

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 040001-EI

FUEL COST AND PURCHASED POWER COST  
RECOVERY CLAUSE

PREPARED DIRECT TESTIMONY

OF

H. HOMER BELL

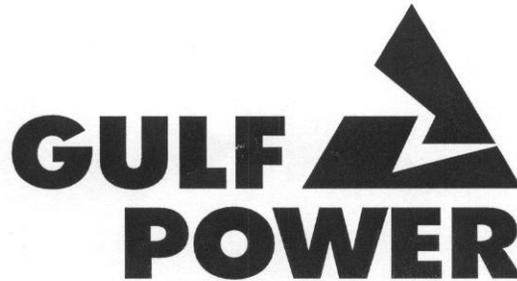
ESTIMATED TRUE-UP

JANUARY- DECEMBER 2004 (Fuel)

JANUARY- DECEMBER 2004 (Capacity)

AUGUST 10, 2004

CMP \_\_\_\_\_  
COM 5  
CTR + org.  
(ECR) \_\_\_\_\_  
GCL 1  
OPC \_\_\_\_\_  
MMS \_\_\_\_\_  
RCA \_\_\_\_\_  
SCR \_\_\_\_\_  
SEC 1  
OTH \_\_\_\_\_



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

08664 AUG 10 2004

FPSC-COMMISSION CLERK

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FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission  
3 Direct Testimony of  
4 H. Homer Bell  
5 Docket No. 040001-EI  
6 Date of Filing: August 10, 2004

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

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

11 Q. Have you previously filed testimony in this Docket?

12 A. Yes.

13  
14 Q. Please summarize your educational and professional background.

15 A. I received my Bachelor of Science Degree in Electrical Engineering from  
16 Mississippi State University in 1980 and I received my Master of Business  
17 Administration Degree from the University of Southern Mississippi in  
18 1982. I joined Gulf Power Company (Gulf) as an associate engineer in  
19 Gulf's Pensacola District Engineering Department, and have since held  
20 engineering positions in the Rates and Regulatory Matters Department  
21 and the Transmission and System Control Department. I was promoted  
22 to my current position as Senior Engineer in the Generation Services  
23 Department in 2002. I am primarily responsible for the administration of  
24 Gulf's Intercompany Interchange Contract (IIC) and coordination of Gulf's  
25 generation planning activities.

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

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

9   A.    The purpose of my testimony is to summarize Gulf 's actual / estimated  
10        true-up projections of purchased power recoverable energy purchases  
11        and sales for the January 2004 through December 2004 recovery period.  
12        I will compare these January 2004 through December 2004 estimated  
13        true-up amounts to the amounts originally projected in Gulf's September  
14        2003 fuel filing for the period and discuss the reasons for the differences.

15           I will also summarize the actual / estimated true-up projection of net  
16        capacity expenses for the January 2004 through December 2004 recovery  
17        period. I will compare this figure to the amount projected in Gulf's  
18        September 2003 capacity filing for the period and discuss the reasons for  
19        the difference.  
20

21   Q.    During the period January 2004 through December 2004, what is Gulf's  
22        actual / estimated purchased power recoverable cost for energy  
23        purchases and how does it compare with the September 2003 projected  
24        amount?

25   A.    Using actual data for January through June 2004 and a revised projection

1 for July through December 2004, Gulf's total estimated purchased power  
2 recoverable cost for energy purchases, shown on line 12 of the January  
3 2004 - December 2004 Schedule E-1B-1 is \$37,730,135. The estimated  
4 amount of purchased energy is 1,038,928,144 KWH. The September  
5 2003 projected cost of energy purchases was \$12,776,000 for  
6 477,038,000 KWH. The estimated true-up cost per KWH purchased is  
7 3.6316 ¢/KWH as compared to the originally projected cost of  
8 2.6782 ¢/KWH, or 36% higher than the projection made last fall.

9  
10 Q. What are the primary reasons for the difference between Gulf's original  
11 projection and the current projection of Gulf's energy purchases?

12 A. During the period January through June 2004, the Southern electric  
13 system (SES) experienced higher costs for coal and natural gas, a higher  
14 than projected load, and a reduced amount of low cost energy from its  
15 hydro generation facilities due to weather conditions. These factors were  
16 primarily responsible for rising energy production costs on the SES. In  
17 order to lower total system energy production costs, the SES purchased  
18 increased amounts of off-system energy from market resources when this  
19 proved to be more economical than the commitment and utilization of  
20 SES generation resources for load service.

21 Because this energy was purchased at the prevailing market price  
22 driven by higher natural gas and coal prices, Gulf's overall energy  
23 purchases on a cents per KWH basis were higher than originally projected  
24 for the January through June 2004 period.

