

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 000001-EI

FUEL COST AND PURCHASED POWER COST
RECOVERY CLAUSE

PREPARED DIRECT TESTIMONY AND EXHIBIT

OF

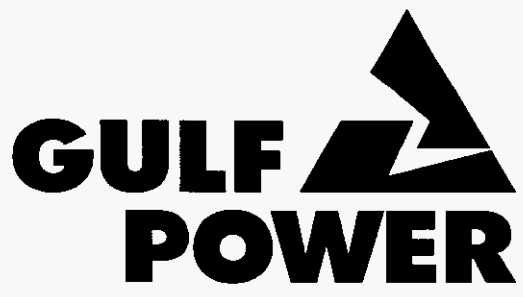
M. W. HOWELL

FUEL COST RECOVERY
JANUARY 2001 – DECEMBER 2001

CAPACITY COST RECOVERY
JANUARY 2001 – DECEMBER 2001

SEPTEMBER 21, 2000

- APP _____
- CAF _____
- CMP _____
- COM _____
- CTR _____
- ECR _____
- LEG _____
- OPC _____
- PAI _____
- RGO _____
- SEC _____
- SER _____
- OTH _____



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Direct Testimony of
4 M. W. Howell
5 Docket No. 000001-EI
6 Date of Filing: September 21, 2000

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

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

12 Q. Have you previously testified before this Commission?

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

17
18 Q. Please summarize your educational and professional
19 background.

20 A. I graduated from the University of Florida in 1966 with
21 a Bachelor of Science Degree in Electrical Engineering.
22 I received my Masters Degree in Electrical Engineering
23 from the University of Florida in 1967, and then joined
24 Gulf Power Company as a Distribution Engineer. I have
25 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. The purpose of my testimony is to support Gulf Power
9 Company's (Gulf) projection of purchased power
10 recoverable costs for energy purchases and sales for the
11 period January 2001 - December 2001. I will also
12 support Gulf's projection of purchased power capacity
13 costs for the January 2001 - December 2001 recovery
14 period. Finally, as part of the estimated true-up for
15 the current recovery period (January 2000 - December
16 2000), I will support Gulf's updated projection of
17 purchased power capacity costs for January 2000 -
18 December 2000.

19

20 Q. Have you prepared an exhibit that contains information
21 to which you will refer in your testimony?

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

24

25

1 Counsel: We ask that Mr. Howell's Exhibit
2 MWH-1 be marked for identification
3 as Exhibit_____ (MWH-1).
4
5

6 Q. What is Gulf's projected purchased power recoverable
7 cost for energy purchases for the January 2001 -
8 December 2001 recovery period?

9 A. Gulf's projected recoverable cost for energy purchases,
10 shown on line 12 of Schedule E-1 of the fuel filing, is
11 \$53,620,570. These purchases result from Gulf's
12 participation in the coordinated operation of the
13 Southern electric system (SES) power pool, as well as
14 the Solutia, Inc. (Solutia) and market power purchases.
15 This amount is used by Gulf's witness Ms. Davis as an
16 input in the calculation of the fuel and purchased power
17 cost adjustment factor.

18
19 Q. What is Gulf's projected purchased power fuel cost for
20 energy sales for the January 2001 - December 2001
21 recovery period?

22 A. The projected fuel cost for energy sales, shown on line
23 18 of Schedule E-1, is \$ 70,447,000. These sales also
24 result from Gulf's participation in the coordinated
25 operation of the SES power pool. This amount is used by

1 Gulf's witness Ms. Davis as an input in the calculation
2 of the fuel and purchased power cost adjustment factor.

3

4 Q. What information is contained in your exhibit?

5 A. My exhibit lists the long-term power contracts that are
6 included for capacity cost recovery, their associated
7 megawatt amounts, the resulting capacity dollar amounts,
8 and the cost of market capacity purchases.

9

10 Q. Which power contracts produce capacity transactions that
11 are recovered through Gulf's purchased power capacity
12 cost adjustment factor?

13 A. Two power contracts that produce recoverable capacity
14 transactions through Gulf's purchased power capacity
15 adjustment factor are the SES Intercompany Interchange
16 Contract (IIC) and Gulf's cogeneration capacity purchase
17 contract with Solutia. The Commission has authorized
18 the Company to include capacity transactions under the
19 IIC for recovery through the purchased power capacity
20 cost adjustment factor. Gulf will continue to have IIC
21 capacity transactions during the January 2001 - December
22 2001 recovery period. The energy transactions under
23 this contract for this recovery period are handled for
24 cost recovery purposes through the fuel cost adjustment
25 factor.

