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 <u>decreased</u> (\$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

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

	Stock	Stockpile		In-Transit		Total	
	<u>Dollars</u>	<u>Tons</u>	<u>Dollars</u>	<u>Tons</u>	<u>Dollars</u>	Tons	
Previously Allowed	\$ 37,000,502	784,887	\$ 7,753,000	164,884	\$44,753,502	949,771	>9%increase
Current Request	\$ 26,763,000	695,829	\$ 12,983,000	337,545	\$39,746,000	1,033,374	>570micreuse
	\$ (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

Estimated in-Transit Calculation for Test Year 6/01-5/02 Inclusive of 2001, 2002 and 2003:

Jan-01 Eab_01 Mar_01 Aor_01 May_01 Jun_01 Jul_01 Abr_01 Sep_01 Oct-01 Nov_01 Dec_01 \$ 35,412,097 \$ 35,539,238 \$ 32,563,325 \$ 31,538,718 \$ 31,006,504 \$ 30,363,339 \$ 29,882,118 \$ 29,292,475 \$ 29,326,130 \$ 31,099,355 \$ 31,577,417 0.504520176 0.512256478 0.436410055 0.475596269 0.463819841 0.438496045 0.447643867 0.469724145 0.430907411 0.456146932 0.363934718 0.361478666 \$ 17,866,117 \$ 18,256,431 \$ 14,451,409 \$ 15,463,514 \$ 14,628,283 \$ 13,596,229 \$ 13,591,962 \$ 14,036,352 \$ 12,622,345 \$ 13,650,712 \$ 11,318,135 \$ 11,414,563	Jan-02 Feb-02 Mar-02 Apr-02 May-02 Jun-02 Jun-02 Apr-02 Sep-02 Oct-02 Nov-02 Dec-02 \$ 31,374,132 \$ 32,046,764 \$ 32,034,341 \$ 31,593,356 \$ 30,646,770 \$ 29,703,746 \$ 28,949,923 \$ 28,141,241 \$ 27,737,892 \$ 28,115,617 \$ 28,478,191 \$ 28,808,741 0.504620178 0.512256478 0.435410055 0.475598269 0.463819841 0.438496045 0.447643867 0.469724145 0.430907411 0.456146932 0.363934718 0.361478666 \$ 15,828,883 \$ 16,416,162 \$ 14,044,177 \$ 15,025,682 \$ 14,214,580 \$ 13,024,975 \$ 12,959,255 \$ 13,218,620 \$ 11,952,463 \$ 12,824,852 \$ 10,384,202 \$ 10,343,745	\$29,034,533 \$ 29,559,345 \$ 30,019,999 \$ 30,664,809 \$ 30,563,692 \$ 29,11,817 \$ 29,219,790 \$ 28,462,828 \$ 27,941,934 \$ 28,328,482 \$ 28,714,256 \$ 29,005,555 \$ 20,003,695 \$ 30,019,999 \$ 30,664,809 \$ 30,563,692 \$ 29,11,817 \$ 29,219,790 \$ 28,462,828 \$ 27,941,934 \$ 28,328,482 \$ 28,714,256 \$ 29,005,555 \$ 0.564520178 \$ 0.512256478 \$ 0.436410055 \$ 0.475598269 \$ 0.483819841 \$ 0.48643867 \$ 0.486724145 \$ 0.430907411 \$ 0.466148932 \$ 0.56334718 \$ 0.381478666 \$ 14,648,608 \$ 14,684,009 \$ 14,176,047 \$ 13,116,213 \$ 13,080,060 \$ 13,369,678 \$ 12,040,386 \$ 12,921,950 \$ 10,460,115 \$ 10,484,889		\$30,846,770 \$ 29,703,746 \$ 28,949,923 \$ 28,141,241 \$ 27,737,892 \$ 28,115,617 \$ 28,478,191 \$ 28,808,741 \$ 29,034,533 \$ 29,559,345 \$ 30,019,999 \$ 30,664,809 \$ 30,563,692 0.463819841 0.438496045 0.438496045 \$ 12,959,245 \$ 11,952,463 \$ 12,328,663 \$ 11,952,463 \$ 11,952,	
35,639,238 \$ 32,366 0.512256478 0.4384 18,256,431 \$ 14,45	92 Mar-92 32,046,764 \$ 32,03 0.512256478 0.4384 16,416,162 \$ 14,04	03 Mar-03 29,559,345 \$ 30,011 0.512256478 0.4384 15,141,986 \$ 13,16		02 Jul-02 29,703,746 \$ 28,94 0.438496045 0.4476 13,024,975 \$ 12,95	***
\$ 35,412,097 \$ 0.504520176 \$ 17,866,117 \$	Jan.02 E9b \$ 31,374,132 \$ 0.504620176 \$ 15,828,883 \$	Jan. 03 Esp. \$ 29,034,533 \$ 0.504520176 \$ 14,648,508 \$		May-02 Jun: \$ 30,646,770 \$ 0,463819841 \$ 14,214,580 \$	
Proposed Stock in-transit Factor in-transit	Proposed Stock In-transit Factor In-transit	Proposed Stock In-transit Factor in-transit	Tout Year	Proposed Stock In-transit Factor In-transit	

Includes Scherer.

\$12,983,000

Scheer \$147,000 =

Sco

\$ 13,130,000

3 years Historical Stockpile

3 years Historical In-Transit

- In transit fector =

DANIEL & SCHERER IN TRANSIT

MONTH	DANIEL \$	5	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