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March 30, 2001

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:

Enclosed for official filing in Docket No. 010001-EI are an original and ten copies of the following:

1. Prepared direct testimony and exhibit of M. F. Oaks. 04054-04
2. Prepared direct testimony of M. W. Howell. 04055-01
3. Prepared direct testimony and exhibits of J. R. Douglass. 04056-01
4. Prepared direct testimony and exhibit of T. A. Davis. 04057-01

Sincerely,

A handwritten signature in blue ink that reads "Susan D. Ritenour". The signature is written in a cursive, flowing style.

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

04054-01 4/2/01

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clause with Generating)
Performance Incentive Factor)
_____)

Docket No. 010001-EI

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 30th day of March 2001 on the following:

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GULF POWER COMPANY

**Before the Florida Public Service
Commission**

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

Docket No. 010001-EI

Date of Filing: April 2, 2001

DOCUMENT NUMBER-DATE

04054 APR-26

FPSC-RECORDS/REPORTING

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Prepared Direct Testimony and Exhibit of

4 Michael F. Oaks

Docket No. 010001-EI

5 Date of Filing: April 2, 2001

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 32520-0328.

9 Q. What is your occupation?

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

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

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

20 Q. What are your duties as Fuel Manager?

21 A. I supervise and administer the Company's fuel procurement,
22 transportation, budgeting, contract administration, and quality control to
23 ensure the generating plants are provided a high quality fuel supply at the
24 lowest practical cost.
25

1 Q. Mr. Oaks, have you previously testified before this Commission?

2 A. Yes. I have presented testimony to this Commission previously in this
3 docket.

4
5 Q. Mr. Oaks, what is the purpose of your testimony in this docket?

6 A. The purpose of my testimony is to summarize Gulf Power Company's fuel
7 expenses and to certify that these expenses were properly incurred during
8 the period January 2000 through December 2000. Also, it is my intent to
9 be available to answer questions that may arise among the parties to this
10 docket concerning Gulf Power Company's fuel expenses.

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

14 A. Yes. I have prepared an exhibit consisting of one schedule.

15
16 Counsel: We ask that Mr. Oaks' exhibit consisting of one schedule be
17 marked as Exhibit No. _____ (MFO-1).

18
19 Q. During the period January 2000 through December 2000 how did Gulf's
20 recoverable fuel expenses compare with the projected expenses?

21 A. Gulf's recoverable fuel expense was \$211,767,566 or 7.53% over the
22 projected amount of \$196,934,163. Total net system generation for the
23 period was also higher than projected. Actual generation was 12,865,732
24 MWH compared to the projected generation of 12,271,910 MWH or
25 4.84% more than predicted. The resulting total fuel cost per KWH

1 generated was 1.6460¢/KWH or 2.57% over the projected amount of
2 1.6048¢/KWH. The increase in actual expenses over projected was
3 primarily a result of a slightly higher coal burn of 3.74% more MMBtu's for
4 the period, along with significantly higher usage of natural gas and oil fired
5 generation coupled with much higher prices for these fuels than projected.
6

7 Q. How much spot coal did Gulf Power Company purchase during the
8 period?

9 A. Excluding Plant Scherer 3, Gulf purchased 2,645,898 tons or 56% of
10 supply from the spot coal market. My Schedule 1 of Exhibit No. (MFO-1)
11 consists of a list of contract and spot coal suppliers for the period
12 January 1, 2000 - December 31, 2000.
13

14 Q. How did the total projected cost of coal purchased compare with the
15 actual cost?

16 A. The total actual cost of coal purchased was \$189,491,967 compared to
17 our projection of \$199,047,184, or 4.8% lower than projected.
18

19 Q. How did the total projected cost of coal burned compare with the actual
20 cost?

21 A. The total actual cost of coal burned was \$200,914,118 compared to our
22 projection of \$191,963,769, or 4.66% higher than projected. However, on
23 a fuel cost per MMBtu basis, the actual cost (including startup fuel) was
24 \$1.55/MMBtu, less than 1% higher than the projected \$1.54/MMBtu.
25

1 Q. Were there any other significant developments in Gulf's fuel procurement
2 program during the period?

3 A. Yes, as discussed in previous testimony and ordered by the FPSC, it was
4 determined that burning bituminous coal at Plant Daniel was the most cost
5 effective method to increase Gulf Power Company's capacity resources
6 by 52 MW.

