

Gulf Power Company
500 Bayfront Parkway
Post Office Box 1151
Pensacola, FL 32520-0770
Telephone 904 444-6365

ORIGINAL
FILE COPY

Jack L. Haskins
Manager of Rates and Regulatory Matters
and Assistant Secretary

the southern electric system

June 27, 1994

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission

ACK ✓ 101 East Gaines Street
AFA 5 Tallahassee, FL 32399-0870

Dear Ms. Bayo:

Enclosed for official filing in Docket No. 940001-EI are an original and fifteen copies of the following:

- 1. Petition of Gulf Power Company for approval of "Final True-up Amounts" and GPIF Adjustment for October, 1994 through March, 1994; estimated true-up for April, 1994 through September, 1994; projected fuel factor for October, 1994 through March, 1995; and the GPIF targets and ranges for October, 1994 through March, 1995.
- 2. Prepared direct testimony and exhibit of M. L. Gilchrist.
- 3. Prepared direct testimony and exhibit of G. D. Fontaine.
- 4. Prepared direct testimony and exhibit of M. W. Howell.
- 5. Prepared direct testimony and exhibit of S. D. Cranmer.

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Schedule E-1: Fuel and Purchased Power Cost Recovery Clause Calculation
E-1a, E-1b, E-1c, E-1d, E-1e

Schedule E-2: Fuel and Purchased Power Cost Recovery Clause Calculation

Schedule E-3: Generating System Comparative Data by Fuel Type

Schedule E-4: Electric Energy Account

Schedule E-5: System NET GENERATION AND FUEL COST

RECEIVED
BUREAU OF RECORDS

Cranmer
Revised Est. Sch 1
DOCUMENT NUMBER-DATE 06316 JUN 27 94
Test. Cranmer
DOCUMENT NUMBER-DATE 06315 JUN 27 94
Test. M.W. Howell
DOCUMENT NUMBER-DATE 06314 JUN 27 94
Test. G.D. Fontaine
DOCUMENT NUMBER-DATE 06313 JUN 27 94

FPSC-RECORDS/REPORTING

Test. Gilchrist
DOCUMENT NUMBER-DATE
06312 JUN 27 94

Petition
DOCUMENT NUMBER-DATE
06311 JUN 27 94

FPSC-RECORDS/REPORTING

Ms. Blanca S. Bayo
June 27, 1994
Page Two

- Schedule E-6: System Generated Fuel Cost Inventory Analysis
- Schedule E-7: Power Sold
- Schedule E-7a: Economy Energy Sales and Profits
- Schedule E-8: Purchased Power (Exclusive of Economy Energy Purchases)
- Schedule E-9: Economy Energy Purchases
- Schedule E-10: Residential Bill Comparison for Monthly Usage of 1000 KWH
- Schedule E-11: KWH Sales and Customer Data
- Schedule 12: As-Available Avoided Energy Cost
- Schedule 13: Contract Recovery Calculations
- Schedule H1: Page 1 Generating System Comparative Data by Fuel Type
Page 2 Electric Energy Account
Page 3 KWH Sales and Customer Data
- Schedule CCE-1: Purchased Power Capacity Payments/ (Receipts)
CCE-1A
CCE-1B
- Schedule CCE-2: Calculation of Purchased Power Capacity Cost Recovery Factor

Also enclosed are revised schedules and revised pages for the true-up testimony of S. D. Cranmer previously submitted May 19, 1994. During the course of preparing the estimated true-up for the current period, we discovered an error in the true-up filing which has resulted in these revisions. *X-2/ DN 04942-94*

Also enclosed is a 3.5 inch double sided, high density diskette containing the Petition in WordPerfect 5.1 format as prepared on a MS-DOS based computer.

Sincerely,

Jack L Hashins

lw

Enclosures

Ms. Blanca S. Bayo
June 27, 1994
Page Three

bc: S. D. Cranmer
T. A. Davis
G. D. Fontaine
M. L. Gilchrist
G. E. Holland, Jr.
M. W. Howell
W. B. Mills
J. A. Stone
C. R. Wilson

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clause with Generating) Docket No. 940001-EI
Performance Incentive Factor)
)

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail the 27th day of June, 1994 on the following:

Martha Brown, Esq.
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0850

Jack Shreve, Esq.
Office of Public Counsel
111 W. Madison Street
Suite 312
Tallahassee, FL 32399-1300

James McGee, Esq.
Florida Power Corporation
P. O. Box 14042
St. Petersburg, FL 33711

Matthew M. Childs, Esq.
Steel, Hector & Davis
215 South Monroe, Suite 601
Tallahassee, FL 32301-1804

Joseph A. McGlothlin, Esq.
McWhirter, Grandoff & Reeves
315 S. Calhoun St., Suite 716
Tallahassee, FL 32301

