

GULF POWER COMPANY

**Before the Florida Public Service
Commission**

**Prepared Direct Testimony & Exhibit of
H. R. Ball**

Docket No. 030001-EI

**Fuel and Purchased Power Capacity Cost
Recovery**

Date of Filing: September 12, 2003



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7 Q. Please state your name and business address and occupation.

8 A. My name is H. R. Ball. My business address is One Energy Place,
9 Pensacola, Florida 32520-0335. I am the Fuel Manager for Gulf Power
10 Company.

11 Q. Please briefly describe your educational background and business
12 experience.

13 A. I graduated from the University of Southern Mississippi in Hattiesburg,
14 Mississippi in 1978 with a Bachelor of Science Degree in Chemistry and
15 graduated from the University of Southern Mississippi in Long Beach,
16 Mississippi in 1988 with a Masters of Business Administration. In 1978, I
17 began my employment with the Southern Company at Mississippi Power
18 Company (MPC) as a Plant Chemist at Plant Daniel. In 1982, I
19 transferred to MPC's Fuel Services Department as a Fuel Business
20 Analyst. In 1987, I was promoted to Supervisor of Chemistry and
21 Regulatory Compliance at MPC Plant Daniel. In 1998, I was promoted to
22 Supervisor of Coal Logistics with Southern Company Fuel Services
23 Department located in Birmingham, Alabama. My responsibilities in this
24 position included administering coal supply and transportation agreements
25 and managing the coal inventory program for the Southern Electric
System. In March, 2003, I was promoted to my current position as Fuel

1 Manager for Gulf Power Company.

2

3 Q. What are your duties as Fuel Manager for Gulf Power Company?

4 A. I manage the Company's fuel procurement, inventory, transportation,
5 budgeting, contract administration, and quality assurance programs to
6 ensure that the generating plants operated by Gulf Power are supplied
7 with an adequate quantity of fuel in a timely manner and at the lowest
8 practical cost.

9

10 Q. What is the purpose of your testimony in this docket?

11 A. The purpose of my testimony is to support Gulf Power Company's
12 projection of fuel expenses for the period January 1, 2004 through
13 December 31, 2004. Also, it is my intent to be available to answer
14 questions that may arise among the parties to this docket concerning Gulf
15 Power Company's fuel expense projections.

16

17 Q. Have you prepared an exhibit that contains information to which you will
18 refer in your testimony?

19 A. Yes, I have prepared an exhibit that compares actual and projected fuel
20 costs for the past ten years. The purpose of this exhibit is to indicate the
21 accuracy of Gulf's short term fuel expense projections.

22

23 Counsel: We ask that Mr. Ball's Exhibit consisting of one schedule
24 be marked as Exhibit No. _____ (HRB-1).

25

1 Q. Has Gulf Power Company made any changes to its methods for projecting
2 fuel expenses for this period?

3 A. No.

4
5 Q. Does the 2004 projection of fuel expenses reflect any major changes in
6 Gulf's fuel procurement program for this period?

7 A. No. Gulf will receive 1.9 million tons of coal under an existing
8 contract with Peabody Coal Sales. The remaining coal requirements will
9 be purchased in the market through the Request for Proposal (RFP)
10 process that has been used by Southern Company Services Fuel as
11 agent for Gulf for many years. Coal will be delivered under existing coal
12 transportation contracts. Natural gas requirements will be purchased from
13 various suppliers using firm quantity agreements with market pricing for
14 base needs and on the daily spot market for peak needs when necessary.
15 Natural gas transportation will be secured using a combination of firm and
16 spot transportation agreements.

17
18 Q. What fuel price hedging programs will be utilized by Gulf to protect the
19 customer from fuel price spikes?

20 A. Natural gas prices will be hedged financially using instruments that
21 conform to Gulf's established guidelines for hedging activity. Coal supply
22 and transportation prices will be hedged physically using term agreements
23 with either fixed pricing or pricing tied to various published market price
24 indexes. This is consistent with Gulf's Risk Management Plan previously
25 filed in this docket.

1 Q. How does the total projected fuel cost for the 2004 period compare to the
2 projected fuel cost for the same period in 2003?

3 A. The total cost of fuel to meet system net generation needs was projected
4 to be \$312,747,000 in 2003. The projected total cost of fuel to meet
5 system net generation needs in 2004 is \$340,227,000. This is an
6 increase of \$27,480,000 or 8.79%. On a fuel cost per MWH basis, the
7 2003 projected cost was \$19.64 per MWH and the 2004 projected fuel
8 cost is \$20.93 per MWH. This is an increase of \$1.29 per MWH or
9 6.57%. The higher fuel costs reflect a significant increase in the projected
10 market price of natural gas and a modest increase in the projected market
11 price of coal.

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13 Q. Mr. Ball, does this complete your testimony?

14 A. Yes, it does.

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Florida Public Service Commission
Docket No. 030001-EI
GULF POWER COMPANY
Witness: H. R. Ball
Exhibit No. _____ (HRB-2)
Schedule 1
Page 1 of 1

**GULF POWER COMPANY
PROJECTED VS ACTUAL FUEL COST OF SYSTEM NET GENERATION**

Cents/KWH Fuel Cost ⁽¹⁾

Period Ending %	Projected	Actual	Difference
March 1994	1.9050	2.0498	7.60
September 1994	1.8662	1.9373	3.81
March 1995	1.8874	2.0388	8.02
September 1995	2.0456	2.0344	(0.55)
March 1996	1.9795	2.0743	4.79
September 1996	2.0405	1.9639	(3.75)
March 1997	1.9282	2.0332	5.45
September 1997	1.9434	1.9431	(0.02)
March 1998	1.8734	1.8647	(0.46)
September 1998	1.5916	1.6361	2.80
December 1999	1.5291	1.5696	2.65
December 2000	1.6048	1.6460	2.57
December 2001	1.5782	1.7218	9.10
December 2002	2.0241	2.0505	1.30
December 2003	1.9638		
December 2004	2.0934		

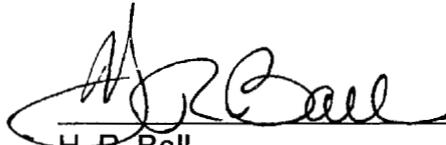
⁽¹⁾ Line No. 1 from FPSC Schedule A-1

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

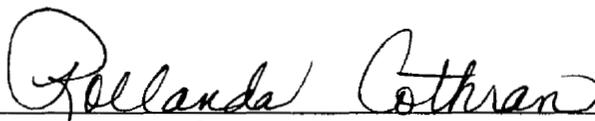
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Before me the undersigned authority, personally appeared H. R. Ball, who being first duly sworn, deposes, and says that he is the Fuel Manager at Gulf Power Company, a Maine corporation, and that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.



H. R. Ball
Fuel Manager

Sworn to and subscribed before me this 12th day of September, 2003



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