7
8 Because of the operational problems and loss of capacity associated with
9 continuing to burn Decker Powder River Basin coal (Decker), 700,000 tons
10 (Gulf Power's portion - 350,000 tons) were deferred under the terms of the
11 contract from 1999 to 2000. After significant additional operational problems
12 were encountered during early 2000 while attempting to burn the Decker
13 during off peak months, it became necessary to buyout of the remaining
14 obligation of 311,500 tons (Gulf Power's portion).

15
16 Based on market conditions at the time, it was originally projected that the
17 buyout would result in a net reduction in fuel cost of about \$27,000.

18 However, because the sulfur content of the Decker coal and the replacement
19 fuels were both lower than the original projection, the transaction actually
20 resulted in a total net increase in fuel cost. An estimate using the average
21 delivered 1999 Decker sulfur level and actual 2000 sulfur levels of the
22 replacement fuels results in a net increase in fuel cost to Gulf Power's
23 customers of about \$32,000, considering the total cost including SO₂
24 allowances.

25

1 The cost of the buyout is insignificant when compared to the value of the
2 additional 52 MW of coal fired capacity that was made available to
3 customers. Even though the Decker coal would not have been burned during
4 the summer peak season of 2000, the savings realized by replacing it during
5 the off peak more than compensated for the cost of the buyout. For example,
6 the value to Gulf's customers of having this capacity available for just one day
7 during December 2000 (December 19, 2000) was \$119,565. Although the
8 replacement was accomplished in the winter, spring, and fall of 2000,
9 because the buyout tons were deferred from 1999, the additional 52 MW of
10 coal fired capacity was also made available to Gulf's customers during the
11 peak season of 1999.

12
13 Q. Should Gulf's fuel purchases for the period be accepted as reasonable
14 and prudent?

15 A. Yes. Gulf's coal supply plan is based on a combination of long term
16 contracts and spot purchases at market prices. Coal vendors are
17 selected by procedures designed to assure a reliable quantity of high
18 quality coal at competitive delivered prices. Gulf has administered the
19 provisions of its contracts and purchase orders appropriately. Natural gas
20 was purchased using short-term forward contracts and from the spot
21 market on an as-needed basis. Gas was also purchased and placed into
22 storage to ensure a reliable supply. All of Gulf's oil purchases were from
23 oil vendors selected by open bids to ensure the most economical price of
24 oil.

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

2 A. Yes.

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**GULF POWER COMPANY
COAL SUPPLIERS
January 1, 2000 - December 31, 2000**

<u>CONTRACT COAL</u>	<u>TONS PURCHASED(1)</u>
PEABODY CONTRACT	1,761,478
DECKER	75,468 (2)
ARCH COAL SALES	<u>260,540</u> (2)
TOTAL CONTRACT	2,097,486
 <u>SPOT COAL</u>	
ALABAMA POWER COMPANY	20,463
AMERICAN COAL	313,630
CONSOLIDATION	509,149
BLACK MOUNTAIN COAL	148,408
CYPRUS AMAX	709,357 (2)
DRUMMOND	74,560
ARCH COAL SALES	240,528 (2)
GUASARE COAL INTERNATIONAL	57,994
OXBOW CARBON & MINERAL	41,315
PEABODY COALTRADE	530,494
 TOTAL SPOT	 <u>2,645,898</u>
 GRAND TOTAL	 <u>4,743,384</u>

(1) Excludes Plant Scherer: The inventory at Plant Scherer is reported on a BTU basis. No inventory of tons is maintained.

(2) Mississippi Power Company Purchases - Plant Daniel

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

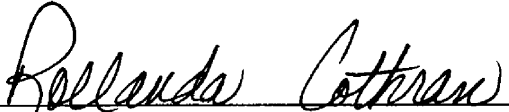
Docket No. 010001-EI

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 27th day of March, 2001



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

