

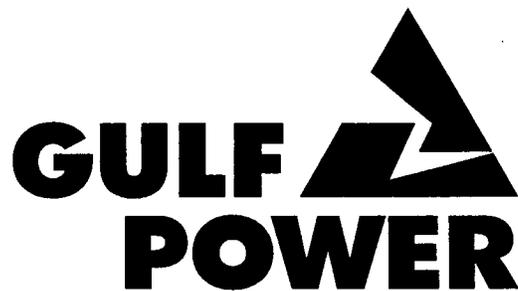
GULF POWER COMPANY

**Before the Florida Public Service
Commission**

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

Docket No. 010001-EI

Date of Filing: September 20, 2001



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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3 Prepared Direct Testimony and Exhibit of

4 Michael F. Oaks

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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.

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 an adequate low cost fuel
25 supply with minimal operational problems.

1 Q. Are you the same Michael F. Oaks who has previously submitted
2 testimony in this proceeding.

3 A. Yes.

4
5 Q. Mr. Oaks, what is the purpose of your testimony in this docket?

6 A. The purpose of my testimony is to support Gulf Power Company's
7 projection of fuel expenses for the period January 1, 2002 through
8 December 31, 2002, to address Issue 11 raised in Order No. PSC-01-
9 1829-PCO-EI of this docket, and to be available to answer any questions
10 that may arise concerning the Company's fuel procurement procedures.

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. Schedule 1
15 of my exhibit is a tabulation of projected and actual fuel cost for the past
16 ten years. The purpose of this schedule is to illustrate the accuracy of our
17 short-term projections of fuel expenses.

18
19 Counsel: We ask that Mr. Oaks' exhibit consisting of one schedule be
20 marked as Exhibit No. _____ (MFO-2).

21
22 Q. Has Gulf Power Company made any changes to its methods in this period
23 for projecting fuel cost?

24 A. No.

25

1 Q. Does the 2002 projection of fuel expenses reflect any major changes in
2 Gulf's fuel purchasing program during this period?

3 A. Yes, the projection for this period includes seven months of natural gas
4 expenses associated with Smith Unit 3 which is scheduled to begin
5 commercial operation on June 1, 2002.

6
7 Q. How much spot market coal does Gulf Power project it will purchase
8 during the January 2002 through December 2002 period.

9 A. We are projecting the purchase of approximately 1,868,775 tons on the
10 spot market. This represents approximately 33.57% of our projected
11 purchase requirements.

12
13 Q. Has Gulf Power taken reasonable steps to manage the risks associated
14 with its fuel transactions through the use of physical and financial hedging
15 practices?

16 A. The strategy employed by Gulf Power for managing these risks has been
17 very reasonable, and effective, as evidenced by our reliability and low
18 rates. The Company has not engaged in financial hedges, but on the
19 physical side, has engaged in certain fixed price fuel supply agreements
20 to meet the requirements of its plants. Gulf Power endeavors to put
21 together a balanced fuel supply portfolio consisting of a mix of spot and
22 long-term contracts at both market and fixed prices. The objective is to
23 produce a cost effective yet highly reliable fuel supply.

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

1 A. Yes.

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

Cents/KWH Fuel Cost (1)

Period Ending	Projected	Actual	Difference %
March 1991	2.1028	2.2128	5.23
September 1991	2.1184	2.1255	0.34
March 1992	1.9524	2.0660	6.84
September 1992	1.9448	2.0401	4.90
March 1993	1.9458	1.9425	(0.17)
September 1993	1.9924	2.0408	2.43
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	-	-
December 2002	2.0242	-	-

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

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STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

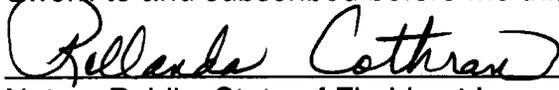
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Before me the undersigned authority, personally appeared Michael F. Oaks, who being first duly sworn, deposes, and says that he is the Fuel Manager at Gulf Power Company, a Maine corporation, and that the foregoing is true and correct to the best of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



Michael F. Oaks
Fuel Manager

Sworn to and subscribed before me this September 18, 2001.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

