

# **GULF POWER COMPANY**

**Before the Florida Public Service  
Commission**

**Prepared Direct Testimony & Exhibit of  
Michael F. Oaks**

**Docket No. 020001-EI**

**Date of Filing: September 20, 2002**



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6 Q. Please state your name and business address.

7 A. My name is Michael F. Oaks and my business address is One Energy  
8 Place, Pensacola, Florida 32520.

9 Q. What is your occupation?

10 A. I am the Fuel Manager at Gulf Power Company.

11  
12 Q. Mr. Oaks, will you please describe your education and experience?

13 A. I graduated from Belhaven College in Jackson, Mississippi, in 1977 with a  
14 Bachelor of Science Degree in Chemistry. I joined Gulf Power Company  
15 in 1977 as a Chemist. Since then, I have held various positions with the  
16 Company, including Water Chemistry Specialist, Water Quality Specialist,  
17 Environmental Affairs Specialist, Environmental Audit Administrator, and  
18 Compliance Administrator. I was promoted to my present position in May  
19 1996.

20  
21 Q. What are your duties as Fuel Manager?

22 A. I supervise and administer the Company's fuel procurement,  
23 transportation, budgeting, contract administration, and quality control to  
24 ensure the generating plants are provided an adequate low cost fuel  
25 supply with minimal operational problems.

1 Q. Are you the same Michael F. Oaks who has previously submitted  
2 testimony in this proceeding.

3 A. Yes.  
4

5 Q. Mr. Oaks, what is the purpose of your testimony in this docket?

6 A. The purpose of my testimony is to support Gulf Power Company's  
7 projection of fuel expenses for the period January 1, 2003 through  
8 December 31, 2003, and to be available to answer any questions that  
9 may arise concerning the Company's fuel procurement procedures.  
10

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

13 A. Yes. I have prepared an exhibit consisting of one schedule. Schedule 1  
14 of my exhibit is a tabulation of projected and actual fuel costs for the past  
15 ten years. The purpose of this schedule is to illustrate the accuracy of our  
16 short-term projections of fuel expenses.  
17

18 Counsel: We ask that Mr. Oaks' exhibit consisting of one schedule be  
19 marked as Exhibit No. \_\_\_\_\_ (MFO-2).  
20

21 Q. Has Gulf Power Company made any changes to its methods in this period  
22 for projecting fuel cost?

23 A. No.  
24  
25

1 Q. Does the 2003 projection of fuel expenses reflect any major changes in  
2 Gulf's fuel purchasing program during this period?

3 A. Yes. Gulf's long-term coal contract with Peabody COALSALES for 1.9  
4 million tons per year is subject to a market price reopener effective  
5 February 1, 2003. At that time, the contract will either be renewed at a  
6 new market adjusted delivered price, or terminated. If the contract is  
7 terminated, Gulf will be seeking a similar quantity from the spot market.  
8 The projection reflects this change in price. Also, 2003 will be the first full  
9 year of operation of Gulf's new natural gas-fired combined cycle unit,  
10 Smith 3. Gulf will utilize financial instruments to hedge a portion of its  
11 natural gas needs if market conditions warrant.

12

13 Q. How much spot market coal does Gulf Power project it will purchase  
14 during the January 2003 through December 2003 period?

15 A. We are projecting the purchase of approximately 2,302,487 tons on the  
16 spot market. This represents approximately 39.9% of our projected  
17 purchase requirements.

18

19 Q. What financial hedging guidelines will Gulf Power implement to prohibit  
20 speculative hedging activity?

21 A. Gulf Power's financial hedging activity will be limited to the following  
22 guidelines: Fixed Priced hedges will not exceed 100% of Gulf's projected  
23 gas purchase requirements, Option Priced hedges will not exceed 110%  
24 of Gulf's projected gas purchase requirements and Forward hedges will  
25 be limited to 42 months.

1 Q. Mr. Oaks, does this conclude your testimony?

2 A. Yes.

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**GULF POWER COMPANY  
PROJECTED VS ACTUAL FUEL COST OF SYSTEM NET GENERATION**

**Cents/KWH Fuel Cost (1)**

<b>Period Ending</b>	<b>Projected</b>	<b>Actual</b>	<b>Difference %</b>
March 1993	1.9458	1.9425	(0.17)
September 1993	1.9924	2.0408	2.43
March 1994	1.9050	2.0498	7.60
September 1994	1.8662	1.9373	3.81
March 1995	1.8874	2.0388	8.02
September 1995	2.0456	2.0344	(0.55)
March 1996	1.9795	2.0743	4.79
September 1996	2.0405	1.9639	(3.75)
March 1997	1.9282	2.0332	5.45
September 1997	1.9434	1.9431	(0.02)
March 1998	1.8734	1.8647	(0.46)
September 1998	1.5916	1.6361	2.80
December 1999	1.5291	1.5696	2.65
December 2000	1.6048	1.6460	2.57
December 2001	1.5782	1.7218	9.10
December 2002	2.0241	-	-
December 2003	1.9638		

(1) Line No. 1 from FPSC Schedule A-1.

AFFIDAVIT

STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA )

Docket No. 020001-EI

Before me the undersigned authority, personally appeared Michael F. Oaks, who being first duly sworn, deposes, and says that he is the Fuel Manager at Gulf Power Company, a Maine corporation, and that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.

  
\_\_\_\_\_  
Michael F. Oaks  
Fuel Manager

Sworn to and subscribed before me this September 19, 2002.

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

Commission Number:  
  
Commission Expires:

