

ORIGINAL

GULF POWER COMPANY

**Before the Florida Public Service
Commission**

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

Docket No. 000001-EI

Date of Filing: April 3, 2000

DOCUMENT NUMBER-DATE

04046 APR-38

FPSC-RECORDS/REPORTING

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5 Q. Please state your name and business address.

6 A. My name is Michael F. Oaks and my business address is One Energy
7 Place, Pensacola, Florida 32520-0328.

8
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 a high quality fuel supply at the
25 lowest practical cost.

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 1999 through December 1999. 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 1999 through December 1999 how did Gulf's
20 recoverable fuel expenses compare with the projected expenses?

21 A. Gulf's recoverable fuel expense was \$205,501,940 or 6.96% over the
22 projected amount of \$192,122,192. Total net system generation for the
23 period was also higher. Actual generation was 13,094,793 MWH
24 compared to the projected generation of 12,564,470 MWH or 4.22% more
25 than predicted. The resulting total fuel cost per KWH generated was

1 1.5693¢/KWH or 2.63% over the projected amount of 1.5291¢/KWH. The
2 increase in actual expenses over projected was primarily a result of
3 significantly higher usage of natural gas and oil-fired peaking capacity,
4 and more generation from Plant Daniel during the summer peak season,
5 at a higher cost (see below).
6

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

9 A. Excluding Plant Scherer 3, Gulf purchased 2,287,509 tons or 43% of its
10 supply from the spot coal market. My Schedule 1 of Exhibit No. _____
11 (MFO-1) consists of a list of contract and spot coal suppliers for the period
12 January 1, 1999 - December 31, 1999.
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 \$197,642,236 compared to
17 our projection of \$186,177,034, or 6% higher than projected. Contributing
18 to the increase was (1)the use of higher Btu coal at Plant Daniel instead of
19 Powder River Basin coal to recapture 52 MW of capacity during the
20 summer peak season, (2)increased coal burn at Plant Scherer Unit 3, and
21 (3)the purchase of some low-sulfur coal for Plant Smith in preparation for
22 Phase II of the Clean Air Act. The actual cost of all coal-fired generation
23 was \$1.49/MMBtu versus the projected \$1.45/MMBtu. Overall, more coal-
24 fired generation (3.32%) was made available at a slightly higher cost than
25 projected. The actual cost of coal-fired generation during the period was

1 1.53 cents/KWh compared to the projection of 1.51 cents/KWh.

2

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

5 A. Yes. Gulf used forward contracts to procure natural gas in advance of the
6 summer peak season. Some of the gas was not needed for generation as
7 expected and was resold into the market at a gain. The gain of \$30,878.28
8 has been returned to the customers as a credit to fuel expense.

9

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

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

22

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

24 A. Yes.

25

**GULF POWER COMPANY
COAL SUPPLIERS
January 1, 1999 - December 31, 1999**

<u>CONTRACT COAL</u>	<u>TONS PURCHASED(1)</u>
PEABODY CONTRACT	2,041,686
DECKER	<u>976,050</u> (2)
TOTAL CONTRACT	3,017,736
 <u>SPOT COAL</u>	
ALABAMA POWER COMPANY	34,218
AMERICAN COAL	99,908
CONSOLIDATION	223,681
CUMBERLAND RIVER	106,298
CYPRUS AMAX (2)	550,552
DRUMMOND	177,600
DRUMMOND (2)	55,486
GUASARE COAL INTERNATIONAL	234,865
JADER FUEL	58,703
LAGUNA RESOURCES	72,363
PEABODY COALSALES	397,087
SUGAR CAMP	<u>276,748</u>
 TOTAL SPOT	 <u>2,287,509</u>
 GRAND TOTAL	 <u>5,305,245</u>

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

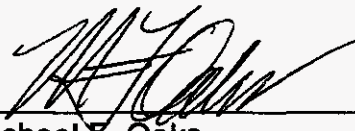
(2) Gulf Power Company's portion of Plant Daniel supply.

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 00001-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

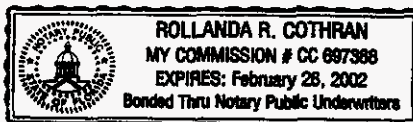
Sworn to and subscribed before me this 31st day of March, 2000



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:



One Energy Place
Pensacola, Florida 32520

850.444.6111



March 31, 2000

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. 000001-EI are an original and ten copies of the following:

- 1. Prepared direct testimony and exhibit of M. F. Oaks. 04046-00
- 2. Prepared direct testimony and exhibit of J. R. Douglass. 04047-00
- 3. Prepared direct testimony of M. W. Howell. 04048-00
- 4. Prepared direct testimony and exhibit of T. A. Davis. 04049-00

Sincerely,

Susan D. Ritenour

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

AFA _____
 ADP _____
 CAF _____
 CMU _____
 CTR _____
 EAG _____
 LEG _____
 MAS _____
 OPC _____
 RRR _____
 SEC _____
 TAW _____
 TBI _____

Wandover

lw

Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

3 Trip

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 000001-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 31st day of March 2000 on the following:

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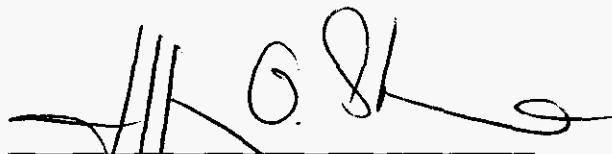
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