1 The Gulf Power/Solutia cogeneration capacity
2 contract enables Gulf to purchase 19 megawatts of firm
3 capacity until June 1, 2005. Gulf has included these
4 annual costs for recovery during the January 2001 -
5 December 2001 recovery period. The energy transactions
6 under this contract have also been approved by the
7 Commission for recovery, and these costs are handled for
8 cost recovery purposes through the fuel cost adjustment
9 factor.

10

11 Q. Are there any other arrangements that produce capacity
12 transactions that are recovered through Gulf's purchased
13 power capacity cost adjustment factor?

14 A. Yes. Gulf and other SES operating companies have
15 purchased market capacity for 2001, and these purchases
16 will continue through May 2002. Gulf will have monthly
17 costs associated with these market purchases for the
18 January 2001 - December 2001 recovery period. Again,
19 the energy transactions related to these purchases are
20 handled for cost recovery purposes through the fuel cost
21 adjustment factor.

22

23

24

25

1 Q. Has the SES made any changes to the IIC that was in
2 effect for the most recent recovery factor adjustment
3 proceedings?

4 A. Yes. On November 1, 1999, the SES made its annual IIC
5 informational filing with the Federal Energy Regulatory
6 Commission (FERC) to reflect the 2000 capacity resource
7 and load amounts used for the IIC capacity equalization
8 calculation to determine the capacity transactions and
9 costs for each operating company. These capacity and
10 load updates are reflected in the projection of Gulf's
11 IIC capacity transactions among the SES operating
12 companies for the January 2001 - December 2001 recovery
13 period.

14 In addition to the IIC informational filing, the
15 SES has filed an "amended and restated" IIC with the
16 FERC. The purpose of this filing, which was made by
17 letter dated February 18, 2000 and subsequently amended
18 by a supplemental filing on May 8, 2000, is to fully
19 incorporate the ten previous amendments to the 1989 IIC
20 into a new contract and to improve the methodologies for
21 determining generating unit variable O&M and energy
22 transaction allocations as defined in the IIC's Periodic
23 Rate Computation Manual. The amended and restated IIC
24 also allows for the creation of a new operating company
25 within the SES to develop and build generating resources

1 to serve wholesale customers in the Southeast U.S. The
2 FERC issued its acceptance order on June 15, 2000 which
3 directed the SES to make an additional compliance
4 filing. The compliance filing was made on June 20, 2000
5 and is presently under review by the FERC staff.

6

7 Q. What are Gulf's IIC capacity transactions that are
8 projected for the January 2001 - December 2001 recovery
9 period?

10 A. As shown on my Exhibit MWH-1, capacity transactions
11 under the IIC vary during each month of the recovery
12 period. IIC capacity purchases in the amount of
13 \$3,577,789 are projected for the year. IIC capacity
14 sales during the same period are projected to be
15 \$306,372. Therefore, the Company's net capacity
16 transactions under the IIC for the recovery period are
17 net purchases amounting to \$3,271,417.

18

19 Q. What is the cost of Gulf's capacity purchase from
20 Solutia that is projected for the January 2001 -
21 December 2001 recovery period?

22 A. As shown on my Exhibit MWH-1, Gulf is projected to pay
23 \$746,424, or \$62,202 per month, to Solutia for the firm
24 capacity purchase made pursuant to the Commission
25 approved contract.

1 Q. What is the cost of Gulf's market capacity purchases
2 that is projected for the January 2001 - December 2001
3 recovery period?

4 A. As shown on my Exhibit MWH-1, Gulf is projected to pay a
5 total net cost of \$13,477,564 for the committed market
6 capacity purchases. This amount is slightly more than
7 the \$13,024,449 that was projected during the January
8 2000 - December 2000 recovery period. Capacity in
9 varying amounts will be purchased during the months of
10 January through December of 2001. The individual
11 suppliers and megawatt amounts are not shown, since this
12 is highly sensitive and confidential information.
13 Public availability of this information would seriously
14 undermine our competitive position and cause our
15 customers increased cost.

16
17 Q. What are Gulf's total projected net capacity
18 transactions for the January 2001 - December 2001
19 recovery period?

20 A. As shown on my Exhibit MWH-1, the net purchases under
21 the IIC, the Solutia contract purchases, and the net
22 committed market capacity purchases will result in a
23 projected net capacity cost of \$17,495,405. This figure
24 is used by Gulf's witness Ms. Davis as an input into the
25 calculation of the total capacity transactions to be

1 recovered through the purchased power capacity cost
2 adjustment factor for this annual recovery period. As
3 shown on Schedule CCE-2 of Ms. Davis' testimony, the
4 purchased power capacity cost adjustment factor is
5 0.176 ¢/KWH. This represents a 27% increase over the
6 January 2000 - December 2000 recovery period cost
7 adjustment factor.

