastern Electric Reliability Council, chairman of  
15      the Generation Subcommittee and member of the Edison  
16      Electric Institute System Planning Committee, and  
17      chairman or member of a number of various technical  
18      committees and task forces within the Southern electric  
19      system and the Florida Electric Power Coordinating  
20      Group, regarding a variety of technical issues including  
21      system operations, bulk power contracts, generation  
22      expansion, transmission expansion, transmission  
23      interconnection requirements, central dispatch,  
24      transmission system operation, transient stability,  
25      underfrequency operation, generator underfrequency

1 protection, system production costing, computer  
2 modeling, and others.

3  
4 Q. What is the purpose of your testimony in this  
5 proceeding?

6 A. I will summarize Gulf Power Company's purchased power  
7 recoverable costs for energy purchases and sales that  
8 were incurred during the October 1, 1995 through March  
9 31, 1996 recovery period. I will then compare these  
10 actual costs to their projected levels for the period  
11 and discuss the primary reasons for the differences.

12 I will also summarize the actual capacity expenses  
13 and revenues that were incurred during the April 1, 1995  
14 through September 30, 1995 recovery period, compare  
15 these figures to their projected levels, and discuss the  
16 reasons for the differences.

17  
18 Q. During the period October 1, 1995 through March 31,  
19 1996, what was Gulf's actual purchased power recoverable  
20 cost for energy purchases and how did it compare with  
21 the projected amount?

22 A. Gulf's actual total purchased power recoverable cost for  
23 energy purchases, as shown on line 12 of Schedule A-1,  
24 was \$23,950,773 as compared to the projected amount of  
25 \$9,801,000. This resulted in a variance above budget of

1           \$14,149,773, or 144%. The actual cost per KWH purchased  
2           was 2.1822 ¢/KWH as compared to the projected 1.8481  
3           ¢/KWH, or 18% above the projection.  
4

5 Q. What were the events that influenced Gulf's purchase of  
6           energy?

7 A. During October and November of the recovery period, the  
8           availability of lower cost pool energy allowed Gulf to  
9           purchase more economy power from the Southern electric  
10           system. Then, the extremely cold temperatures of  
11           February 1996 produced higher than projected territorial  
12           loads across the Southern system and caused Gulf to  
13           purchase more power at a significantly higher unit price  
14           than was forecasted in order to meet its load  
15           obligation.

16                 Therefore, lower cost energy in October and  
17           November, coupled with February's higher territorial  
18           load and pool energy cost, resulted in Gulf's increased  
19           purchase of pool energy at a higher than projected price  
20           during the recovery period. Gulf purchased  
21           1,097,550,097 KWH, shown on line 12 of Schedule A-1, as  
22           compared to the estimate of 530,330,000 KWH, or 107%  
23           more than forecasted.  
24  
25

1 Q. During the period October 1, 1995 through March 31,  
2 1996, what was Gulf's actual purchased power fuel cost  
3 for energy sales and how did it compare with the  
4 projected amount?

5 A. Gulf's actual total purchased power fuel cost for energy  
6 sales, as shown on line 18 of Schedule A-1, was  
7 \$10,585,257 as compared to the projected amount of  
8 \$15,231,600. This resulted in a variance below budget  
9 of \$4,646,343, or 31%. The actual fuel cost per KWH  
10 sold was 1.6073 ¢/KWH as compared to 1.8910 ¢/KWH, or  
11 15% below the projection.

12  
13 Q. What were the events that influenced Gulf's sale of  
14 energy?

15 A. Gulf's pool and off-system sales, shown on line 18, were  
16 658,575,213 KWH, or 18% under the projection for the  
17 period. These sales were under the projection due to  
18 Gulf's decreased sale of energy to Unit Power customers  
19 and the Southern electric system power pool to meet the  
20 system's off-system energy requirements. The higher  
21 cost of energy available from Gulf's resources compared  
22 with the cost of energy generated by the other pool  
23 members caused Gulf to sell less energy than budgeted.

24  
25



1 Q. How are Gulf's net purchased power fuel costs affected  
2 by Southern electric system energy sales?

3 A. As a member of the Southern electric system power pool,  
4 Gulf Power participates in these sales. Gulf's  
5 generating units are economically dispatched to meet the  
6 needs of its territorial customers, the system, and  
7 off-system customers.

8 Therefore, Southern system energy sales provide a  
9 market for Gulf's surplus energy and generally improve  
10 unit load factors. The cost of fuel used to make these  
11 sales is credited against, and therefore reduces, Gulf's  
12 fuel and purchased power costs.

13  
14 Q. During the period April 1, 1995 through September 30,  
15 1995, how did Gulf's actual net purchased power capacity  
16 transactions compare with the net projected  
17 transactions?

18 A. In the Purchased Power Capacity Cost Recovery portion of  
19 Docket No. 950001-EI, I testified that the projected net  
20 purchased power capacity cost for the April 1, 1995  
21 through September 30, 1995 recovery period, consisting  
22 entirely of IIC capacity cost, was \$1,995,968. The  
23 actual net capacity cost was \$1,842,381. This  
24 represents a decrease in cost of \$153,587, or 8% less  
25 than projected.

1 Q. Please explain the reasons for this minor difference.

2 A. During the recovery period, Gulf's actual net IIC  
3 capacity cost was lower than budget because there was  
4 less actual system capacity to be equalized due to the  
5 delayed installation of planned system capacity.

6 Therefore, Gulf was responsible for sharing a  
7 percentage of a decreased level of system capacity and  
8 the company had a lower IIC capacity cost.

9

10 Q. Does this conclude your testimony?

11 A. Yes.

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AFFILAVIT

STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA    )

Docket No. 960001-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 16 day of  
May, 1996.

*Peggy Allen Wilson*  
Notary Public, State of Florida at Large

PEGGY ALLEN WILSON  
"Notary Public-State of Florida"  
My Commission Expires July 29, 1997  
CC303770

Commission No.

My Commission Expires