

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 030001-EI**

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

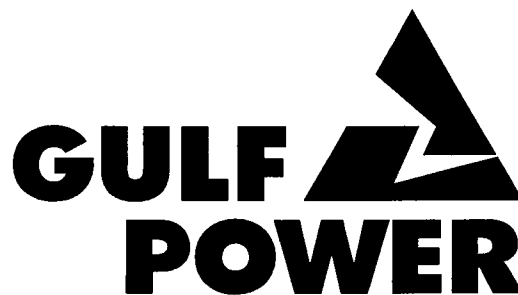
**PREPARED DIRECT TESTIMONY  
OF  
H. HOMER BELL**

**FINAL TRUE-UP**

**JANUARY– DECEMBER 2002 (Fuel)**

**JANUARY– DECEMBER 2002 (Capacity)**

**APRIL 1, 2003**



**A SOUTHERN COMPANY**

**03032 APR-18**

**FPSC-COMMISSION CLERK**

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

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

Q. Have you previously filed testimony with this Commission?

A. Yes. I have filed testimony in support of Gulf's estimated/actual true-up projections of capacity and energy costs for the January 2002 through December 2002 recovery period and Gulf's projections of capacity and energy costs for the January 2003 through December 2003 recovery period.

Q. Please summarize your educational and professional background.

A. I received my Bachelor of Science Degree in Electrical Engineering from Mississippi State University in 1980 and I received my Master of Business Administration Degree from the University of Southern Mississippi in 1982. That year I joined Gulf as an associate engineer in the Company's Pensacola District Engineering Department, and have since held engineering positions in the Rates and Regulatory Matters Department and the Transmission and System Control Department. I was promoted

1 to my current position as Senior Engineer in the Generation Services  
2 Department in 2002. I am primarily responsible for the administration of  
3 Gulf's Intercompany Interchange Contract (IIC) and coordination of Gulf's  
4 generation planning activities.

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

11  
12 Q. What is the purpose of your testimony in this proceeding?

13 A. The purpose of my testimony is to summarize Gulf Power Company's  
14 (Gulf) purchased power recoverable costs for energy purchases and sales  
15 that were incurred during the January 2002 through December 2002  
16 recovery period. I will then compare these actual costs to the amounts  
17 originally projected in Gulf's September 2001 fuel filing for the period and  
18 discuss the reasons for the differences.

19 I will also summarize the actual capacity expenses that were  
20 incurred during the January 2002 through December 2002 recovery  
21 period. I will compare this figure to the amount originally projected in  
22 Gulf's September 2001 fuel filing and discuss the reason for the  
23 difference.

1 Q. During the period January 2002 through December 2002, what was Gulf's  
2 actual purchased power recoverable cost for energy purchases and how  
3 did it compare with the projected amount?

4 A. Gulf's actual total purchased power recoverable cost for energy  
5 purchases, as shown on line 12 of the December 2002 Period-to-Date  
6 Schedule A-1 was \$43,473,017 for 2,449,554,670 KWH as compared to  
7 the originally projected amount of \$21,710,832 for 755,649,000 KWH that  
8 was filed September 20, 2001. The actual cost per KWH purchased was  
9 1.7747 ¢/KWH as compared to the projected amount of 2.8731 ¢/KWH, or  
10 38% under the projection.

11

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

13 A. During the January 2002 through December 2002 recovery period, a  
14 slowdown in economic activity in the Southeast United States combined  
15 with slightly milder regional weather to produce lower than forecasted  
16 loads across most of the Southern electric system (SES). These factors  
17 led to an increased availability of lower priced energy from the SES.  
18 While SES territorial loads were 1.4% lower than projected, the above  
19 mentioned conditions did not directly affect Gulf's load. Gulf's actual load  
20 was 5.2% over budget. Gulf's greater energy needs in 2002 required the  
21 Company to purchase more energy to meet its load requirements. Gulf  
22 was able to purchase this energy at a lower unit cost because lower cost  
23 SES pool resources were not needed to serve the other operating  
24 companies' system loads. Therefore, Gulf purchased more energy at a  
25 lower price than was forecasted during the January 2002 through

1 December 2002 recovery period in order to meet its higher load  
2 obligations.

3

4 Q. During the 2002 recovery period, what was the fuel cost effect of Gulf's  
5 increased purchases?

6 A. Although Gulf was able to purchase energy at a lower unit cost, the  
7 significant increase in the volume of purchases to serve Gulf's higher  
8 actual load requirements resulted in a net cost increase that contributed to  
9 Gulf's higher 2002 recoverable fuel costs.

10

11 Q. During the period January 2002 through December 2002, what was Gulf's  
12 actual purchased power fuel cost for energy sales and how did it compare  
13 with the projected amount?

14 A. Gulf's actual total purchased power fuel cost for energy sales, as shown  
15 on line 18 of the December 2002 Period-to-Date Schedule A-1 was  
16 \$62,984,977 for 3,693,633,668 KWH as compared to the projected  
17 amount of \$105,918,000 for 4,456,170,000 KWH. The actual fuel cost  
18 per KWH sold was 1.7052 ¢/KWH, or 28% under the projected amount of  
19 2.3769 ¢/KWH.

20

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

22 A. The same unfavorable economic conditions and milder weather that  
23 influenced Gulf's level of purchases significantly reduced Gulf's actual  
24 sales during the 2002 recovery period. Because of the lower loads  
25 experienced by other SES operating companies, Gulf did not have as

1 many opportunities to sell its energy to SES pool members as anticipated  
2 in the forecast. Therefore, during the January 2002 through December  
3 2002 recovery period, Gulf sold less energy to the pool at a lower than  
4 projected unit cost.

5

6 Q. During the 2002 recovery period, what was the fuel cost effect of Gulf's  
7 lower sales?

8 A. Because the volume of actual sales was lower than projected, and the unit  
9 cost for actual sales was also lower, Gulf's fuel and purchased power  
10 costs were not reduced as much as forecasted by the recoverable  
11 revenue produced by these sales.

12

13 Q. During the period January 2002 through December 2002, how did Gulf's  
14 actual net purchased power capacity cost compare with the net projected  
15 cost?

16 A. The actual net capacity cost for the January 2002 through December  
17 2002 recovery period, shown on line 4 of Schedule CCA-2, was  
18 \$3,185,812. Gulf's projected net purchased power capacity cost for the  
19 same period was \$3,584,605, as indicated on Line 5 of Schedule CCE-1  
20 that was filed September 21, 2001 in Docket No. 010001-EI. The  
21 difference between the actual net capacity cost and the projected net  
22 capacity cost for the recovery period is \$398,793, or a decrease of 11%.

23

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

25 A. The total net capacity cost decrease for the January 2002 through

1 December 2002 recovery period is attributable to Gulf's lower than  
2 projected net market capacity purchase costs and higher transmission  
3 revenues. Gulf's actual net market capacity costs decreased by \$230,113  
4 due to higher sales revenues, while actual transmission revenues  
5 associated with energy sales were \$223,367 above the September 2001  
6 projection. These increased revenues more than offset the slight IIC  
7 reserve sharing cost increase of \$54,687 to produce an overall \$398,793  
8 capacity cost decrease for the January 2002 through December 2002 cost  
9 recovery period.

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11 Q. Does this conclude your testimony?

12 A. Yes.

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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 27<sup>th</sup> day of March,  
2003.



Notary Public, State of Florida at Large

