

ORIGINAL



October 9, 1998

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:

Enclosed for official filing in Docket No. 980001-EI are an original and ten copies of the following:

1. Petition of Gulf Power Company for Approval of GPIF Adjustment for October 1997 through March 1998; Estimated Fuel Cost True-up Amounts for April 1998 through September 1998 and for October 1998 through December 1998; Projected Fuel Cost Recovery Amounts for January 1999 through December 1999; Estimated Purchased Power Capacity Cost True-up Amounts for October 1997 through September 1998 and for October 1998 through December 1998; Projected Purchased Power Capacity Cost Recovery Amount for January 1999 through December 1999; GPIF Targets and Ranges for October 1998 through December 1998 and for January 1999 through December 1999; Estimated As-available Avoided Energy Costs and Fuel Cost Recovery Factors to be applied beginning with the period January 1999 through December 1999; Capacity Cost Recovery Factors to be applied beginning with the period January 1999 through December 1999.

2. Prepared direct testimony and exhibit of M. F. Oaks. 11369-98
3. Prepared direct testimony and exhibit of G. D. Fontaine. 11370-98
4. Prepared direct testimony and exhibit of M. W. Howell. 11371-98
5. Prepared direct testimony and exhibit of S. D. Cranmer. 11372-98

ACK \_\_\_\_\_  
AFA Uandover  
APP \_\_\_\_\_  
CAF \_\_\_\_\_  
CMU \_\_\_\_\_  
CTR \_\_\_\_\_  
EAG Bohman  
LEG \_\_\_\_\_  
LIN 3 to 5 list  
QPC \_\_\_\_\_  
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SEC 1  
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OTH \_\_\_\_\_

*Petition*  
DOCUMENT NUMBER-DATE

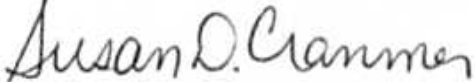
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FPSC-RECORDS/REPORTING

Ms. Blanca S. Bayo  
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Also enclosed is a 3.5 inch double sided, double density diskette containing the Petition in WordPerfect for Windows 6.1 format as prepared on a NT computer.

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Cranmer".

Susan D. Cranmer  
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**DOCKET NO. 980001-EI**

PREPARED DIRECT TESTIMONY AND EXHIBIT  
OF  
M. W. HOWELL

**FUEL COST RECOVERY  
JANUARY 1999 - DECEMBER 1999**

**CAPACITY COST RECOVERY  
JANUARY 1999 - DECEMBER 1999**

OCTOBER 12, 1998



**A SOUTHERN COMPANY**

DOCUMENT NUMBER-DATE

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

12               I am a member of the Engineering Committees and  
13      the Operating Committees of the Southeastern Electric  
14      Reliability Council and the Florida Reliability  
15      Coordinating Council, and have served as chairman of the  
16      Generation Subcommittee of the Edison Electric Institute  
17      System Planning Committee. I have served as chairman or  
18      member of many technical committees and task forces  
19      within the Southern electric system, the Florida  
20      Electric Power Coordinating Group, and the North  
21      American Electric Reliability Council. These have dealt  
22      with a variety of technical issues including bulk power  
23      security, system operations, bulk power contracts,  
24      generation expansion, transmission expansion,  
25      transmission interconnection requirements, central

1 dispatch, transmission system operation, transient  
2 stability, underfrequency operation, generator  
3 underfrequency protection, and system production  
4 costing.

5  
6 Q. What is the purpose of your testimony in this  
7 proceeding?

8 A. The purpose of my testimony is to support Gulf Power  
9 Company's projection of purchased power recoverable  
10 costs for energy purchases and sales for the period  
11 January, 1999 - December, 1999. Also, I will support  
12 the Company's projection of purchased power capacity  
13 costs for the January, 1999 - December, 1999 recovery  
14 period.

15  
16 Q. Have you prepared an exhibit that contains information  
17 to which you will refer in your testimony?

18 A. Yes. I have one exhibit to which I will refer. This  
19 exhibit was prepared under my supervision and direction.

20 Counsel: We ask that Mr. Howell's Exhibit  
21 MWH-1 be marked for identification  
22 as Exhibit\_\_\_\_\_ (MWH-1).  
23  
24  
25

1 Q. What is Gulf's projected purchased power recoverable  
2 cost for energy purchases for the January, 1999 -  
3 December, 1999 recovery period?

4 A. Gulf's projected recoverable cost for energy purchases,  
5 shown on line 12 of Schedule E-1 of the fuel filing, is  
6 \$10,463,260. These purchases result from Gulf's  
7 participation in the coordinated operation of the  
8 Southern electric system power pool. This amount is  
9 used by Ms. Cranmer as an input in the calculation of  
10 the fuel and purchased power cost adjustment factor.

11

12 Q. What is Gulf's projected purchased power fuel cost for  
13 energy sales for the January, 1999 - December, 1999  
14 recovery period?

15 A. The projected fuel cost for energy sales, shown on line  
16 18 of Schedule E-1, is \$ 43,762,600. These sales also  
17 result from Gulf's participation in the coordinated  
18 operation of the Southern electric system power pool.  
19 This amount is used by Ms. Cranmer as an input in the  
20 calculation of the fuel and purchased power cost  
21 adjustment factor.

22

23 Q. What information is contained in your exhibit?

24 A. My exhibit lists the power contracts that are included  
25 for capacity cost recovery, their associated megawatt

1 amounts, and the resulting capacity dollar amounts.

2

3 Q. Which power contracts produce capacity transactions that  
4 are recovered through Gulf's purchased power capacity  
5 cost recovery factors?

