

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 990001-EI

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

PREPARED DIRECT TESTIMONY

OF

M. W. HOWELL

FINAL TRUE-UP

APRIL – DECEMBER 1998 (Fuel)

OCTOBER 1997 – DECEMBER 1998 (Capacity)

April 1, 1999



A SOUTHERN COMPANY

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GULF POWER COMPANY

Before the Florida Public Service Commission
Direct Testimony of
M. W. Howell
Docket No. 990001-EI
Date of Filing: April 1, 1999

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

A. My name is M. W. Howell, and my business address is One Energy Place, Pensacola, Florida 32520. I am Transmission and System Control Manager for Gulf Power Company.

Q. Have you previously testified before this Commission?

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

Q. Please summarize your educational and professional background.

A. I graduated from the University of Florida in 1966 with a Bachelor of Science Degree in Electrical Engineering. I received my Masters Degree in Electrical Engineering from the University of Florida in 1967, and then joined Gulf Power Company as a Distribution Engineer. I have since served as Relay Engineer, Manager of Transmission,

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. I will summarize Gulf Power Company's purchased power
9 recoverable costs for energy purchases and sales that
10 were incurred during the April 1998 through September
11 1998 recovery period and the October 1998 through
12 December 1998 recovery period. I will then compare
13 these actual costs to their projected levels for the
14 periods and discuss the primary reasons for the
15 differences.

16 I will also summarize the actual capacity expenses
17 that were incurred during the October 1997 through
18 September 1998 recovery period and the October 1998
19 through December 1998 recovery period. I will compare
20 these figures to their projected levels and discuss the
21 reasons for the differences.

22
23 Q. During the period April 1998 through September 1998,
24 what was Gulf's actual purchased power recoverable cost
25 for energy purchases and how did it compare with

1 the projected amount?

2 A. Gulf's actual total purchased power recoverable cost for
3 energy purchases, as shown on line 12 of the September
4 1998 Period-to-Date Schedule A-1 was \$20,786,493 for
5 676,187,675 KWH as compared to the projected amount of
6 \$7,424,990 for 329,410,000 KWH. The actual cost per KWH
7 purchased was 3.0741 ¢/KWH as compared to the projected
8 2.2540 ¢/KWH, or 36% above the projection.

9

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

12 A. During May through September of the recovery period,
13 extremely hot weather caused Gulf's actual territorial
14 and off-system loads, as well as the customer loads of
15 many other utilities in the Southeast United States, to
16 be higher than projected. Because of the unavailability
17 of low cost energy during this hot weather period, Gulf
18 purchased more energy at a higher unit price than was
19 forecasted in order to meet its load obligations.

20

21 Q. During the period April 1998 through September 1998,
22 what was Gulf's actual purchased power fuel cost for
23 energy sales and how did it compare with the
24 projected amount?

25 A. Gulf's actual total purchased power fuel cost for energy

1 sales, as shown on line 18 of the September 1998 Period-
2 to-Date Schedule A-1 was \$38,837,325 for 1,771,972,679
3 KWH as compared to the projected amount of \$26,149,800
4 for 1,282,027,000 KWH. This resulted in a variance
5 above budget of \$12,687,525, or 49%. The actual fuel
6 cost per KWH sold was 2.1918 ¢/KWH as compared to
7 2.0397 ¢/KWH, or 7% above the projection.

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

11 A. Gulf's energy sales were over the projection due to the
12 hot weather that caused higher territorial and off-
13 system loads across the Southern electric system.
14 Because of higher demand off our system, Gulf's units
15 were able to sell more energy at higher than projected
16 prices during the off-peak hours of each day.

17
18 Q. During the period October 1998 through December 1998,
19 what was Gulf's actual purchased power recoverable cost
20 for energy purchases and how did it compare with the
21 projected amount?

22 A. Gulf's actual total purchased power recoverable cost for
23 energy purchases, as shown on line 12 of the December
24 Period-to-Date Schedule A-1 was \$4,409,083 for
25 224,697,185 KWH as compared to the projected amount of

1 \$2,594,610 for 169,740,000 KWH. The actual cost per KWH
2 purchased was 1.9622 ¢/KWH as compared to the projected
3 1.5286 ¢/KWH, or 28% above the projection.

4
5 Q. What were the events that influenced Gulf's purchase of
6 energy during the October 1998 through December 1998
7 recovery period?

8 A. Mild weather during this recovery period led to lower
9 than projected territorial and off-system loads. This
10 caused an increase in the availability of low cost pool
11 energy that allowed Gulf to purchase more economy power
12 through the Southern electric system (SES) power pool in
13 order to meet its load obligations. The actual unit
14 price for these purchases was higher than projected
15 because unplanned maintenance outages for several low
16 cost nuclear generating units resulted in purchases from
17 the next highest cost system units during the October
18 1998 through December 1998 recovery period.

