

One Energy Place
Pensacola, Florida 32520

Tel 850 444 6000

May 19, 1998



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. 980001-EI

Enclosed for official filing in the above docket are an original and ten (10) copies of the following:

1. Prepared direct testimony and exhibit of S. D. Cranmer.
2. Prepared direct testimony and exhibit of M. F. Oaks.
3. Prepared direct testimony and exhibit of G. D. Fontaine.
4. Prepared direct testimony of M. W. Howell.
5. Revised schedules A-5 for the months September 1997 – March 1998. 05605-98
6. Schedules A5-A for the months October 1997 – March 1998 inadvertently omitted from monthly fuel filings previously submitted.

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Cranmer".

Susan D. Cranmer
Assistant Secretary and Assistant Treasurer

lw

Enclosures

DOCUMENT NUMBER-DATE

05605 MAY 20 88

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 980001-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 19th day of May 1998 on the following:

Leslie J. Paugh, Esquire
FL Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0863

Jack Shreve, Esquire
Office of Public Counsel
111 W. Madison St., Suite 812
Tallahassee FL 32399-1400

James McGee, Esquire
Florida Power Corporation
P. O. Box 14042
St. Petersburg FL 33733-4042

Matthew M. Childs, Esquire
Steel, Hector & Davis
215 South Monroe, Suite 601
Tallahassee FL 32301-1804

Suzanne Brownless, Esquire
Miller & Brownless, P.A.
1311-B Paul Russell Road
Suite 201
Tallahassee FL 32301

Joseph A. McGlothlin, Esq.
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
117 S. Gadsden Street
Tallahassee FL 32301

Lee L. Willis, Esquire
James D. Beasley, Esquire
Ausley & McMullen
P. O. Box 391
Tallahassee FL 32302

John W. McWhirter, Jr., Esq.
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
P. O. Box 3350
Tampa FL 33601-3350

Kenneth A. Hoffman, Esq.
Rutledge, Ecenia, Underwood,
Purnell & Hoffman, P.A.
P. O. Box 551
Tallahassee FL 32302-0551

Michael B. Twomey, Esquire
P. O. Box 5256
Tallahassee FL 32314-5256



JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 0007455
BEGGS & LANE
P. O. Box 12950
Pensacola FL 32576
(850) 432-2451
Attorneys for Gulf Power Company

ORIGINAL

GULF POWER COMPANY

**Before the Florida Public Service
Commission**

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

Docket No. 980001-EI

Date of Filing: May 20, 1998

DOCUMENT NUMBER DATE

05602 MAY 20 88

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. 980001-EI

5 Date of Filing: May 20, 1998

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 Compliance and Fuel Supply Supervisor at Gulf Power
11 Company.

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 Supply Supervisor?

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 a high quality fuel supply at the
25

1 lowest practical cost.

2
3 Q. Mr. Oaks, have you previously testified before this Commission?

4 A. Yes. I have presented testimony to this Commission.

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

7 A. The purpose of my testimony is to summarize Gulf Power Company's fuel
8 expenses and to certify that these expenses were properly incurred during
9 the period October 1997 through March 1998. Also, it is my intent to be
10 available to answer any questions that may arise among the parties to this
11 docket concerning Gulf Power Company's fuel expenses.

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

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

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

19
20 Q. During the period October 1, 1997, through March 31, 1998, how did Gulf's
21 recoverable fuel expenses compare with the budget or projected expenses?

22 A. Gulf's recoverable fuel expense was \$91,912,127 as compared with the
23 projected amount of \$90,767,914, or over our estimate by 1.26%. Gulf's
24 total net system generation was 4,929,095 MWH compared to the
25 projected generation of 4,845,120 MWH or 1.73% more than predicted.

1 The resulting total fuel cost per KWH generated was 1.8647¢/KWH or
2 0.46% under the projected amount of 1.8734¢/KWH.
3

4 Q. How much spot coal did Gulf Power Company purchase during the period
5 ending March 31, 1998?

6 A. Gulf purchased 972,355.89 tons or 42% of its supply from the spot coal
7 market. My Schedule 1 of Exhibit No. _____ (MFO-1) consists of a list
8 of contract and spot coal suppliers for the period ending March 31, 1998.
9

10 Q. How did the total projected cost of coal purchased compare with the
11 actual cost?

12 A. Gulf purchased more coal during the period than projected. Conse-
13 quently, the total cost of coal purchased was higher than projected.
14 These additional purchases allowed the Company to increase inventory
15 which was unusually low at the beginning of the period. The actual cost of
16 coal burned for the period was only 1.2% higher than expected.
17

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

20 A. Yes, for the first time, Gulf engaged in a natural gas storage strategy to
21 ensure a reliable supply at a reasonable cost during the winter months.
22 Typically, natural gas prices rise during the winter in response to demand,
23 and can also be subject to restricted availability during periods of peak
24 demand. Gas storage protects customers from this price risk, and
25 assures availability. Although cost savings from our storage plan did not

1 materialize due to unusually mild weather conditions this past winter, Gulf
2 successfully ensured a firm supply of stored gas, thereby increasing
3 reliability.
4

5 Q. Should Gulf's fuel purchases for the period be accepted as reasonable
6 and prudent?

7 A. Yes. Gulf's coal purchases were either from long term contracts or the
8 competitive spot market. Coal vendors are selected by procedures
9 designed to assure a deliverable quantity of acceptable quality coal for a
10 specific term at the lowest available delivered cost. Gulf has administered
11 the provisions of these contracts and purchase orders appropriately.
12 Natural gas was purchased from the spot market on an as-needed basis
13 or purchased and placed into storage to ensure a reliable supply. All of
14 Gulf's oil purchases were from oil vendors selected by open bids to
15 ensure the most economical price of oil.
16

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

18 A. Yes.
19
20
21
22
23
24
25

**GULF POWER COMPANY
COAL SUPPLIERS
October 1, 1997 - March 31, 1998**

<u>CONTRACT COAL</u>	TONS PURCHASED(1)
PEABODY CONTRACT	546,702.20
DECKER	812,853.00 (2)
TOTAL CONTRACT	<u>1,359,555.20</u>
 <u>SPOT COAL</u>	
JEFFERSON SCREENING	44,250.25
WHITE COUNTY	32,833.90
ORION RESOURCES	9,500.50
CANNELTON INDUSTRIES	13,112.30
PEABODY COAL SALES	242,251.10
MID-SOUTH RESOURCES	39,396.48
CONSOLIDATION COAL	232,956.78
ISLAND CREEK COAL	33,425.00
SUGAR CAMP	57,567.30
ALABAMA COAL COOP	32,604.80
CYPRUS AMAX COAL	57,310.60
WEBSTER COUNTY	14,100.50
GUASARE COAL INTERNATIONAL	97,265.38
KERR-MCGEE	<u>65,781.00</u>
TOTAL SPOT	972,355.89
GRAND TOTAL	<u><u>2,331,911.09</u></u>

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

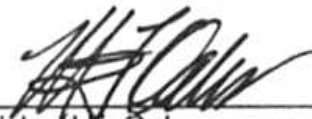
(2) Gulf Power Company's portion of Plant Daniel supply.

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)


Docket No. 980001-EI

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

Sworn to and subscribed before me this 18th day of May 1998.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