8
9 Q. Please explain the reason for the increase in Gulf's
10 purchased power capacity cost adjustment factor for the
11 January 2001 - December 2001 recovery period.

12 A. The increase in the projected capacity cost adjustment
13 factor is due to Gulf's higher 2001 IIC capacity cost.
14 This cost is projected to be \$4,312,857 higher than the
15 2000 IIC capacity cost projection due to additional
16 system capacity needed to meet growing customer loads.
17 Gulf must ensure that it has adequate reserves for its
18 customers' needs until Gulf's planned combined cycle,
19 Smith Unit No. 3, comes on-line in June 2002.

1 Q. Earlier in your testimony, you indicated that you would
2 support Gulf's updated projection of purchased power
3 capacity costs for the January 2000 - December 2000
4 recovery period as part of the estimated capacity cost
5 true-up. Please discuss the Company's estimated true-up
6 capacity update.

7 A. In testimony dated August 21, 2000, Gulf's witness Ms.
8 Davis indicated on line 5 of Schedule CCE-1b that Gulf's
9 estimated net capacity cost for the January 2000 -
10 December 2000 recovery period using actual amounts for
11 January 2000 through July 2000 and estimated data for
12 August 2000 - December 2000 would be \$11,951,504. Since
13 the August 21, 2000 testimony filing, Gulf has revised
14 this estimate to include actual capacity cost data
15 through August 2000 and estimated cost data for
16 September 2000 - December 2000. Gulf now projects that
17 its net capacity cost for January 2000 - December 2000
18 will be \$12,789,787, or an increase of \$838,283 over the
19 amount shown on line 5 of Ms. Davis' Schedule CCE-1b.

20
21 Q. Please explain the reasons for this increase in capacity
22 cost.

23 A. The projected \$838,283 capacity cost increase for the
24 January 2000 through December 2000 period is primarily
25 attributable to updated SES load and owned capacity data

1 inputs for August through December that are used in the
2 IIC capacity equalization process to determine Gulf's
3 IIC costs. These new IIC loads and capacity amounts
4 increased Gulf's August actual IIC cost and Gulf's
5 September through December projected IIC cost by a total
6 of \$1,950,537. However, this projected increase is
7 partially offset by a \$122,134 decrease in actual August
8 market capacity purchase costs, a \$181,371 decrease in
9 September through December projected market capacity
10 purchase costs, and a \$808,749 capacity payment
11 adjustment, including interest, collected in total from
12 Solutia during August 2000 and September 2000 under the
13 capacity purchase contract for failure of the
14 cogeneration unit to meet the contracted availability
15 requirement during the 12 month period ending August
16 1999. Therefore, the net effect of these cost changes
17 is the above-mentioned \$838,283 capacity cost increase
18 for the January 2000 through December 2000 cost recovery
19 period.

20

21 Q. Does this conclude your testimony?

22 A. Yes.

23

24

25

GULF POWER COMPANY
PROJECTED PURCHASED POWER CONTRACT TRANSACTIONS
JANUARY 2001 - DECEMBER 2001

Contract	MW Purchase/(Sale)	Capacity (\$) Costs/(Receipts)
Southern Company		
Intercompany Interchange		
January 2001	339.7	730,298
February	262.3	218,905
March	43.4	37,610
April	(29.7)	(19,602)
May	287.4	248,103
June	(39.5)	(286,770)
July	44.2	572,686
August	103.6	1,336,689
September	32.5	188,248
October	187.5	80,947
November	7.1	3,029
December	388.6	<u>161,274</u>
SUBTOTAL		3,271,417
Solutia		
January 2001	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	<u>62,202</u>
SUBTOTAL		746,424

GULF POWER COMPANY
PROJECTED PURCHASED POWER CONTRACT TRANSACTIONS
JANUARY 2001 - DECEMBER 2001

Contract	Capacity (\$) Costs/(Receipts)
Market Capacity	
Purchases	
January 2001	637,918
February	538,918
March	439,918
April	348,900
May	447,900
June	2,076,399
July	3,150,549
August	3,150,549
September	1,643,863
October	347,550
November	347,550
December	<u>347,550</u>
SUBTOTAL	13,477,564
TOTAL	17,495,405

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 000001-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 19th day of September, 2000.

Rollanda R. Cottrhan

Notary Public, State of Florida at Large

Commission No.

My Commission Expires

