

Gulf Power Company
500 Bayfront Parkway
Post Office Box 1151
Pensacola FL 32520-1151
Telephone 904 444-6206

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Warren E. Tate
Secretary and Treasurer

March 8, 1994

Mr. Steve Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee FL 32399-0870

Dear Mr. Tribble:

RE: Docket No. 940001-EI

X-24 DN 12278-93

Pursuant to action taken at the prehearing conference,
enclosed is the revised true-up testimony of M. L. Gilchrist
for official filing in this docket. This testimony as
revised is to be inserted into the record of the fuel
hearing scheduled for March 9, 1994 in lieu of the original
testimony dated November 15, 1993.

Sincerely,

WE Tate

- ACK lw
- AFA lw
- APP _____ Enclosures
- CAF _____
- CMU _____ cc: Beggs and Lane
- CTR _____ Jeffrey A. Stone, Esq.
- EAS** _____ Gulf Power Company
- LEG 1 _____ Jack L. Haskins
- LIN *orig x4* _____ Parties of Record
- CPC _____
- RCM _____
- SEC 1 _____
- WAS _____
- OTH _____

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MAR 9 1994
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DOCUMENT NUMBER-DATE
02255 MAR-94
FPSC-RECORDS/REPORTING

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GULF POWER COMPANY

Before the Florida Public Service Commission

Prepared Direct Testimony of

M. L. Gilchrist

Docket No. 930001-EI

Date of Filing: November 15, 1993

As Revised March 4, 1994

DOCUMENT NUMBER-DATE

02255 MAR-94

FPSC-RECORDS/REPORTING

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GULF POWER COMPANY

Before the Florida Public Service Commission

Prepared Direct Testimony of

M. L. Gilchrist

Docket No. 930001-EI

Date of Filing: November 15, 1993 (as revised March 4, 1994)

Q. Please state your name and business address.

A. My name is Malcolm Lane Gilchrist and my business address is 500 Bayfront Parkway, Post Office Box 1151, Pensacola, Florida 32520-0328.

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

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

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

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

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

2 A. I manage the fuel supply and environmental compliance activities of the
3 Company. My responsibilities include fuel procurement, contract
4 administration, and budgeting.

5

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

8 A. Yes.

9

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

11 A. The purpose of my testimony is to summarize Gulf Power Company's fuel
12 expenses and to certify that these expenses were properly incurred during
13 the period April, 1993 through September, 1993. Also, it is my intent to be
14 available to answer any questions that may arise among the parties to this
15 docket concerning Gulf Power Company's fuel expenses.

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 consisting of one Schedule.

20

21 Counsel: We ask that Mr. Gilchrist's exhibit consisting of 1 schedule
22 be marked as

23 Exhibit No. _____ (MLG-1).

24

25

1 Q. During the period April 1, 1993 through September 30, 1993, how did
2 Gulf's actual fuel expenses compare with the budget or projected
3 expenses?

4 A. Gulf's actual fuel expense was \$113,441,915 as compared with the
5 projected amount of \$112,212,493, or over our estimate by 1.10%. The
6 total fuel cost per KWH generated was 2.0408¢/KWH or 2.43% over the
7 projected amount of 1.9924¢/KWH. However, Gulf Power's total fuel and
8 net power transactions were right on the forecast at 2.0918 ¢/kwh or
9 0.02% over. The fuel cost of power sales was 69.7% over budget,
10 indicating that the above average cost fuel was for energy sold off the
11 system.

12
13 Q. How did the projected purchase cost of coal compare with the actual
14 cost?

15 A. For the period, Gulf's average unit cost of coal purchased was 4.23%
16 more than projected.

17
18 Q. Mr. Gilchrist, did Gulf Power make any significant changes in its fuel
19 purchasing program during the six months ending September, 1993?

