



August 17, 2001

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk and Administrative Services
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 of M. F. Oaks. *10214-01*
2. Prepared direct testimony of M. W. Howell. *10215-01*
3. Prepared direct testimony and exhibit of T. A. Davis. *10216-01*

Sincerely,

Susan D. Ritenour

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

APP _____
CAF _____
CMP _____
COM _____
CTR *5* _____
ECR _____
LEG *1* _____
OPC _____
PAI _____
RGO _____
SEC *1* _____
SER _____
OTH _____

10214.01 8/20/01

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 17th day of August 2001 on the following:

Wm. Cochran Keating, Esquire
FL Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0863

Vicki G. Kaufman, Esq.
McWhirter Reeves
117 S. Gadsden Street
Tallahassee FL 32301

John Roger Howe, Esquire
Office of Public Counsel
111 W. Madison St., Suite 812
Tallahassee FL 32399-1400

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

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

John W. McWhirter, Jr., Esq.
McWhirter Reeves
400 N Tampa St Suite 2450
Tampa FL 33602

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



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

GULF POWER COMPANY

**Before the Florida Public Service
Commission**

Prepared Direct Testimony

Michael F. Oaks

Docket No. 010001-EI

Date of Filing: August 20, 2001

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1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Prepared Direct Testimony of

4 Michael F. Oaks

Docket No. 010001-EI

5 Date of Filing: August 20, 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 32520-0335.

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 compare projected fuel expenses with
7 estimated/actual costs for the January through December 2001 recovery
8 period and to summarize any noteworthy developments in Gulf Power
9 Company's fuel program. Also, it is my intent to be available to answer
10 questions that may arise in this docket concerning Gulf Power Company's
11 fuel expenses.

12
13 Q. During the period January 2001 through December 2001, how will Gulf's
14 estimated/actual recoverable fuel expenses compare with the original
15 projection of expenses?

16 A. Gulf's expected recoverable fuel expense for the period is now
17 \$206,421,953 or 3.24% more than the original projected amount of
18 \$199,947,293. Total net system generation for the period is expected to
19 be 12,535,311 MWH compared to a projection of 12,669,590 MWH or
20 1.06% less than originally forecast. The resulting total fuel cost per KWH
21 generated will be 1.6467¢/KWH or 4.34% higher than the projected cost
22 of 1.5782¢/KWH. The increase can be primarily attributed to an
23 extremely tight fuel market and resulting higher prices paid for spot coal
24 tons.

25

26

1 Q. How did the total projected cost of coal compare with the actual cost during
2 the first seven months of 2001?

3 A. The total actual cost of coal burned was \$117,444,972 compared to a
4 projected cost of \$108,511,616, or 8.23% higher than projected. Also,
5 considerably more coal was purchased during the period than projected
6 resulting in the total cost of coal purchased being significantly higher.
7 Actual purchases were \$140,549,928 as compared to projected
8 purchases of \$103,603,877. The increase was necessary because of
9 much lower than desired inventory levels going into 2001. Extreme winter
10 weather conditions and high gas prices created very strong demand for
11 coal fired generation during the fourth quarter of 2000 and early 2001.
12 The higher demand coupled with a slowdown in coal deliveries during the
13 second half of 2000 caused the low inventory situation. It is imperative
14 that Gulf build coal inventories during the first half of the year to be
15 prepared for the summer peak and hurricane season.

16
17 Q. How did the total projected cost of natural gas compare with the actual
18 cost during the first seven months of 2001?

19 A. Gulf purchased 224,398 MCF during the period, about 31% less than the
20 projected amount of 324,194 MCF. Gas prices have remained relatively
21 high throughout the period, and demand for Gulf's gas-fired peaking
22 capacity has been lower than projected. For the period, the total actual
23 cost of gas burned was \$1,220,453 compared to a projected cost of
24 \$1,694,194.

25

1 Q. Are there other significant developments in Gulf's fuel procurement
2 program for the 2001 recovery period?

3 A. Yes, several suppliers are asserting claims of force majeure under their
4 contracts, resulting in a need for increased purchases of spot coal in an
5 already tight market. These replacement spot tons are at a higher price
6 than what Gulf modeled in its original projection.

7
8 Q. Should Gulf's fuel purchases for the period be accepted as reasonable
9 and prudent?

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

19

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

21 A. Yes.

22

23

24

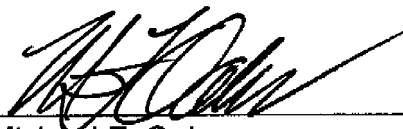
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STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

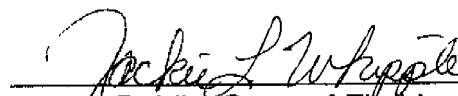
Docket No. 010001-EI

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 17th day of August, 2001



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:



Jackie L. Whipple
My Commission DD041506
Expires August 23, 2005