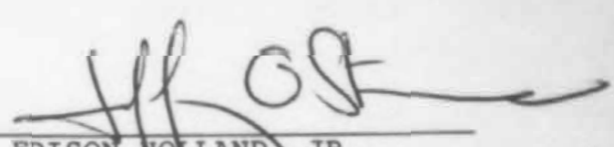
Suzanne Brownless, Esq.
2546 Blairstone Pinea Drive
Tallahassee FL 32301

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

Floyd R. Self, Esq.
Messer, Vickers, Caparello,
French and Madsen
P. O. Box 1876
Tallahassee, FL 32302-1876

David M. Kleppinger, Esq.
McNees, Wallace & Nurick
100 Pine Street
P. O. Box 1166
Harrisburg PA 17108-1166

Mark K. Logan, Esq.
Bryant, Miller and Olive, P.A.
201 S. Monroe St., Suite 500
Tallahassee FL 32301


G. EDISON MOLLAND, JR.
Florida Bar No. 261599
JEFFREY A. STONE
Florida Bar No. 323953
TERESA E. LILES
Florida Bar No. 510998
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32576
(904) 432-2451
Attorneys for Gulf Power Company

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GULF POWER COMPANY

Before the Florida Public Service Commission

Prepared Direct Testimony of

M. L. Gilchrist

Docket No. 940001-EI

Date of Filing June 27, 1994

DOCUMENT NUMBER-DATE
06312 JUN 27 1994
FPSC-RECORDS/REPORTING

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Prepared Direct Testimony of

4 M. L. Gilchrist

5 Docket No. 940001-EI

6 Date of Filing June 27, 1994

7 Q. Please state your name and business address.

8 A. My name is M. L. Gilchrist, and my business address is 500 Bayfront
9 Parkway, Pensacola, Florida, 32520-0328.

10 Q. By whom are you employed and in what capacity?

11 A. I am Manager of Fuel and Environmental Affairs for Gulf Power Company.
12

13 Q. Mr. Gilchrist, will you please describe your education and experience?

14 A. I graduated from Auburn University in 1958 with a Bachelor of Science
15 Degree in Electrical Engineering. I joined Gulf Power Company in 1961 as a
16 Field Engineer. Since then, I have held various positions with the Company,
17 including Power Sales Engineer, Division Sales Supervisor, Division
18 Engineer, Supervisor of Fuel Supply, Assistant Plant Manager at Crist
19 Electric Generating Plant, and Manager of Interchange and Fuel Supply. I
20 was promoted to my present position June 1, 1989.
21

22 Q. What are your duties as Manager of Fuel and Environmental Affairs?

23 A. I manage the fuel supply and environmental compliance activities of the
24 Company. My responsibilities include fuel procurement, fuel contract
25 administration, and fuel budgeting.

1 Q. Are you the same Lane Gilchrist who has previously testified before this
2 Commission on various fuel matters?

3 A. Yes.
4

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

6 A. The purpose of my testimony is to support Gulf Power Company's projection
7 of fuel expenses for the period October 1, 1994 to March 31, 1995 and to be
8 available to answer any questions that may occur concerning the Company's
9 fuel procurement. I will also support the calculations of net fuel savings
10 achieved as a result of the 12-month suspension of deliveries under Gulf's
11 previous long term coal supply agreement with Peabody Coal Company.
12

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

15 A. Yes. I have prepared an exhibit consisting of two schedules. Schedule 1 of
16 my exhibit is a tabulation of projected and actual fuel cost for the past ten
17 years. The purpose of this schedule is to illustrate the accuracy of our short
18 term projections of fuel and purchase power expenses. I will describe the
19 contents of Schedule 2 later in my testimony.
20

21 COUNSEL: We ask that Mr. Gilchrist's exhibit, consisting of two schedules,
22 be marked as Exhibit No. _____ (MLG-2).
23
24
25

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

3 A. No.
4

5 Q. Will there be any major changes in Gulf's fuel purchasing program during this
6 period?

7 A. Yes. Gulf Power has completed negotiations with Peabody COALSALES
8 concerning changes in Gulf's long term coal supply prompted by the
9 requirements under Phase I of the Clean Air Act. These negotiations have
10 resulted in termination of the old agreement with Peabody Coal Company
11 and in a new agreement for a coal supply that will allow the Company to meet
12 the requirements for Phase I. Peabody COALSALES will supply a blend of
13 Venezuelan and Illinois coal sufficiently low in sulfur content to ensure
14 compliance with Phase I of the Clean Air Act. The delivered cost of this new
15 agreement coal is less than it would have been under the old agreement with
16 Peabody Coal Company, and is included in this projection.
17

18 Q. What is the significance of the new agreement to Gulf Power's Clean Air Act
19 compliance strategy?

20 A. Gulf Power's Clean Air Act compliance plan is to switch to lower sulfur coal to
21 meet the requirements of Phase I. Gulf Power was able to negotiate with
22 Peabody COALSALES for a lower sulfur coal for Plant Crist at no additional
23 cost over the coal supplied under the prior agreement with Peabody Coal
24 Company. In addition, the coal offered to Gulf by Peabody is sufficiently low
25 in sulfur so that the Company will be able to build a bank of SO₂ allowances
26 for future compliance.

