

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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DOCKET NO. 960001-EI

PREPARED DIRECT TESTIMONY
AND EXHIBIT OF

OF
M. L. GILCHRIST

FUEL AND PURCHASED POWER COST RECOVERY

APRIL 1996 - SEPTEMBER 1996

JANUARY 22, 1996


GULF POWER

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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. 960001-EI
6 Date of Filing January 22, 1996

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 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 at
18 Crist Electric Generating Plant, and Manager of Interchange and Fuel
19 Supply. I was promoted to my present position June 1, 1989.

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

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

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
7 projection of fuel expenses for the period April 1, 1996 to September 30,
8 1996 and to be available to answer any questions that may occur
9 concerning the Company's fuel procurement
10

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

13 A. Yes. I have prepared an exhibit consisting of one schedule. Schedule 1
14 of my exhibit is a tabulation of projected and actual fuel cost for the past
15 ten years. The purpose of this schedule is to illustrate the accuracy of our
16 short term projections of fuel expenses.
17

18 COUNSEL: We ask that Mr. Gilchrist's exhibit, consisting of one
19 schedule, be marked as Exhibit No. _____ (MLG-2).
20

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

23 A. No.
24
25

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

3 A. Yes. The July 1, 1994 agreement between Gulf Power Company and
4 Peabody CoalSales called for Peabody to supply Gulf with a total of
5 1.9 million tons of coal annually, of which one million tons is supplied from
6 Venezuela and 900,000 tons from Illinois. These two coals are blended at
7 the Alabama State Docks in Mobile and then shipped by barge to Plants
8 Crist and Smith. A letter agreement between Gulf Power and Peabody
9 CoalSales, dated December 28, 1995, calls for Gulf to buy out of the
10 Venezuelan coal for the period January 1, 1996, through January 31,
11 1998. Gulf will continue to receive the Illinois coal during this time period.

12

13 Q. Why did Gulf Power Company approach Peabody CoalSales with a partial
14 buyout proposal?

15 A. This partial buyout of the Peabody contract permits Gulf to take
16 advantage of the current coal market by replacing the Venezuelan coal
17 with a lower cost domestic coal that will not require blending with the
18 Illinois coal.

19

20 Q. What is the buyout cost and projected cost savings?

21 A. Gulf Power paid Peabody CoalSales \$22 million for the partial buyout.
22 Based on an economic analysis performed by Southern Company
23 Services, Gulf estimates this partial buyout of the Peabody Contract will
24 produce savings of approximately \$9.1 million over a period of 25 months.

25

1 Gulf will conduct an ongoing benefits test that will compare cumulative
2 actual savings with the cumulative amortization of the buyout cost.

3
4 Q. How will Gulf account for the Peabody buyout?

5 A. The Peabody buyout costs incurred at the end of 1995 have been
6 deferred in a regulatory asset account (FERC 182). Accrued interest will
7 be added to this account as the related two-year financing amortizes. The
8 corresponding note(s) payable that is financing the buyout will be
9 recorded in Account 224 as a credit. As the replacement coal is received
10 over the 25-month period, a per-ton adder will be applied consisting of
11 interest and principal and based on a 1,000,000 ton annual receipt. A
12 corresponding amount will be transferred from Account 182 to Account
13 174. As the coal is burned, principal and interest amounts will be
14 removed on a per-ton basis from Account 174 and charged to Account
15 506 and Account 427 respectively.

16
17 Q. How much spot market coal does Gulf Power project it will purchase
18 during the April 1996 through September 1996 period?

19 A. We are projecting the purchase of approximately 890,000 tons. This
20 represents approximately 66% of our projected purchase requirements.

21
22 Q. Mr. Gilchrist, does this conclude your testimony?

23 A. Yes.
24
25

GULF POWER COMPANY
PROJECTED VS ACTUAL FUEL COST OF GENERATED POWER

<u>Period Ending</u>	<u>Projected</u>	<u>Actual</u>	<u>Difference %</u>
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	1.8588	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	2.2128	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	1.8662	1.9373	3.81
March 1995	1.8874	2.0388	8.02
September 1995	2.0456	2.0344	(0.55)
March 1996	1.9795	-	-
September 1996	2.0405	-	-

(1) Line No. 4 from FPSC Schedule A-1.

M. L. Gilchrist
M. L. Gilchrist

Manager of Fuel and Environmental Affairs

Sworn to and subscribed before me this 19th day of January, 1996.

Rollanda R. Cothran
Notary Public, State of Florida at Large

Commission Number:

Commission Expires:



AFFIDAVIT

Docket No. 960001-EI

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

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
M. L. Gilchrist
Manager of Fuel and Environmental Affairs

Sworn to and subscribed before me this 19th day of January, 1996.

Rollanda R. Cothran
Notary Public, State of Florida at Large

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