

**SCANNED**



March 28, 2002

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. 020001-EI are an original and ten copies of the following:

1. Prepared direct testimony and exhibit of M. F. Oaks. 03582-02
2. Prepared direct testimony of M. W. Howell. 03583-02
3. Prepared direct testimony and exhibits of L. S. Noack. 03584-02
4. Prepared direct testimony and exhibit of T. A. Davis. 03585-02

Sincerely,

*Susan D. Ritenour (lw)*

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 020001-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 28th day of March 2002 on the following:

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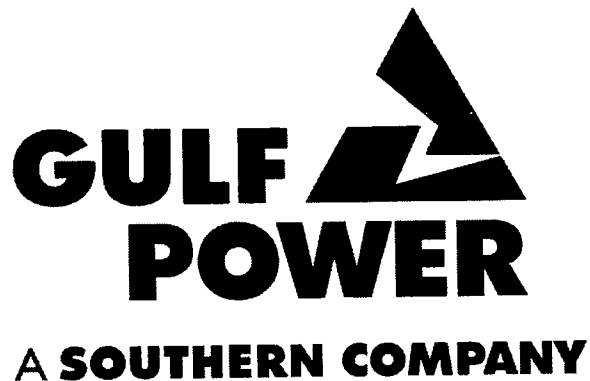
# **GULF POWER COMPANY**

**Before the Florida Public Service  
Commission**

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

**Docket No. 020001-EI**

**Date of Filing: April 1, 2002**



DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Prepared Direct Testimony and Exhibit of

4 Michael F. Oaks

Docket No. 020001-EI

Date of Filing: April 1, 2002

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 2001 through December 2001. 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 2001 through December 2001 how did Gulf's  
20 recoverable fuel expenses compare with the projected expenses?

21 A. Gulf's recoverable fuel expense was \$196,688,083 or 1.63% less than the  
22 projected amount of \$199,947,293. Total net system generation for the  
23 period was also lower than projected. Actual generation was 11,423,135  
24 MWH compared to the projected generation of 12,669,590 MWH or  
25 9.84% less than predicted. The resulting total fuel cost per KWH

1 generated was 1.7218¢/KWH or 9.10% over the projected amount of  
2 1.5782¢/KWH. The increase on a per unit basis was primarily a result of  
3 higher spot coal market prices in 2001. The year 2001 was an unusual  
4 year, in that, Gulf's generation was down as a result of mild weather  
5 conditions and the economic slowdown, but spot coal prices remained  
6 higher throughout the year. This was a carryover from the dramatic  
7 increase in natural gas and coal prices that began in the fourth quarter of  
8 2000. Gas prices rose to \$6/MMBtu in November 2000, \$10/MMBtu in  
9 December 2000 and sustained a level near or above \$5/MMBtu through  
10 April of 2001. Market conditions for electricity and fuel caused spot coal  
11 prices to rise substantially in early 2001. Although the coal markets have  
12 fallen since, they remained at an elevated level for the rest of the year.  
13 During late spring and early summer, natural gas prices dropped to a level  
14 at which gas-fired combined cycle generating units on the Southern  
15 Electric System displaced some coal-fired units in dispatch. This market-  
16 driven situation, coupled with mild weather, reduced Gulf's coal-fired  
17 generation during the peak summer season and for the remainder of  
18 2001.

19  
20 **Q.** How much spot coal did Gulf Power Company purchase during the  
21 period?

22 **A.** Excluding Plant Scherer 3, Gulf purchased 2,777,977 tons or 54% of its  
23 supply from the spot coal market. My Schedule 1 in Exhibit No. (MFO-1)  
24 consists of a list of contract and spot coal suppliers for the period  
25 January 1, 2001 - December 31, 2001.  
26

1 Q. How did the total projected cost of coal purchased compare with the  
2 actual cost?

3 A. The total actual cost of coal purchased was \$214,139,829 compared to  
4 our projection of \$185,230,726, or 15.61% more than projected.  
5

6 Q. How did the total projected cost of coal burned compare with the actual  
7 cost?

8 A. The total actual cost of coal burned was \$190,760,333, which is the sum  
9 of lines 3 and 3a on schedule A-3. This is 0.89% lower than our  
10 projection of \$192,473,087. On a fuel cost per MMBtu basis, the actual  
11 cost (including startup fuel) was \$1.64/MMBtu, 8.61% higher than the  
12 projected \$1.51/MMBtu.  
13

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

16 A. No.  
17

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

20 A. Yes. Gulf's current coal supply plan is based on a combination of long  
21 term contracts and spot purchases at market prices. Coal vendors are  
22 selected by procedures designed to assure a reliable quantity of high  
23 quality coal at competitive delivered prices. Gulf has administered the  
24 provisions of its contracts and purchase orders appropriately. Natural gas  
25 was purchased using indexed contracts and from the spot market on an  
26 as-needed basis. Gas was also purchased and placed into storage to

1 ensure a reliable supply. All of Gulf's oil purchases were from oil vendors  
2 selected by open bids to ensure the most economical price of oil.

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

5 A. Yes.

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**GULF POWER COMPANY  
COAL SUPPLIERS  
January 1, 2001 - December 31, 2001**

<u>CONTRACT COAL</u>	<u>TONS PURCHASED(1)</u>	
PEABODY CONTRACT	1,459,830	
BLACK MOUNTAIN	148,459	
ARCH COAL SALES-WEST ELK	<u>761,583</u>	(2)
TOTAL CONTRACT	2,369,872	
 <u>SPOT COAL</u>		
EMERALD INTERNATIONAL	139,959	
AMERICAN COAL	358,277	
CONSOLIDATION	224,292	
SSM PETCOKE	20,015	
INTEROCEAN	154,109	
GUASARE COAL INTERNATIONAL	269,955	
OXBOW CARBON & MINERAL	111,132	
PEABODY COALTRADE	596,043	
TAFT	6,583	
GLENCORE	78,689	
JIM WALTER	61,208	
INTEGRITY	72,754	
CYPRUS AMAX	508,753	(2)
ARCH COAL SALES-BLACKTHUNDER	13,280	(2)
DRUMMOND	114,642	(2)
INTERNATIONAL COLUMBIA RES.	10,718	(2)
MISSISSIPPI EXPORT	32,780	(2)
JIM WALTER	4,788	(2)
 TOTAL SPOT	 <u>2,777,977</u>	
 GRAND TOTAL	 <u>5,147,849</u>	

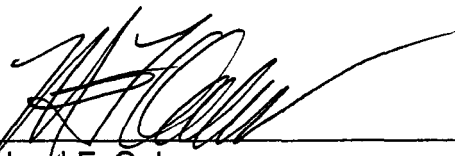
- (1) Excludes Plant Scherer: The inventory at Plant Scherer is reported on a BTU basis. No inventory of tons is maintained.  
(2) Mississippi Power Company Purchases - Plant Daniel

AFFIDAVIT


STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA )

Docket No. 020001-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 27<sup>th</sup> day of March, 2002

  
\_\_\_\_\_  
Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