1

2 Q. When will deliveries under the new Peabody agreement begin?

3 A. Deliveries are scheduled to begin in July 1994 following the conclusion of the
4 suspension period under the Peabody Suspension Agreement that was
5 entered into last summer. This suspension occurred as a result of non-
6 permanent force majeure conditions relating to a UMW strike and conditions
7 on the river.

8

9 Q. What net savings has the Company achieved for its customers through this
10 suspension agreement and the purchase of replacement coal from the spot
11 market?

12 A. We have now shipped and received almost all the replacement coal tonnage
13 even though all of the accounting will probably not be completed until August.
14 The total net savings, subject to minor adjustments will be \$14,479,865. At
15 the time the decision to enter into the Suspension Agreement was made, we
16 projected savings of \$12,358,227.

17

18 Q. Is there a schedule in your exhibit that shows how the suspension agreement
19 net savings were determined.

20 A. Yes. Schedule 2 of my exhibit is a compilation of the suspension agreement
21 net savings as of this date.

22

23 Q. How much spot market coal does Gulf project it will purchase during the
24 October 1994 through March 1995 period?

25 A. We are projecting the purchase of approximately 1,549,901 tons. This
26 represents approximately 62% of our projected purchase requirements.

1 Q. Mr. Gilchrist, does this conclude your testimony?

2 A. Yes.

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STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

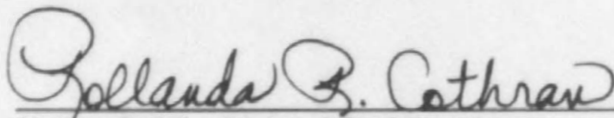
Docket No. 940001-EI

Before me the undersigned authority, personally appeared M. L. Gilchrist, who being first duly sworn, deposes, and says that he is the Manager of Fuel and Environmental Affairs of 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.



M. L. Gilchrist
Manager of Fuel and Environmental Affairs

Sworn to and subscribed before me this 14th day of June, 1994.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:



Docket No. 940001-EI
Witness: M. L. Gilchrist
June 27, 1994

Exhibit No. _____ (MILG-2)
Schedule 1
Page 1 of 1

GULF POWER COMPANY
PROJECTED VS ACTUAL FUEL COST OF GENERATED POWER

| <u>Period Ending</u> | <u>¢/KWH Fuel Cost</u> | | <u>Difference %</u> |
|----------------------|------------------------|---------------|---------------------|
| | <u>Projected</u> | <u>Actual</u> | |
| September 1984 | 2.7622 | 2.5624 | (7.23) |
| March 1985 | 2.6374 | 2.6345 | (0.11) |
| September 1985 | 2.7962 | 2.6853 | (3.97) |
| March 1986 | 2.7203 | 2.6697 | (1.86) |
| September 1986 | 2.6052 | 2.5236 | (3.13) |
| March 1987 | 2.2856 | 2.3190 | 1.46 |
| September 1987 | 2.3348 | 2.0639 | (11.60) |
| March 1988 | 1.9588 | 1.8008 | (3.12) |
| September 1988 | 1.8360 | 1.8160 | (1.09) |
| March 1989 | 1.9630 | 1.9056 | (2.92) |
| September 1989 | 2.0260 | 2.0724 | 2.29 |
| March 1990 | 1.9688 | 1.9930 | 1.23 |
| September 1990 | 2.0672 | 2.1840 | 5.65 |
| March 1991 | 2.1028 | 2.2126 | 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 | 1.8660 | - | - |
| March 1995 | 1.8874 | - | - |