25 Gulf's fuel and purchased power cost projection for July through

1 December 2004 has been updated to reflect the latest marginal fuel prices  
2 for SES generating units, the reduced utilization of SES hydro resources,  
3 and the anticipated level of off-system market purchases to complement  
4 SES generation resources. This updated projection indicates that Gulf is  
5 expected to continue to purchase more energy at a higher cost per KWH  
6 than originally projected for the remainder of this year. Therefore, Gulf's  
7 current projection reflects additional energy purchases at a higher cost per  
8 KWH for the January 2004 through December 2004 recovery period, and  
9 the resulting energy purchase cost is reflected on line A-3 of Witness  
10 Davis' testimony exhibit.

11

12 Q. During the period January 2004 through December 2004, what is Gulf's  
13 actual / estimated purchased power fuel cost for energy sales and how  
14 does it compare with the amount approved by the FPSC in the November  
15 2003 hearing?

16 A. Using actual data for January through June 2004 and a revised projection  
17 for July through December 2004, Gulf's total estimated purchased power  
18 fuel cost for energy sales for January through December 2004, shown on  
19 line 18 of the January 2004 - December 2004 Schedule E-1B-1, is  
20 \$127,871,199. The estimated amount of energy sales is  
21 4,795,059,850 KWH. The amount originally projected was \$108,525,000  
22 for 5,077,002,000 KWH. The estimated / actual true-up cost per KWH  
23 sold is 2.6667 ¢/KWH as compared to 2.1376 ¢/KWH, or 25% higher than  
24 originally projected.

25

1 Q. What are the primary reasons for the difference between Gulf's original  
2 projection and the current projection of Gulf's energy sales?

3 A. During January through June of the current recovery period, Gulf sold  
4 more energy than projected due to higher loads experienced by other  
5 SES operating companies for most of the months through June 2004.  
6 These higher SES loads, caused by weather conditions and increased  
7 regional economic activity, enabled Gulf to deliver more energy from its  
8 resources to meet SES companies' needs.

9 Gulf sold this energy at a higher cost per KWH due to higher  
10 marginal SES fuel costs that produced higher pool interchange rates for  
11 energy supplied to the SES pool. Therefore, during the first six months of  
12 2004, Gulf sold more energy to the pool at a higher than projected cost  
13 per KWH.

14 Gulf's revised fuel and purchased power cost projection for July  
15 through December 2004 indicates that Gulf is expected to sell a lower  
16 volume of energy, but at a higher cost per KWH. This will result in higher  
17 than originally projected sales revenue. Therefore, Gulf's current  
18 projection reflects a lower volume of energy sales at a higher cost per  
19 KWH for the January through December 2004 recovery period, and the  
20 resulting energy sales revenue is reflected on line A-2 of Witness Davis'  
21 testimony exhibit.

22  
23  
24  
25

1 Q. During the period January 2004 through December 2004, what is Gulf's  
2 projection of actual / estimated net purchased power capacity transactions  
3 and how does it compare with the company's projection of net capacity  
4 transactions made last fall?

5 A. As shown on Line 4 of Schedule CCE-1b, Gulf's total estimated net  
6 capacity cost for the January 2004 through December 2004 recovery  
7 period, consisting of January through June actual amounts and the  
8 originally projected amount for July through December 2004, is  
9 \$19,233,875. Gulf's originally projected net capacity cost of \$19,542,907  
10 for the recovery period is shown on Line 4 of Schedule CCE-1 that was  
11 filed in September 2003. The difference between these projections is a  
12 cost decrease of \$309,032, or 2% lower than the cost that was approved  
13 in the November 2003 hearing.

14

15 Q. Please explain the reasons for the decrease in capacity cost.

16 A. The slight overall capacity cost decrease currently projected for the  
17 January 2004 through December 2004 period is due to Gulf's lower actual  
18 Intercompany Interchange Contract (IIC) reserve sharing cost and higher  
19 actual transmission service revenues that were experienced through June  
20 2004. As I have previously mentioned, the SES experienced higher loads  
21 during the first six months of 2004. This reduced the amount of system  
22 reserves to be shared through the IIC reserve equalization process.  
23 Because Gulf was responsible for its percentage of these lower system  
24 reserves, it was therefore a lower net purchaser of capacity reserves  
25 through the IIC during the January through June 2004 period.

1           In addition to lower IIC capacity costs, Gulf's transmission revenues  
2 were higher than expected for the first six months of this recovery period  
3 due to Gulf's higher energy sales. These increased revenues had the  
4 affect of reducing Gulf total capacity costs for the period.

5           Gulf's IIC reserve sharing cost in July through December 2004 is  
6 not expected to differ significantly from those included in the September  
7 2003 projection for these months. Therefore, Gulf's lower reserve  
8 purchases and higher transmission revenues during January through June  
9 2004 are the primary reasons for Gulf's \$309,032 capacity cost decrease  
10 for the entire 2004 cost recovery period.

11

12 Q. Does this conclude your testimony?

13 A. Yes.

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AFFIDAVIT

STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA )

Docket No. 040001-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 6<sup>th</sup> day of August,

2004.



\_\_\_\_\_  
Notary Public, State of Florida at Large

