

Gulf Power Company
500 Bayfront Parkway
Post Office Box 1151
Pensacola FL 32520-0770
Telephone 904 444-6365

Jack L. Haskins
Manager of Rates and Regulatory Matters
and Assistant Secretary

the southern electric system

May 19, 1994

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. **940001-EI**

Enclosed for official filing in Docket No. 940001-EI are an original and fifteen (15) copies of the following:

1. Prepared direct testimony and exhibit of S. D. Cranmer. 04942-94
2. Schedules A1 through A12 previously filed for the months of October 1993 - March 1994. 04943-94
3. Prepared direct testimony and exhibit of M. L. Gilchrist. 04944-94
4. Prepared direct testimony and exhibit of G. D. Fontaine. 04945-94
5. Prepared direct testimony of M. W. Howell. 04946-94

ACK ☒ Sincerely,

AFA ☒

APP ☐

CAF ☐

CMU ☐

CTR ☐ lw

☒ EAC ☐ Enclosures

LEP ☐

LIN ☐ 3 long test

OPC ☐

ROH ☐

SEL ☐

WAS ☐

OTH ☐

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EPSC-BUREAU OF RECORDS

"Our business is customer satisfaction"

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clause with Generating) Docket No. 940001-EI
Performance Incentive Factor)
_____)

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail the 19th day of May, 1994 on the following:

Martha Brown, Esq.
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0850

Jack Shreve, Esq.
Office of Public Counsel
111 W. Madison Street
Suite 812
Tallahassee, FL 32399-1300

James McGee, Esq.
Florida Power Corporation
P. O. Box 14042
St. Petersburg, FL 33711

Matthew M. Childs, Esq.
Steel, Hector & Davis
215 South Monroe, Suite 601
Tallahassee, FL 32301-1804

Joseph A. McGlothlin, Esq.
McWhirter, Grandoff & Reeves
315 S. Calhoun St., Suite 716
Tallahassee, FL 32301

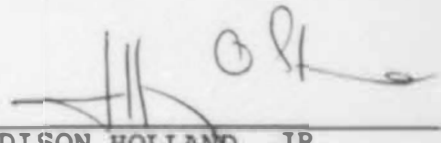
Suzanne Brownless, Esq.
2546 Blairstone Pines Drive
Tallahassee FL 32301

Lee L. Willis, Esq.
James D. Beasley, Esq.
Macfarlane Ausley Ferguson
& McMullen
P. O. Box 391
Tallahassee, FL 32302

Robert S. Goldman, Esq.
Messer, Vickers, Caparello,
French and Madsen
P. O. Box 1876
Tallahassee, FL 32302-1876

David M. Kleppinger, Esq.
McNees, Wallace & Nurick
100 Pine Street
P. O. Box 1166
Harrisburg PA 17108-1166

Mark K. Logan, Esq.
Bryant, Miller and Olive, P.A.
201 S. Monroe St., Suite 500
Tallahassee FL 32301



G. EDISON HOLLAND, JR.
Florida Bar No. 261599
JEFFREY A. STONE
Florida Bar No. 325953
TERESA E. LILES
Florida Bar No. 510998
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32576
(904) 432-2451
Attorneys for Gulf Power Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 940001-EI

PREPARED DIRECT TESTIMONY

**OF
M. W. HOWELL**

**FUEL COST RECOVERY AND
PURCHASED POWER CAPACITY COST RECOVERY**

FINAL TRUE-UP

MAY 20, 1994



DOCUMENT NUMBER-DATE

04946 MAY 20 8

FPSC-RECORDS/REPORTING

GULF POWER COMPANY

Before the Florida Public Service Commission
Direct Testimony of
M. W. Howell
Docket No. 940001-EI
Date of Filing: May 20, 1994

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

14 A. My name is M. W. Howell, and my business address is 500
15 Bayfront Parkway, Pensacola, Florida 32501. I am
16 Manager of Transmission and System Control for Gulf
17 Power Company.

18
19 Q. Have you previously testified before this Commission?

20 A. Yes. I have testified in various rate case,
21 cogeneration, territorial dispute, planning hearing,
22 fuel clause adjustment, and purchased power capacity
23 cost recovery dockets.

24
25 Q. Please summarize your educational and professional
26 background.

27 A. I graduated from the University of Florida in 1966 with
28 a Bachelor of Science Degree in Electrical Engineering.
29 I received my Masters Degree in Electrical Engineering
30 from the University of Florida in 1967, and then joined
31 Gulf Power Company as a Distribution Engineer. I have

1 since served as Relay Engineer, Manager of Transmission,
2 Manager of System Planning, Manager of Fuel and System
3 Planning, and Manager of Transmission and System
4 Control. My experience with the Company has included
5 all areas of distribution operation, maintenance, and
6 construction; transmission operation, maintenance, and
7 construction; relaying and protection of the generation,
8 transmission, and distribution systems; planning the
9 generation, transmission, and distribution system
10 additions in the future; bulk power interchange
11 administration; overall management of fuel planning and
12 procurement; and operation of the system dispatch
13 center.