20 A. Yes. An extensive amount of coal testing was carried out at both Plant
21 Crist and Plant Daniel in order to establish new coal sources. In addition,
22 due to a number of circumstances (including a strike by the United Mine
23 Workers of America and the effects of the Clean Air Act Amendments of
24 1990 on Gulf's fuel needs), a contract suspension agreement was
25

1 executed with the Peabody Coal Company for the period July 1, 1993
2 through June 30, 1994.

3
4 Q. What coal supply changes are taking place at Plant Daniel?

5 A. Plant Daniel has been testing a number of Powder River Basin (PRB) and
6 other western low sulfur coals during the past year. The goal has been to
7 establish a new, lower cost coal supply. The current plan that is under
8 development is called a seasonal PRB fuel program. During the off peak
9 season, when full plant capacity is not normally needed, the plant will burn
10 lower cost PRB coal. During the peak season, when full plant capacity is
11 required, the plant will burn high Btu western coal.

12
13 Q. Do you mean that Plant Daniel will operate below its rated capacity on
14 PRB coal?

15 A. Yes. Plant Daniel is unable to reach its rated capacity while burning PRB
16 coals. However, high Btu coal will be stockpiled so that the units can be
17 changed over within 8-10 hours and achieve full capacity if needed. As
18 the plant gains experience in burning the PRB coal, we expect the plant to
19 increase its capacity. Plant Daniel will be transitioning to the seasonal
20 PRB coal supply during 1994.

21
22 Q. How much spot coal did Gulf Power Company purchase during the period
23 ending September 30, 1993?

24 A. Gulf purchased 850,193 tons or 52% of its supply from the spot coal
25 market. My Schedule 1 of Exhibit No. _____ (MLG-1) consists of a

1 list of contract and spot coal suppliers for the period ending
2 September 30, 1993.

3
4 Q. How are coal prices determined under Gulf's long-term contracts?

5 A. Under all of Gulf's long-term coal contracts, Gulf pays a base price per ton
6 plus cost escalations that have occurred since the coal contract began.
7 The base price with cost escalations type contract is a long term
8 agreement on quantity, quality, and escalation factors that provides the
9 buyer with an assured source of coal of known quality. The price of coal
10 supplied under this type of contract will not go up and down with current
11 market conditions.

12
13 Q. Should Gulf's fuel purchase cost for the period be accepted as reasonable
14 and prudent?

15 A. Yes. Gulf's coal purchases were primarily either from coal vendors with
16 long term contracts subject to cost escalations or from a competitively bid
17 spot purchase order. These coal vendors were selected by procedures
18 designed to provide an assured quantity of coal of a known quality for a
19 specific term at the lowest available delivered cost. Gulf has administered
20 the provisions of these contracts and purchase orders appropriately. All
21 of Gulf's oil purchases were from oil vendors selected by open bids to
22 insure the most economical price of oil.

23
24 Q. Mr. Gilchrist, does this conclude your testimony?

25 A. Yes.

GULF POWER COMPANY
COAL SUPPLIERS
April 1, 1993 - September 30, 1993

<u>Purchases</u>	<u>Tons Received</u>
<u>CONTRACT</u>	
PEABODY COAL COMPANY	550,652
GOLDEN OAK MINING CO	<u>224,549</u> (1)
CONTRACT SUB TOTAL	775,201
<u>SPOT MARKET PURCHASES</u>	
AGIP COAL SALES	122,023
ANDALEX RESOURCES	31,920
ARCLAR COMPANY	61,196
CLARENDON	56,885
COAL SALES	58,395
CSV, INC	9,791
FRANKLIN COAL SALES	57,724
FREEMAN COAL	109,793
KERR MCGEE	128,540
PHIBRO ENERGY	62,971
TAFT COAL CO	12,097
BASIN RESOURCES	11,081 (1)
CYPRUS WESTERN	22,057 (1)
DECKER COAL	70,813 (1)
MOUNTAIN COAL	<u>34,907</u> (1)
SPOT SUB TOTAL	850,193
TOTAL	<u>1,625,394</u>

(1) Gulf Power Company's portion of the Plant Daniel Supply.