GULF POWER COMPANY
UPDATED PROFORMA ANALYSIS OF THE 'ONGOING BENEFITS TEST'
PEABODY COAL SUSPENSION AGREEMENT
 July, 1983 - June, 1984

| (1) | SAVINGS | | | | | REPLACEMENT COAL | | DIFFERENCE | | COSTS | | BENEFITS | | |
|---------------|--------------------------------|-------------|----------------|-------------------|---------------------|------------------------------------|-------------------|---------------------|-----------------------|-------------------------|-------------------------------|-------------------|---------------------|--------------------|
| | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) |
| | PEABODY COAL FOR CRIST & SMITH | | | | | REPLACEMENT COAL FOR CRIST & SMITH | | | | SUSPENSION AMORTIZATION | | NET SAVINGS | | |
| Exp Mo./ Yr. | Peabody Tons | F.O.B. Mine | Average Tramp. | Total Del. \$/Ton | Monthly Total Cost | Total Tons | Total Del. \$/Ton | Total Del. Cost | Monthly Savings (8-9) | Cumulative Savings | Monthly Amort. (1/12 ea. mo.) | Cumulative Amort. | Monthly (10-12) | Cumulative (11-13) |
| 7/83 | 145,174.50 | \$39.57 | 0.00 | \$48.88 | 7,084,191 | 145,174.50 | \$32.19 | \$4,672,749 | \$2,391,442 | \$2,391,442 | \$1,365,785.25 | \$1,365,785 | \$1,025,657 | \$1,025,657 |
| 8/83 | 145,174.50 | 39.57 | 0.00 | \$48.88 | 7,084,191 | 145,174.50 | \$32.77 | 4,758,025 | 2,308,188 | 4,097,808 | 1,365,785.25 | 2,731,571 | 940,381 | 1,966,038 |
| 9/83 | 145,174.50 | 39.57 | 0.00 | \$48.88 | 7,084,191 | 145,174.50 | \$33.67 | 4,888,254 | 2,175,937 | 8,873,545 | 1,365,785.25 | 4,097,356 | 810,152 | 2,776,189 |
| 10/83 | 145,174.50 | 39.81 | 0.00 | \$48.90 | 7,099,033 | 145,174.50 | \$32.41 | 4,705,479 | 2,393,554 | 9,267,099 | 1,365,785.25 | 5,463,141 | 1,027,769 | 3,803,958 |
| 11/83 | 145,174.50 | 39.81 | 0.00 | \$48.90 | 7,099,033 | 145,174.50 | \$33.86 | 4,915,008 | 2,184,025 | 11,451,124 | 1,365,785.25 | 6,828,926 | 818,240 | 4,622,198 |
| 12/83 | 145,174.50 | 39.81 | 0.00 | \$48.90 | 7,099,033 | 145,174.50 | \$33.34 | 4,840,321 | 2,258,712 | 13,709,836 | 1,365,785.25 | 8,194,712 | 892,927 | 5,515,125 |
| 1/84 | 158,333.33 | 40.18 | 9.30 | \$49.48 | 7,834,459 | 158,333.33 | \$33.58 | 5,316,298 | 2,518,161 | 16,227,997 | 1,365,785.25 | 9,560,497 | 1,152,376 | 6,667,500 |
| 2/84 | 158,333.33 | 40.18 | 9.30 | \$49.48 | 7,834,459 | 158,333.33 | \$31.69 | 5,018,387 | 2,816,002 | 19,044,099 | 1,365,785.25 | 10,926,282 | 1,450,307 | 8,117,807 |
| 3/84 | 158,333.33 | 40.18 | 9.30 | \$49.48 | 7,834,459 | 158,333.33 | \$30.98 | 4,902,027 | 2,832,432 | 21,976,521 | 1,365,785.25 | 12,292,067 | 1,566,647 | 9,684,454 |
| 4/84 | 158,333.33 | 40.49 | 9.30 | \$49.79 | 7,883,542 | 158,333.33 | \$30.37 | 4,808,621 | 3,074,921 | 25,051,442 | 1,365,785.25 | 13,657,853 | 1,709,136 | 11,393,590 |
| 5/84 | 158,333.33 | 40.49 | 9.30 | \$49.79 | 7,883,542 | 158,333.33 | \$32.24 | 5,104,547 | 2,778,995 | 27,830,437 | 1,365,785.25 | 15,023,638 | 1,413,210 | 12,806,799 |
| 6/84 | 158,333.33 | 40.49 | 9.30 | \$49.79 | 7,883,542 | 158,333.33 | \$30.60 | 4,844,691 | 3,038,851 | 30,869,288 | 1,365,785.25 | 16,389,423 | 1,673,066 | 14,479,865 |
| Totals | 1,821,046.98 | | | | \$99,643,675 | 1,821,046.98 | | \$58,774,386 | \$30,869,288 | | \$16,389,423.00 | | \$14,479,865 | |

Note: Prior to the suspension agreement, Peabody coal was scheduled to be delivered in specific, monthly increments. Replacement coal is received on a less regular schedule. As a result, the tons listed in column (7) are not necessarily received by the Company in the specific month indicated in column (1). This tabulation reflects actual costs for the first 1,821,046.98 tons of replacement coal based on actual receipts through May 1984.

Docket No. 940001-EI
 Witness: M. L. Gilchrist
 June 27, 1994
 Exhibit No.
 Schedule 2
 Page 1 of 1

 (MLG-2)