

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

the southern electric system

November 16, 1995

**ORIGINAL
FILE COPY**

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 950001-EI

Enclosed for official filing in the above docket are an original and fifteen (15) copies of the following:

- 1. Prepared direct testimony and exhibit of S. D. Cranmer. 11500-95
- 2. Prepared direct testimony and exhibit of M. L. Gilchrist. 11501-95
- 3. Prepared direct testimony and exhibit of G. D. Fontaine. 11502-95
- 4. Prepared direct testimony of M. W. Howell. (picked up by Gary Livingston per instructions to Jack Haskins)

Sincerely,

Jack L. Haskins

lw

Enclosures

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clause with Generating)
Performance Incentive Factor)

Docket No. 950001-E1

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 16th day of November 1995 on the following:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

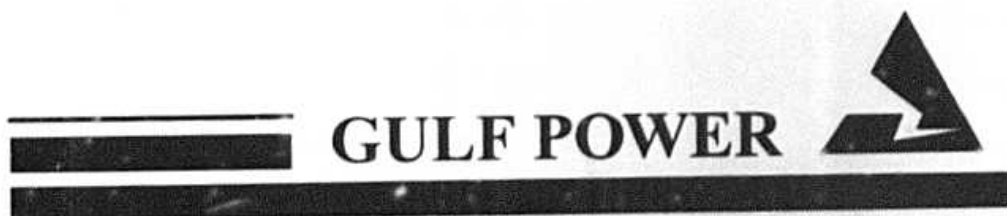
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DOCKET NO. 950001-EI

PREPARED DIRECT TESTIMONY
OF
M. L. GILCHRIST

FUEL COST RECOVERY AND
PURCHASED POWER CAPACITY COST RECOVERY

FINAL TRUE-UP
NOVEMBER 17, 1995



DOCUMENT NUMBER-DATE

11501 NOV 17 95

FPSC-RECORDS/REPORTING

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Prepared Direct Testimony of

4 M. L. Gilchrist

Docket No. 950001-EI

5 Date of Filing: November 17, 1995

6 Q. Please state your name and business address.

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

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

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

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

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

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

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

1 Q. Are you the same Malcolm Lane Gilchrist who has previously testified
2 before this 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 summarize Gulf Power Company's fuel
7 expenses and to certify that these expenses were properly incurred during
8 the period April 1995 through September 1995. Also, it is my intent to be
9 available to answer any questions that may arise among the parties to this
10 docket concerning Gulf Power Company's fuel expenses.

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.

15
16 Counsel: We ask that Mr. Gilchrist's exhibit consisting of one schedule
17 be marked as Exhibit No. _____ (MLG-1).

18
19 Q. During the period April 1, 1995, through September 30, 1995, how did
20 Gulf's actual fuel expenses compare with the budget or projected
21 expenses?

22 A. Gulf's actual fuel expense was \$114,120,442 as compared with the
23 projected amount of \$113,193,885, or over our estimate by 0.82%. Gulf's
24 total net system generation was 5,609,425 MWH compared to the
25 projected generation of 5,533,480 MWH or 1.37% more than predicted.

1 The resulting total fuel cost per KWH generated was 2.0344¢/KWH or
2 0.55% under the projected amount of 2.0456¢/KWH.

3
4 Q. Mr. Gilchrist, did Gulf Power make any significant changes in its fuel
5 purchasing program during the six months ending September 1995?

6 A. No.

7
8 Q. What is the status of the Plant Daniel seasonal coal supply program?

9 A. The current fuel supply program, called the Seasonal Powder River Basin
10 (PRB) Fuel Program, was implemented in 1994 as a cost-saving strategy
11 for Plant Daniel. During the off peak season, when full plant capacity is
12 not normally needed, the plant will burn lower cost PRB coal. During the
13 peak season, when full plant capacity is required, the plant will burn high
14 Btu western coal. This change in coal supply also involved a change in
15 coal suppliers.

16
17 Q. How was the transition between suppliers handled contractually?

18 A. In order to satisfy an existing contract for delivery of coal to Plant Daniel,
19 another sister company in the Southern electric system, Georgia Power
20 Company, agreed to take deliveries of the contract coal at one of its
21 plants for two years. These deliveries will be in lieu of spot market coal
22 purchases that Georgia Power would otherwise be making.

23 During the two years that Georgia Power is taking deliveries of the
24
25

1 coal originally contracted for delivery to Plant Daniel, Mississippi Power
2 and Gulf will reimburse Georgia for any differential between the actual
3 delivered price (MMBtu) achieved under the contract and the delivered
4 price (MMBtu) that Georgia would have otherwise incurred through spot
5 market purchases. Gulf's share of this reimbursement for 1994, the first
6 year of the two year transition period, was made in July 1995. Gulf's
7 share for 1994 amounted to approximately \$90,000.

8
9 Q. How much spot coal did Gulf Power Company purchase during the period
10 ending September 30, 1995?

11 A. Gulf purchased 611,568 tons or 29% of its supply from the spot coal
12 market. My Schedule 1 of Exhibit No. _____ (MLG-1) consists of a
13 list of contract and spot coal suppliers for the period ending
14 September 30, 1995.

15
16 Q. How are coal prices determined under Gulf's long-term contracts?

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

24
25

1 Q. Should Gulf's fuel purchase cost for the period be accepted as reasonable
2 and prudent?

3 A. Yes. Gulf's coal purchases were either from coal vendors with long term
4 contracts subject to cost escalations or from a competitively bid spot
5 purchase order. These coal vendors were selected by procedures
6 designed to provide an assured quantity of coal of a known quality for a
7 specific term at the lowest available delivered cost. Gulf has administered
8 the provisions of these contracts and purchase orders appropriately. All
9 of Gulf's oil purchases were from oil vendors selected by open bids to
10 ensure the most economical price of oil.

11
12 Q. How did the projected purchase cost of coal compare with the actual
13 cost?

14 A. For the period, Gulf's average unit cost of coal purchased was 1.67% less
15 than projected.

16
17 Q. What caused Gulf's average unit cost of coal purchased to be 1.67% less
18 than projected?

19 A. Gulf Power's unit cost of coal was down due to an increase in generation,
20 resulting in the purchase of a greater amount of spot market coal which
21 reduced the overall unit cost.

22
23 Q. Mr. Gilchrist, does this conclude your testimony?

24 A. Yes.


25

AFFIDAVIT

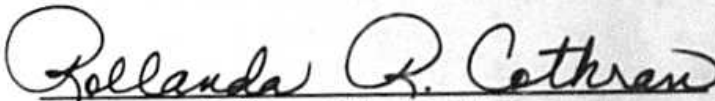
STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 950001-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 15th day of November 1995.


Notary Public, State of Florida ~~at Large~~

Commission Number:

Commission Expires:



**GULF POWER COMPANY
COAL SUPPLIERS
April 1, 1995 - September 30, 1995**

Purchases	Tons Received
Contract	
PEABODY COALSALES	994,139
CYPRUS	474,982 (1)
DECKER COAL	56,257 (1)
Total	1,525,378
Spot Purchases	
ELECTRIC FUELS	9,264
FRANKLIN COAL SALES	418,944
WEBSTER COUNTY	51,194
WHITE COUNTY	132,166
Total	611,568
GRAND TOTAL	2,136,946

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

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 950001-EI

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M. L. Gilchrist
Manager of Fuel and
Environmental Affairs

Sworn to and subscribed before me this 15th day of November 1995.



Notary Public, State of Florida *at Large*

Commission Number:

Commission Expires:

