

Gulf Power Company  
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Post Office Box 1151  
Pensacola, FL 32520-0781  
Telephone 904 444-6231

ORIGINAL  
FILE COPY

Susan D. Cranmer  
Assistant Secretary and  
Assistant Treasurer

the southern electric system

May 17, 1996

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:

RE: Docket No. 960001-EI

Enclosed for official filing in the above docket are an original and fifteen (15) copies of the following:

ACK	<input checked="" type="checkbox"/>	
AFA	<input checked="" type="checkbox"/>	1. Prepared direct testimony and exhibit of S. D. Cranmer. 05566-96
APP	<input type="checkbox"/>	
CAF	<input type="checkbox"/>	2. Prepared direct testimony and exhibit of M. F. Oaks. 05567-96
CMU	<input type="checkbox"/>	
CTR	<input type="checkbox"/>	3. Prepared direct testimony and exhibit of G. D. Fontaine. 05568-96
EAG	<input checked="" type="checkbox"/>	4. Prepared direct testimony of M. W. Howell. 05569-96

LEG 1  
LIN 3 Sincerely,

OPC \_\_\_\_\_  
RCH \_\_\_\_\_ *Susan D. Cranmer*

SEC 1  
WAS \_\_\_\_\_ lw

OTH \_\_\_\_\_ Enclosures

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 960001-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 17th day of May 1996 on the following:

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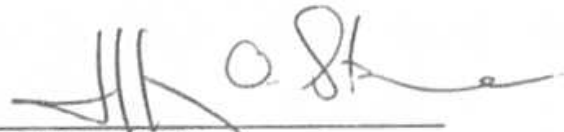
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 960001-EI

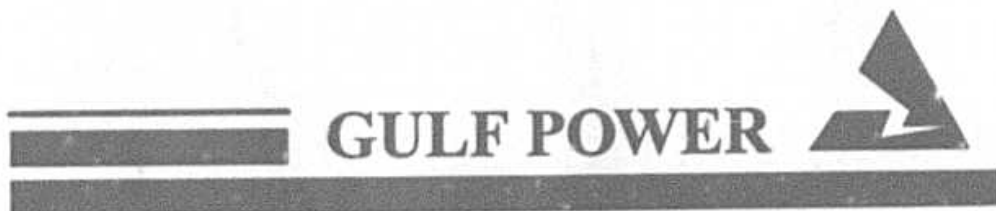
PREPARED DIRECT TESTIMONY  
AND EXHIBIT OF

OF  
MICHAEL F. OAKS

FUEL AND PURCHASED POWER COST RECOVERY

OCTOBER 1995 - MARCH 1996

MAY 20, 1996



DOCUMENT NUMBER-DATE

05567 MAY 20 1996

FPSC-RECORDS/REPORTING

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Prepared Direct Testimony of

4 Michael F. Oaks

Docket No. 960001-EI

Date of Filing: May 20, 1996

5 Q. Please state your name and business address.

6 A. My name is Michael F. Oaks and my business address is 500 Bayfront  
7 Parkway, Post Office Box 1151, Pensacola, Florida 32520-0328.

8  
9 Q. By whom are you employed and in what capacity?

10 A. I am the Compliance Administrator and Supervisor of Fuel Supply at Gulf  
11 Power Company.

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

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

21  
22 Q. What are your duties as Supervisor of Fuel Supply?

23 A. I supervise and administer the Company's fuel procurement,  
24 transportation, budgeting, contract administration, and quality control to  
25

1 ensure the generating plants are provided an adequate low cost fuel  
2 supply with minimal operational problems.

3

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

5 A. No.

6

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

8 A. The purpose of my testimony is to summarize Gulf Power Company's fuel  
9 expenses and to certify that these expenses were properly incurred during  
10 the period October 1995 through March 1996. Also, it is my intent to be  
11 available to answer any questions that may arise among the parties to this  
12 docket concerning Gulf Power Company's fuel expenses.

13

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

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

17

18 Counsel: We ask that Mr. Oak's exhibit consisting of one schedule be  
19 marked as Exhibit No. \_\_\_\_\_ (MFO-1).

20

21 Q. During the period October 1, 1995, through March 31, 1996, how did Gulf's  
22 actual fuel expenses compare with the budget or projected expenses?

23 A. Gulf's actual fuel expense was \$80,685,429 as compared with the  
24 projected amount of \$88,082,064, or under our estimate by 8.40%. Gulf's  
25 total net system generation was 3,899,733 MWH compared to the

1 projected generation of 4,449,710 MWH or 12.58% less than predicted.  
2 The resulting total fuel cost per KWH generated was 2.0743¢/KWH or  
3 4.79% over the projected amount of 1.9795¢/KWH.  
4

5 Q. In his projection testimony filed on behalf of Gulf Power in this docket in  
6 January 1996, Mr. Lane Gilchrist discussed Gulf's agreement with  
7 Peabody CoalSales to cancel scheduled purchases under an existing  
8 long-term contract for a period of two years. Mr. Oaks, did Gulf Power  
9 make any other significant changes in its fuel purchasing program during  
10 the six months ending March 1996?

11 A. No. With regard to the Peabody suspension agreement mentioned in the  
12 course of your question, the Commission approved Gulf's recovery of the  
13 costs associated with this partial buyout in Order No. PSC-96-0353-FOF-  
14 EI, issued March 13, 1996.  
15

16 Q. How much spot coal did Gulf Power Company purchase during the period  
17 ending March 31, 1996?

18 A. Gulf purchased 352,852 tons or 23% of its supply from the spot coal  
19 market. My Schedule 1 of Exhibit No. \_\_\_\_\_ (MFO-1) consists of a list  
20 of contract and spot coal suppliers for the period ending March 31, 1996.  
21

22 Q. How did the projected purchase cost of coal compare with the actual  
23 cost?

24 A. For the period, Gulf's average unit cost of coal purchased was 1.55%  
25 higher than projected, a relatively small amount.

1 Q. Should Gulf's fuel purchase cost for the period be accepted as reasonable  
2 and prudent?

3 A. Yes. Gulf's coal purchases were either from coal vendors with long term  
4 contracts subject to cost escalations or from a competitively bid spot  
5 purchase order. These coal vendors were selected by procedures  
6 designed to provide an assured quantity of coal of a known quality for a  
7 specific term at the lowest available delivered cost. Gulf has administered  
8 the provisions of these contracts and purchase orders appropriately. All  
9 of Gulf's oil purchases were from oil vendors selected by open bids to  
10 ensure the most economical price of oil.

11

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

13 A. Yes.

14

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25

AFFIDAVIT

STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA )

Docket No. 960001-EI

Before me the undersigned authority, personally appeared Michael F. Oaks, who being first duly sworn, deposes, and says that he is the Compliance Administrator/ Supervisor of Fuel Supply 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  
Supervisor of Fuel Supply

Sworn to and subscribed before me this 17th day of May 1996.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:





**GULF POWER COMPANY  
COAL SUPPLIERS  
October 1, 1995 - March 31, 1996**

<b>Purchases</b>	<b>Tons Received</b>
Contract	
PEABODY COALSALES	775,168
DECKER COAL	<u>390,997</u> (1)
Total	<u>1,166,165</u>
Spot Purchases	
FRANKLIN COAL SALES	279,214
WEBSTER COUNTY	9,020
WHITE COUNTY	<u>64,618</u>
Total	<u>352,852</u>
GRAND TOTAL	<u>1,519,017</u>

(1) Gulf Power Company's portion of Plant Daniel supply.