

One Energy Place
Pensacola, Florida 32520

Tel 850.444.6111

ORIGINAL



March 31, 1999

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. 990001-EI are an original and ten copies of the following:

1. Prepared direct testimony and exhibit of M. F. Oaks. 04200-99
2. Prepared direct testimony and exhibit of G. D. Fontaine. 04201-99
3. Prepared direct testimony of M. W. Howell. 04202-99
4. Prepared direct testimony and exhibit of T. A. Davis. 04203-99

Sincerely,

ACK _____
AFA Vandewert *Susan D. Ritenour*
APP _____ Susan D. Ritenour
CAF _____ Assistant Secretary and Assistant Treasurer
CMU _____ gn
CTR _____
EAG _____ Enclosures
LEG 1 cc: Beggs and Lane
LIN 3 for Jeffrey A. Stone, Esquire
OPC _____
RCH _____
SEC 1
WAS _____
OTH _____

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 990001-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 3~~rd~~ day of March 1999 on the following:

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

John Roger Howe, 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

Norman H. Horton, Jr., Esquire
Messer, Caparello & Self, P.A.
P. O. Box 1876
Tallahassee FL 32302-1876

Patrick M. Bryan, Esquire
700 Universe Boulevard
Juno Beach FL 3308-0420

Vicki G. Kaufman, Esq.
McWhirter, Reeves, McGlothlin,
Davidson, Decker, Kaufman,
Arnold & Steen, 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, Decker, Kaufman,
Arnold & Steen, P.A.
P. O. Box 3350
Tampa FL 33601-3350



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. 990001-EI

Date of Filing: April 1, 1999

DOCUMENT NUMBER-DATE

04200 APR-1 8

FPSC-DOCUMENTS SECTION

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Prepared Direct Testimony and Exhibit of

4 Michael F. Oaks

Docket No. 990001-EI

5 Date of Filing: April 1, 1999

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 April 1998 through December 1998. Also, it is my intent to be
9 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 this period April 1998 through December 1998 how did Gulf's
20 recoverable fuel expenses compare with the projected expenses?

21 A. The total period covered by this response includes two recovery periods:
22 Period 1 - April 1, 1998 through September 30, 1998 and Period 2 -
23 October 1, 1998 through December 31, 1998. Gulf's recoverable fuel
24 expense for Period 1 was \$115,403,933 or 10.26% over the projected
25 amount of \$104,669,673. The recoverable fuel expense for Period 2 was

1 \$37,978,666 or 5.47% under the projected cost of \$40,176,399. The
2 total recoverable fuel expense for both periods was \$153,382,599 as
3 compared with the projected amount of \$144,846,072, or over our
4 estimate by 5.89%. Total net system generation for both periods was
5 9,571,482 MWH compared to the projected generation of 9,202,860 MWH
6 or 4.01% more than predicted. The resulting total fuel cost per KWH
7 generated for both periods was 1.6025¢/KWH or 1.82% over the
8 projected amount for the period of 1.5739¢/KWH. The cost for Period 1
9 was 1.6361¢/KWH or 2.8% over the projected 1.5916¢/KWH, and for
10 Period 2 was 1.5093¢/KWH or 1.3% under the projected 1.5296¢/KWH.

11
12 Q. How much spot coal did Gulf Power Company purchase during the
13 period?

14 A. Excluding Plant Scherer, Gulf purchased 1,674,637 tons or 42% of its
15 supply from the spot coal market. My Schedule 1 of Exhibit No. _____
16 (MFO-1) consists of a list of contract and spot coal suppliers for the period
17 April 1, 1998 - December 31, 1998.

18
19 Q. How did the total projected cost of coal purchased compare with the
20 actual cost?

21 A. Gulf purchased over a quarter million tons, or approximately 6.17% more
22 coal during the period than projected (includes estimated Scherer tons).
23 Consequently, the total cost of coal purchased was higher than projected.
24 For the period April 1, 1998 through December 31, 1998, the total actual
25 cost of coal purchased was \$146,086,155 compared to a projected cost of

1 **\$137,874,940 or 5.96% higher than predicted. The cost of coal for**
2 **Period 1 and Period 2, respectively was \$104,102,405 and \$41,983,750.**
3

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

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

16 **Q. Mr. Oaks, does this conclude your testimony?**

17 **A. Yes.**
18
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25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

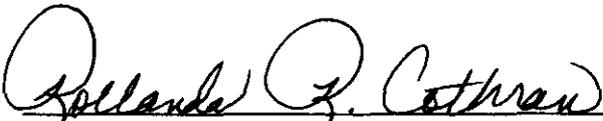
Docket No. 990001-EI

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
Compliance and Fuel Supply Supervisor

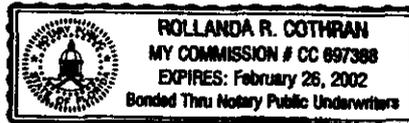
Sworn to and subscribed before me this 26th day of March, 1999



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:



**GULF POWER COMPANY
COAL SUPPLIERS
April 1, 1998 - December 31, 1998**

<u>CONTRACT COAL</u>	<u>TONS PURCHASED(1)</u>
PEABODY CONTRACT	1,313,106
DECKER	<u>1,014,941</u> (2)
TOTAL CONTRACT	<u>2,328,047</u>
 <u>SPOT COAL</u>	
ISLAND CREEK	61,276
SUGAR CAMP	60,065
CONSOLIDATION	69,985
KERR MCGEE	128,075
PEABODY COALSALES	595,531
GUASARE INTERNATIONAL COAL	102,606
JIM WALTER	96,324
CONSOL OF KENTUCKY	89,952
SSM COAL	112,283
GLENCORE	289,029
IKERD BANDY	<u>69,511</u>
 TOTAL SPOT	 <u>1,674,637</u>
 GRAND TOTAL	 <u>4,002,684</u>

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

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