

In Transit Details

- ◆ Tons are not used to calculate in-transit, strictly dollars – a three year actual/historical average monthly percent of in-transit to inventory is used to calculate in-transit budget dollars (Test Year Calculation attached). Scherer 3 in-transit is backed out by Financial Planning to come up with the requested amount:
 - \$13,130,000 – \$147,000 (Scherer 3) = \$12,983,000
 - Our MFR B-17a for total company includes Scherer in the in-transit amount (\$13,130,000) it is not broken out – Financial Planning comes up with these dollars
- ◆ This in-transit request is based on actual cost-experience relative to the tons of inventory, not a modeled result
- ◆ Value of coal in-transit equates to 337,545 tons (back-calculated using the 13-month test year average ending inventory \$/ton for Crist/Smith/Scholz/Daniel).
- ◆ Additional tons in-transit (172,661 tons at projected value) attributed to the following factors:
 - Lower stockpiles held at plants coupled with higher capacity factors and much higher burn than in previous rate case requires more coal in-transit to keep up with burn and maintain stockpiles
 - Lower stockpiles at plants requires more coal temporarily held at transfer facilities that are closer to the plant and subject to fewer transportation sector interruptions
 - Diversification of Gulf's coal source regions to offshore coal from Colombia, Venezuela and Australia requires more coal in-transit. One vessel is about 70,000 tons, and Gulf can have two or more vessels in-transit during any given month
 - Plant Daniel's switch from Central Appalachian coal to lower-priced western coal as a primary source since the last rate case has also had an impact on in-transit because of the increased distance/transit cycle time and lower heating value

In Transit Details

- ◆ Gulf's in-transit working capital request is \$ 5,230,000 more than the previously approved amount
- ◆ Previously approved amount = \$7,753,000 or 164,884 tons
- ◆ Requested this rate case = \$12,983,000
- ◆ Tons are not used to calculate in-transit, strictly dollars – a three year actual/historical average monthly percent of in-transit to inventory is used to calculate in-transit budget dollars (Test Year Calculation attached). Scherer 3 in-transit is backed out by Financial Planning to come up with the requested amount:
 - \$13,130,000 – \$147,000 (Scherer 3) = \$12,983,000
 - Our MFR B-17a for total company includes Scherer in the in-transit amount (\$13,130,000) it is not broken out – Financial Planning comes up with these dollars
- ◆ This in-transit request is based on actual cost-experience relative to the tons of inventory, not a modeled result
- ◆ Value of coal in-transit equates to 337,545 tons (back-calculated using the 13-month test year average ending inventory \$/ton for Crist/Smith/Scholz/Daniel.
- ◆ Additional tons in-transit (172,661 tons at projected value) attributed to the following factors:
 - Lower stockpiles held at plants coupled with higher capacity factors and much higher burn than in previous rate case requires more coal in-transit to keep up with burn and maintain stockpiles
 - Lower stockpiles at plants requires more coal temporarily held at transfer facilities that are closer to the plant and subject to fewer transportation sector interruptions
 - Diversification of Gulf's coal source regions to offshore coal from Colombia, Venezuela and Australia requires more coal in-transit. One vessel is about 70,000 tons, and Gulf can have two or more vessels in-transit during any given month
 - Plant Daniel's switch from Central Appalachian coal to lower-priced western coal as a primary source since the last rate case has also had an impact on in-transit because of the increased distance/transit cycle time and lower heating value
- ◆ Total request for Working Capital relative to coal has actually decreased (\$5,007,502) since the last rate case:
 - Previous approved amount was:
\$37,000,502 (stockpile) + \$7,753,000 (in-transit) = \$44,753,502 (total approved)
784,887 tons (stockpile) + 164,884 tons (in-transit) = 949,771 tons
 - Current requested amount is:
\$26,763,000 (stockpile) + \$12,983,000 (in-transit) = \$39,746,000 (total request)
695,829 tons (stockpile) + 337,545 tons (in-transit) = 1,033,374 tons

IN -TRANSIT COAL

	<u>Dollars</u>	<u>\$/Ton</u>	<u>Calculated Tons In-Transit</u>	<u>Average Monthly Burn Tons</u>	
Previously Allowed	\$ 7,753,000	47.02	164,884.00	293,047	
Current Request	\$ 12,983,000	38.46	337,545.17	405,603	>38% Increase
Difference	\$ 5,230,000		172,661.17		

Requested In-transit Dollars are calculated by applying a historical 3 year monthly average in-transit/stockpile factor to the requested stockpile dollars to come up with needed in-transit

TOTAL IN-TRANSIT PLUS STOCKPILE

	<u>Stockpile</u>		<u>In-Transit</u>		<u>Total</u>		
	<u>Dollars</u>	<u>Tons</u>	<u>Dollars</u>	<u>Tons</u>	<u>Dollars</u>	<u>Tons</u>	
Previously Allowed	\$ 37,000,502	784,887	\$ 7,753,000	164,884	\$44,753,502	949,771	
Current Request	\$ 26,763,000	695,829	\$ 12,983,000	337,545	\$39,746,000	1,033,374	>9%increase
	\$ (10,237,502)	(89,058)	\$ 5,230,000	172,661	\$ (5,007,502)	83,603	

>In-transit must roughly approximate burn (fuel handling strategy = minimize stockout/reclaim)

>For coal, current request is \$5 million less in total, even though in-transit is more

>Burn has increased 37%, vs. request - only 9% more on total ton basis

>More diverse supply = more in-transit - added Australia, South America, Western U.S.

>Vessel coal = more in-transit->70K tons/vessel @month or more transit time plus more stored at transfer facilities

DANIEL & SCHERER IN TRANSIT

MONTH	DANIEL \$	SCHERER \$
JAN 09	\$ 1,051,416.12	\$ 406,413.78
FEB 09	\$ 1,984,020.57	\$ 440,418.49
MAR 09	\$ 1,353,702.44	\$ 479,977.07
APR 09	\$ 784,443.18	\$ 277,744.25
MAY 09	\$ 2,196,098.86	\$ 375,580.87
JUN 09	\$ 1,621,890.44	\$ 335,100.46
JUL 09	\$ 1,651,341.08	\$ 352,730.99
AUG 09	\$ 5,384,063.94	\$ 246,602.16
SEP 09	\$ 2,679,363.69	\$ 222,625.68
TOTAL	\$ 2,078,482.26	\$ 348,577.08
	\$ 2.100	\$ 0.350