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May 16, 1997

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. 970001-EI

Enclosed for official filing in the above docket are an original and ten (10) copies of the following:

1. Prepared direct testimony and exhibit of S. D. Cranmer. - 05048-97
2. Prepared direct testimony and exhibit of M. F. Oaks. - 05049-97
3. Prepared direct testimony and exhibit of G. D. Fontaine. - 05050-97
4. Prepared direct testimony of M. W. Howell. - 05051-97

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Sincerely,

Susan D. Cranmer

Enclosures

RECEIVED & FILED

[Signature]
FPSC BUREAU OF RECORDS

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FUEL AND PURCHASED POWER COST RECOVERY

DOCKET NO. 970001-EI

PREPARED DIRECT TESTIMONY
OF
M. W. HOWELL

FINAL TRUE-UP

MAY 20, 1997



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

05051 MAY 20 97

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 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. I will summarize Gulf Power Company's purchased power
9 recoverable costs for energy purchases and sales that
10 were incurred during the October 1, 1996 through March
11 31, 1997 recovery period. I will then compare these
12 actual costs to their projected levels for the period
13 and discuss the primary reasons for the differences.

14 I will also summarize the actual capacity expenses
15 and revenues that were incurred during the October 1,
16 1995 through September 30, 1996 recovery period, compare
17 these figures to their projected levels, and discuss the
18 reasons for the differences.

19
20 Q. During the period October 1, 1996 through March 31,
21 1997, what was Gulf's actual purchased power recoverable
22 cost for energy purchases and how did it compare with
23 the projected amount?

24 A. Gulf's actual total purchased power recoverable cost for
25 energy purchases, as shown on line 12 of Schedule A-1,

1 was \$8,942,360 for 578,612,017 KWH as compared to the
2 projected amount of \$5,499,969 for 314,210,000 KWH. The
3 actual cost per KWH purchased was 1.5455 ¢/KWH as
4 compared to the projected 1.7504 ¢/KWH, or 12% below the
5 projection. This significantly lower price is why the
6 amount of energy purchased was 84% over the projection
7 amount.

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

11 A. During the recovery period, the availability of lower
12 cost pool energy due to higher than budgeted nuclear and
13 hydro generation on the Southern electric system allowed
14 Gulf to purchase more energy at a significantly lower
15 unit price than was forecasted in order to meet its load
16 obligations.

17
18 Q. During the period October 1, 1996 through March 31,
19 1997, what was Gulf's actual purchased power fuel cost
20 for energy sales and how did it compare with the
21 projected amount?

22 A. Gulf's actual total purchased power fuel cost for energy
23 sales, as shown on line 18 of Schedule A-1, was
24 \$16,219,536 for 1,027,729,884 KWH as compared to the
25 projected amount of \$21,122,000 for 1,081,922,000 KWH.

1 This resulted in a variance below budget of \$4,902,464,
2 or 23%. The actual fuel cost per KWH sold was 1.5782
3 ¢/KWH as compared to 1.9523 ¢/KWH, or 19% below the
4 projection.

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

8 A. The same higher availability of more lower cost pool
9 energy that increased our purchases also supplanted some
10 sales that Gulf was expected to make in the forecast.
11 Therefore, Gulf sold less energy, and at a lower unit
12 price.

13
14 Q. How are Gulf's net purchased power fuel costs affected
15 by Southern electric system energy sales?

16 A. As a member of the Southern electric system power pool,
17 Gulf Power participates in these sales. Gulf's
18 generating units are economically dispatched to meet the
19 needs of its territorial customers, the system, and
20 off-system customers.

21 Therefore, Southern system energy sales provide a
22 market for Gulf's surplus energy and generally improve
23 unit load factors. The cost of fuel used to make these
24 sales is credited against, and therefore reduces,
25 Gulf's fuel and purchased power costs. Overall, Gulf's

1 Total Fuel and Net Power Transactions for the recovery
2 period, as shown on line 20 of Schedule A-1, were only
3 7% over budget.
4

5 Q. During the period October 1, 1995 through September 30,
6 1996, how did Gulf's actual net purchased power capacity
7 transactions compare with the net projected
8 transactions?

9 A. The net projected purchased power capacity transactions
10 for the October 1, 1995 through September 30, 1996
11 recovery period were established as a result of the
12 hearings in Docket No. 950001-EI held in August 1995. I
13 testified that the projected net purchased power
14 capacity cost for the October 1, 1995 through September
15 30, 1996 recovery period was \$10,499,074. The actual
16 net capacity cost was \$10,741,967. This represents an
17 increase in cost of \$242,893, or 2% more than projected.
18

19 Q. Please explain the reasons for this capacity cost
20 difference.

21 A. This relatively small difference is basically due to a
22 slight increase in Gulf's load responsibility component
23 of the IIC capacity equalization calculation. This
24 increase resulted in Gulf being responsible for sharing
25 a slightly higher percentage of system reserves.

1 The capacity cost forecast for October 1, 1995
2 through September 30, 1996 called for IIC transactions
3 only, but we actually purchased 19 Megawatts of capacity
4 from the Monsanto Company beginning in June, 1996. This
5 capacity, however, simply caused a reduction in IIC
6 capacity purchases, so the purchase was not a factor in
7 the slight overall capacity cost increase.

8 As I testified in Docket No. 960001-EI, the
9 Monsanto capacity purchase, which amounts to \$62,202 per
10 month for 19 megawatts of capacity, was previously
11 authorized for cost recovery by the Commission in Docket
12 No. 921167-EU. This purchase was not included in my
13 capacity cost projection for the October 1, 1995 through
14 September 30, 1996 recovery period because the contract
15 did not require a final commitment from Monsanto for the
16 supply of this capacity until well past the August, 1995
17 hearing which established Gulf's capacity cost forecast.
18 Of course, Monsanto did not begin receiving capacity
19 payments until after it made a firm commitment to
20 deliver capacity onto Gulf's system.

21

22 Q. Does this conclude your testimony?

23 A. Yes.

24

25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 970001-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 16th day of
May, 1997.

Linda C. Webb
Notary Public, State of Florida at Large
Commission No. CC 362703
My Commission Expires *May 31, 1998*



LINDA C. WEBB
Notary Public-State of FL
Comm. Exp: May 31, 1998
Comm. No: CC 362703