6 A. The two primary power contracts that produce recoverable  
7 capacity transactions through Gulf's purchased power  
8 capacity recovery factors are the Southern electric  
9 system's Intercompany Interchange Contract (IIC) and  
10 Gulf's cogeneration capacity purchase contract with  
11 Solutia, Inc. (formerly Monsanto Company). The  
12 Commission has authorized the Company to include  
13 capacity transactions under the IIC for recovery through  
14 the purchased power capacity cost recovery factors.  
15 Gulf will continue to have IIC capacity transactions  
16 during the January, 1999 - December, 1999 recovery  
17 period. The energy transactions under this contract for  
18 these periods are handled for cost recovery purposes  
19 through the fuel cost recovery factors.

20 The Gulf Power/Solutia cogeneration capacity  
21 contract enables Gulf to purchase 19 megawatts of firm  
22 capacity from June 1, 1996 until June 1, 2005. Gulf has  
23 included these costs for recovery during the January,  
24 1999 - December, 1999 recovery period. The energy  
25 transactions under this contract have also been approved



1 by the Commission for recovery, and these costs are  
2 handled for cost recovery purposes through the fuel cost  
3 recovery factors.

4  
5 Q. Are there any other arrangements that produce capacity  
6 transactions that are recovered through Gulf's purchased  
7 power capacity cost recovery factors?

8 A. Yes. Gulf and other Southern electric system operating  
9 companies have purchased market capacity for 1999, and  
10 these purchases will continue through 2001. Gulf will  
11 have monthly costs associated with these market  
12 purchases for the January, 1999 - December, 1999  
13 recovery period.

14  
15 Q. Has Southern made any changes to the IIC that were used  
16 in the most recent recovery factor adjustment  
17 proceedings?

18 A. No. However, the Southern electric system's November 1,  
19 1997 IIC informational filing with the FERC has been  
20 updated in 1998 to reflect new capacity resource amounts  
21 for the 1999 budget cycle that are used in the IIC  
22 capacity equalization calculation to determine the  
23 capacity transactions and costs for each operating  
24 company. These updates are reflected in the projection  
25 of capacity transactions among the Southern electric

1 system's operating companies for the January, 1999 -  
2 December, 1999 recovery period.

3

4 Q. What are Gulf's IIC capacity transactions that are  
5 projected for the January, 1999 - December, 1999  
6 recovery period?

7 A. As shown on my exhibit MWH-1, capacity transactions  
8 under the IIC vary during each month of the recovery  
9 period. IIC capacity purchases in the amount of  
10 \$1,696,129 are projected for the period. IIC capacity  
11 sales during the same period are projected to be  
12 \$185,449. Therefore, the Company's net capacity  
13 transactions under the IIC for the period are net  
14 purchases amounting to \$1,510,680.

15

16 Q. What is the cost of Gulf's capacity purchase from  
17 Solutia that is projected for the January, 1999 -  
18 December, 1999 recovery period?

19 A. As shown on my exhibit MWH-1, Gulf is projected to pay  
20 \$746,424, or \$62,202 per month, to Solutia for the firm  
21 capacity purchase made pursuant to the Commission  
22 approved contract.

23

24

25

- 1 Q. What is the cost of Gulf's market capacity purchases  
2 that is projected for the January, 1999 - December, 1999  
3 recovery period?
- 4 A. As shown on my exhibit MWH-1, Gulf is projected to pay a  
5 total of \$4,750,880 for the committed market capacity  
6 purchases. Capacity in varying amounts will be  
7 purchased during the months of January through December  
8 of 1999. The individual suppliers and megawatt amounts  
9 are not shown, since this is highly sensitive and  
10 confidential information. Public availability of this  
11 information would seriously undermine our competitive  
12 position and cause our customers increased cost.  
13
- 14 Q. What are Gulf's total projected net capacity  
15 transactions for the January, 1999 - December, 1999  
16 recovery period?
- 17 A. As shown on my exhibit MWH-1, the net purchases under  
18 the IIC, the Solutia contract, and the committed market  
19 capacity purchases will result in a projected net  
20 capacity cost of \$7,007,984. This figure is used by Ms.  
21 Cranmer as an input into the calculation of the total  
22 capacity transactions to be recovered through the  
23 purchased power capacity cost recovery factors for this  
24 annual recovery period.  
25

1 Q. Does this conclude your testimony?

2 A. Yes.

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GULF POWER COMPANY  
PROJECTED PURCHASED POWER CONTRACT TRANSACTIONS  
JANUARY, 1999 - DECEMBER, 1999

Contract	MW Purchase/(Sale)	Capacity (\$) Costs/(Receipts)
Southern Company		
Intercompany Interchange		
January 99	310.9	605,137
February	427.5	488,190
March	71.7	29,828
April	(199.9)	(46,537)
May	299.1	118,656
June	(48.9)	(79,688)
July	9.8	68,443
August	14.5	101,976
September	29.9	193,434
October	(106.6)	(24,816)
November	(147.8)	(34,408)
December	171.7	90,465
SUBTOTAL	831.9	1,510,680
Solutia		
January 99	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		746,424

GULF POWER COMPANY  
PROJECTED PURCHASED POWER CONTRACT TRANSACTIONS  
JANUARY, 1999 - DECEMBER, 1999

Contract	Capacity (\$) Costs/(Receipts)
Market Capacity Purchases	
January 99	390,962
February	390,962
March	390,962
April	398,379
May	398,379
June	398,379
July	398,379
August	398,379
September	398,379
October	398,379
November	398,379
December	390,962
SUBTOTAL	4,750,880
TOTAL	7,007,984

AFFIDAVIT

STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA   )

Docket No. 980001-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 9th day of October, 1998.

*Candace Klingesmith*

Notary Public, State of Florida at Large

Commission No.

My Commission Expires

Acknowledged before me this date  
I do not personally know to me  
and who did not take an oath.

