

Gulf Power Company  
500 Bayfront Parkway  
Post Office Box 1151  
Pensacola FL 32520-0770  
Telephone 904 444-6365

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

*the southern electric system*

May 19, 1994

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. **940001-EI**

Enclosed for official filing in Docket No. 940001-EI are an original and fifteen (15) copies of the following:

1. Prepared direct testimony and exhibit of S. D. Cranmer. 04942-94
2. Schedules A1 through A12 previously filed for the months of October 1993 - March 1994. 04943-94
3. Prepared direct testimony and exhibit of M. L. Gilchrist. 04944-94
4. Prepared direct testimony and exhibit of G. D. Fontaine. 04945-94
5. Prepared direct testimony of M. W. Howell. 04946-94

ACK    
AFA  Sincerely,  
APP \_\_\_\_\_  
CAF \_\_\_\_\_  
CMU \_\_\_\_\_  
CTR \_\_\_\_\_ lw  
EAC  Enclosures  
LEP   
LIM  3 long test  
GRC \_\_\_\_\_  
ROH \_\_\_\_\_  
SEL   
WAS \_\_\_\_\_  
OTH \_\_\_\_\_

RECEIVED & FILED  
*[Signature]*  
EPSC-BUREAU OF RECORDS

"Our business is customer satisfaction"

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost )  
Recovery Clause with Generating ) Docket No. 940001-EI  
Performance Incentive Factor )  
\_\_\_\_\_ )

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail the 19th day of May, 1994 on the following:

Martha Brown, Esq.  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, FL 32399-0850

Jack Shreve, Esq.  
Office of Public Counsel  
111 W. Madison Street  
Suite 812  
Tallahassee, FL 32399-1300

James McGee, Esq.  
Florida Power Corporation  
P. O. Box 14042  
St. Petersburg, FL 33711

Matthew M. Childs, Esq.  
Steel, Hector & Davis  
215 South Monroe, Suite 601  
Tallahassee, FL 32301-1804

Joseph A. McGlothlin, Esq.  
McWhirter, Grandoff & Reeves  
315 S. Calhoun St., Suite 716  
Tallahassee, FL 32301

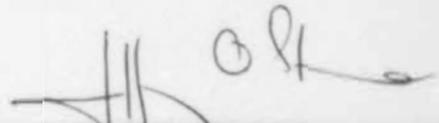
Suzanne Brownless, Esq.  
2546 Blairstone Pines Drive  
Tallahassee FL 32301

Lee L. Willis, Esq.  
James D. Beasley, Esq.  
Macfarlane Ausley Ferguson  
& McMullen  
P. O. Box 391  
Tallahassee, FL 32302

Robert S. Goldman, Esq.  
Messer, Vickers, Caparello,  
French and Madsen  
P. O. Box 1876  
Tallahassee, FL 32302-1876

David M. Kleppinger, Esq.  
McNees, Wallace & Nurick  
100 Pine Street  
P. O. Box 1166  
Harrisburg PA 17108-1166

Mark K. Logan, Esq.  
Bryant, Miller and Olive, P.A.  
201 S. Monroe St., Suite 500  
Tallahassee FL 32301

  
\_\_\_\_\_  
G. EDISON HOLLAND, JR.  
Florida Bar No. 261599  
JEFFREY A. STONE  
Florida Bar No. 325953  
TERESA E. LILES  
Florida Bar No. 510998  
Beggs & Lane  
P. O. Box 12950  
Pensacola, FL 32576  
(904) 432-2451  
Attorneys for Gulf Power Company

# **GULF POWER COMPANY**

**Before the Florida Public Service Commission**

**Prepared Direct Testimony of**

**M. L. Gilchrist**

**Docket No. 940001-EI**

**Date of Filing: May 20, 1994**

DOCUMENT NUMBER-DATE

04944 MAY 20 1994

FPSC-RECORDS/REPORTING

1  
2  
3  
4  
5  
6  
7  
8  
9

GULF POWER COMPANY

Before the Florida Public Service Commission

Prepared Direct Testimony of

M. L. Gilchrist

Docket No. 940001-EI

Date of Filing: May 20, 1994

10 Q. Please state your name and business address.

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

13

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

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

17

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

19 A. I graduated from Auburn University in 1958 with a Bachelor of Science  
20 Degree in Electrical Engineering. I joined Gulf Power Company in 1961  
21 as a Field Engineer. Since then, I have held various positions with the  
22 Company, including Power Sales Engineer, Division Sales Supervisor,  
23 Division Engineer, Supervisor of Fuel Supply, Assistant Plant Manager,  
24 Crist Electric Generating Plant, and Manager of Interchange and Fuel  
25 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 October 1993 through March 1994. 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 Exhibit No. \_\_\_\_\_ (MLG-1).