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

1 transmission system operation, transient stability,
2 underfrequency operation, generator underfrequency
3 protection, system production costing, computer
4 modeling, and others.
5

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

8 A. I will summarize Gulf Power Company's purchased power
9 fuel costs for energy purchases and sales that were
10 incurred during the October 1, 1993 through March 31,
11 1994 recovery period. I will then compare the actual
12 purchased power fuel costs to their projected levels for
13 the period and discuss the primary reasons for the
14 differences.

15 I will also summarize the capacity expenses and
16 revenues that were incurred during the recovery period
17 and I will compare these figures to their projected
18 levels and discuss the reasons for the differences.
19

20 Q. During the period October 1, 1993 through March 31,
21 1994, what was Gulf's actual purchased power fuel cost
22 for energy purchases and how did it compare with the
23 projected amount?

24 A. Gulf's actual total purchased power fuel cost for energy
25 purchases, as shown on line 11 of Schedule A-1, was

1 \$28,132,887 as compared to the projected amount of
2 \$5,557,000. This resulted in a variance above budget of
3 \$22,575,887, or 406%. The actual fuel cost per KWH
4 purchased was 1.9566 ¢/KWH as compared to 1.7839 ¢/KWH,
5 or 10% above the projection.
6

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

9 A. Gulf was able to purchase significantly more economy
10 power through the Southern electric power pool to meet
11 territorial load than was forecasted for the period due
12 to the availability of lower cost pool energy. Gulf
13 purchased 1,437,843,877 KWH, shown on line 11 of
14 Schedules A-1, as compared to the estimate of 311,510,000
15 KWH, or 362% more. The actual average cost was 1.9566
16 ¢/KWH as compared to the estimate of 1.7839 ¢/KWH, a
17 slight increase of 0.1727 ¢/KWH over budget.

18 This average actual fuel cost of purchases of
19 1.9566 ¢/KWH was actually 5% less per KWH than Gulf's
20 actual average fuel cost of system generation, shown on
21 line 4, which was 2.0498 ¢/KWH. Gulf's system net
22 generation was 4,057,360,000 KWH, or 13% under our
23 estimate, but was over budget in unit cost by 8%.
24
25

1 Q. During the period October 1, 1993 through March 31,
2 1994, 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 17 of Schedule A-1, was
7 \$27,147,477 as compared to the projected amount of
8 \$16,550,000. This resulted in a variance above budget
9 of \$10,597,477, or 64%. The actual fuel cost per KWH
10 sold was 1.8875 ¢/KWH as compared to 1.6484 ¢/KWH, or
11 15% above the projection.

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

15 A. Off-system sales, shown on line 17, were 434,223,700
16 KWH, or 43% over the projection for the period.
17 Off-system sales were over the projection due to Gulf's
18 sale of more energy to the Southern electric system
19 power pool to meet the pool's overall energy
20 requirements. The lower cost of energy available from
21 Gulf's units compared with the cost of energy generated
22 by the other pool members during this period allowed
23 Gulf to sell more energy than budgeted to the pool.

24
25

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

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

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

14

15 Q. During the period October 1, 1993 through March 31,
16 1994, how did Gulf's actual net purchased power capacity
17 cost compare with the net projected cost?

18 A. In the Purchased Power Capacity Cost Recovery portion of
19 Docket No. 930001-EI, I testified that the projected net
20 purchased power capacity cost for the October 1, 1993
21 through March 31, 1994 recovery period was \$2,642,040.
22 The actual net capacity cost was \$3,850,270. This
23 represents a increase in cost of \$1,208,230, or 46% more
24 than projected.

25 The projected net IIC capacity cost for the

1 October 1, 1993 through March 31, 1994 recovery period
2 was \$3,572,040. The actual net IIC capacity cost for
3 the filing period was \$4,765,579, which is \$1,193,539 or
4 33% more than projected.

5 The projected Florida Power Corporation Schedule E
6 capacity revenue for the period was \$930,000. The
7 actual Schedule E capacity revenue for the recovery
8 period was \$915,309, or 2% less than projected.

9
10 Q. Please explain the reasons for this difference.

11 A. Gulf's actual net IIC capacity cost was more than budget
12 because Gulf had a higher than budgeted historical load
13 ratio for determination of Gulf's IIC capacity
14 equalization load responsibility. Also, there was more
15 actual system capacity to be equalized.

16 Therefore, Gulf was responsible for sharing a
17 larger percentage of an increased level of system
18 capacity, thus the company had an increased IIC capacity
19 cost.

20
21 Q. Does this conclude your testimony?

22 A. Yes.
23
24
25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 940001-EI

Before me the undersigned authority, personally appeared M. W. Howell, who being first duly sworn, deposes, and says that he is the Manager of Transmission and System Control 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 18 day of
May, 1994.

Peggy Allen Wilson

Notary Public, State of Florida at Large
Commission No.

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