19
20 Q. During the period October 1998 through December 1998,
21 what was Gulf's actual purchased power fuel cost for
22 energy sales and how did it compare with the
23 projected amount?

24 A. Gulf's actual total purchased power fuel cost for energy
25 sales, as shown on line 18 of the December 1998 Period-

1 to-Date Schedule A-1 was \$8,133,197 for 483,438,646 KWH
2 as compared to the projected amount of \$8,215,600 for
3 535,211,000 KWH. This resulted in a variance of \$82,403
4 under budget, or 1%. The actual fuel cost per KWH sold
5 was 1.6824 ¢/KWH as compared to 1.5350 ¢/KWH, or 10%
6 above the projection.

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

10 A. Gulf's energy sales were lower than projected due to
11 lower territorial and off-system loads across the SES.
12 Because of the availability of lower cost system
13 resources to meet the other operating companies' load
14 requirements, the SES required less energy from Gulf's
15 units. Thus, Gulf sold 10% less KWH than was projected.

16
17 Q. How are Gulf's net purchased power fuel costs affected
18 by SES energy sales?

19 A. As a member of the SES power pool, Gulf Power
20 participates in these sales. Gulf's generating units
21 are economically dispatched to meet the needs of its
22 territorial customers, the system, and off-system
23 customers.

24 Therefore, SES energy sales provide a market for
25 Gulf's surplus energy and generally improve unit load

1 factors. The cost of fuel used to make these sales is
2 credited against, and therefore reduces, Gulf's fuel
3 and purchased power costs.

4
5 Q. During the period October 1997 through September 1998,
6 how did Gulf's actual net purchased power capacity
7 transactions compare with the net projected
8 transactions?

9 A. The actual net capacity cost for the October 1997
10 through September 1998 recovery period was \$4,685,540.
11 My June 23, 1997 direct testimony during the August 1997
12 hearings in Docket No. 970001-EI stated that Gulf's net
13 projected purchased power capacity cost for the October
14 1997 through September 1998 recovery period was
15 \$1,841,669. However, as I discussed in my June 22, 1998
16 direct testimony during the August 1998 hearings, Docket
17 No. 980001-EI, this projected capacity cost was revised
18 in Gulf's first estimated true-up for the October 1997
19 through September 1998 recovery period to reflect
20 capacity cost increases resulting from revised system
21 load and capacity information used in Southern
22 Companies' Intercompany Interchange Contract (IIC)
23 equalization calculation, as well as revised costs
24 related to the SES market capacity purchases. Gulf
25 included the updated amounts for IIC costs and market

1 capacity purchases in its estimated true-up for the
2 October 1997 through September 1998 recovery period.

3 These updates resulted in revised projected
4 capacity costs for the October 1997 through September
5 1998 recovery period of \$4,421,141. As mentioned
6 previously, the actual net capacity cost for the October
7 1997 through September 1998 recovery period was
8 \$4,685,540. The variance between the actual net
9 capacity cost and the capacity cost contained in the
10 estimated true-up for October 1997 through September
11 1998 is \$264,399, or only 6% higher. This slightly
12 higher cost was due to a slight increase in available
13 system capacity as opposed to what was projected.

14
15 Q. Did Gulf Power Company participate in any other capacity
16 transactions that materially impacted its recoverable
17 capacity costs during the October 1997 through September
18 1998 recovery period?

19 A. No.

20
21 Q. During the period October 1998 through December 1998,
22 how did Gulf's actual net purchased power capacity
23 transactions compare with the net projected
24 transactions?

25 A. My direct testimony during the August 1998 hearings in

1 Docket No. 980001-EI stated that Gulf's net projected
2 purchased power capacity cost for the October 1998
3 through December 1998 recovery period was \$818,888. The
4 actual net capacity cost for the October 1998 through
5 December 1998 recovery period was \$815,895. This slight
6 decrease in cost of \$2,993 is less than 1% below our
7 projection for the recovery.

8

9 Q. Does this conclude your testimony?

10 A. Yes.

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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 990001-EI

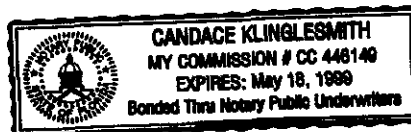
Before me the undersigned authority, personally appeared M. W. Howell, who being first duly sworn, deposes, and says that he is the Transmission and System Control Manager of Gulf Power Company, a Maine corporation, that the foregoing is true and correct to the best of his knowledge, information, and 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 31st day of March, 1999.

Candace Klinglesmith
Notary Public, State of Florida at Large



Commission No. CC 446149
My Commission Expires 5-18-99