

ORIGINAL



August 19, 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 of M. F. Oaks. 08755-02
2. Prepared direct testimony of H. H. Bell, III. 08756-02
3. Prepared direct testimony and exhibit of T. A. Davis. 08757-02

Sincerely,

Susan D. Ritenour

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

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3 original
1/ Bakman
 Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

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Ms. Blanca S. Bayo
August 19, 2002
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H. H. Bell
L. C. Davis
T. A. Davis
R. W. Grove
R. G. Livingston
L. Noack
M. F. Oaks
Charlotte McConnico

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 19th day of August 2002 on the following:

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GULF POWER COMPANY

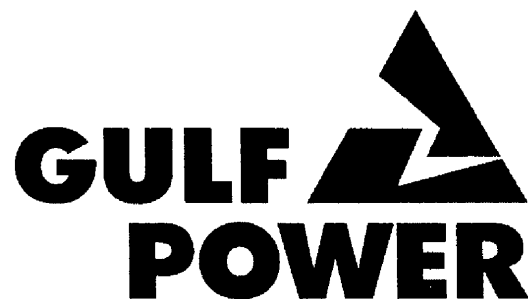
**Before the Florida Public Service
Commission**

Prepared Direct Testimony

Michael F. Oaks

Docket No. 020001-EI

Date of Filing: August 20, 2002



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

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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. 020001-EI

5 Date of Filing: August 20, 2002

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 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 compare projected fuel expenses with
7 estimated/actual costs for the January through December 2002 recovery
8 periods 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 2002 through December 2002, 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 \$274,104,721 or 9.76% less than the original projected amount of
18 \$303,747,744. Total net system generation for the period is expected to
19 be 13,452,072 MWH compared to a projection of 15,005,870 MWH or
20 10.35% less than originally forecast. The resulting total fuel cost per
21 KWH generated will be 2.0376¢/KWH or 0.66% higher than the projected
22 cost of 2.0242¢/KWH.

23

24 Q. How did the total projected cost of coal compare with the actual cost during
25 the first seven months of 2002?

1 A. The total actual cost of coal burned was \$94,663,084 compared to a
2 projected cost of \$125,225,979, or 24.41% lower than projected. Also,
3 considerably less coal was purchased during the period than projected
4 resulting in the total cost of coal purchased being significantly lower. Actual
5 purchases were \$94,815,728 as compared to projected purchases of
6 \$124,777,951. The lower cost of coal purchased and burned during the first
7 seven months of the year can be attributed to a couple of factors. First,
8 because the price of natural gas dropped much more dramatically and
9 rapidly than expected, gas-fired combined cycle units on the Southern
10 electric system (SES) ran ahead of coal-fired generation for the first two
11 months of the year, into early March. This reduced the coal burn across the
12 SES and made low priced coal-fired power available for purchase on the
13 system at prices lower than Gulf Power's coal-fired generating plants could
14 produce it. Secondly, except for Gulf, loads were down across the SES
15 through July, further reducing Gulf's coal usage. Finally, with the exception
16 of Powder River Basin coal into Plant Scherer, the average price of coal
17 was slightly lower than projected.

18
19 Q. How did the total projected cost of natural gas compare with the actual
20 cost during the first seven months of 2002?

21 A. The total actual cost of natural gas burned was \$38,926,955 compared to
22 a projected cost of \$30,214,972, or 28.83% more than projected. The
23 increase can be attributed to Gulf's new combined cycle unit, Smith 3,
24 being placed in commercial operation over a month prior to the projected
25 date (April 22 vs. June 1), plus the additional cost of natural gas used for

1 testing during January through April. The total actual cost of natural gas
2 purchased was \$40,554,688, 34.22% higher than projected. These
3 purchases were necessary to accommodate the additional burn from
4 Smith 3, and to commence natural gas storage for the unit. The average
5 cost of natural gas burned was about 14% lower than projected.
6

7 Q. Are there other significant developments in Gulf's fuel procurement
8 program for the 2002 recovery period?

9 A. No.
10

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

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

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


23 A. Yes.
24
25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

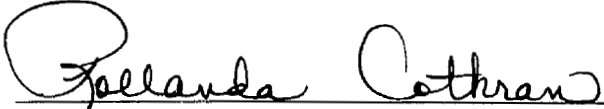
Docket No. 020001-EI

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 19th day of August, 2002



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