23  
24  
25

1 Q. During the period October 1, 1993 through March 31, 1994, how did  
2 Gulf's actual fuel expenses compare with the budget or projected  
3 expenses?

4 A. Gulf's actual fuel expense was \$83,166,255 as compared with the  
5 projected amount of \$89,286,559, or under our estimate by 6.85%. Gulf's  
6 total net system generation was 4,057,360 MWH compared to the  
7 projected generation of 4,687,360 MWH or 13.43% less than predicted.  
8 The resulting total fuel cost per KWH generated was 2.0498¢/KWH or  
9 7.60% over the projected amount of 1.9050¢/KWH. The Company's  
10 generation was below predicted level due to the purchase power being  
11 361.6% over budget. The Company was able to purchase power for an  
12 average of 1.9566¢/KWH compared to an average generation cost of  
13 2.0498¢/KWH.

14  
15 Q. How did the projected purchase cost of coal compare with the actual  
16 cost?

17 A. For the period, Gulf's average unit cost of coal purchased was 0.05% less  
18 than projected or practically the same as projected..

19  
20 Q. Mr. Gilchrist, did Gulf Power make any significant changes in its fuel  
21 purchasing program during the twelve months ending March 1994?

22 A. Yes. An extensive amount of coal testing was carried out at both Plant  
23 Crist and Plant Daniel in order to establish new coal sources. In addition,  
24 due to a number of circumstances (including a strike by the United Mine  
25 Workers of America and the effects of the Clean Air Act Amendments of

1 1990 on Gulf's fuel needs), a contract suspension agreement was  
2 executed with the Peabody Coal Company for the period July 1, 1993  
3 through June 30, 1994.  
4

5 Q. What was the effect of the suspension agreement with Peabody Coal  
6 Company?

7 A. The agreement simply ~~suspends the purchases/deliveries~~ that would  
8 otherwise have been made during the period under the Company's long-  
9 term coal supply agreement with Peabody. During the suspension period,  
10 Gulf ~~procured coal~~ on the spot market to replace the suspended Peabody  
11 ~~purchases/deliveries~~. Under the agreement, Gulf made a one-time  
12 payment of \$16,289,423 to Peabody. Gulf anticipated ~~that~~ this payment  
13 and the suspension agreement would permit the Company to achieve net  
14 fuel cost savings for its customers through the replacement of the  
15 suspended coal with coal purchased on the spot market.  
16

17 Q. Are you in a position to address the total net savings achieved through the  
18 suspension agreement and the purchases of replacement coal?

19 A. No, not at this time. This ~~true-up~~ testimony only addresses the actual fuel  
20 expenses through the end of March 1994. I will more fully address the  
21 suspension agreement and the related savings in my projection testimony  
22 due to be filed in late June. By that time, we hope to be able to address  
23 the total savings achieved as of the actual results through May 1994.  
24  
25

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

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

9  
10 Q. Do you mean that Plant Daniel will operate below its rated capacity on  
11 PRB coal?

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

18  
19 Q. How much spot coal did Gulf Power Company purchase during the period  
20 ending March 31, 1994?

21 A. Gulf purchased 1,560,346 tons or 84% of its supply from the spot coal  
22 market. My Schedule 1 of Exhibit No. \_\_\_\_\_ (MLG-1) consists of a  
23 list of contract and spot coal suppliers for the period ending March 31,  
24 1994.

25

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

2 A: Under all of Gulf's long-term coal contracts, Gulf pays a base price per ton  
3 plus cost escalations that have occurred since the coal contract began.

4 The base price with cost escalations type contract is a long term  
5 agreement on quantity, quality, and escalation factors that provides the  
6 buyer with an assured source of coal of known quality. The price of coal  
7 supplied under this type of contract will not go up and down with current  
8 market conditions.

9

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

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

20

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

22 A. Yes.

23

24

25

AFFIDAVIT

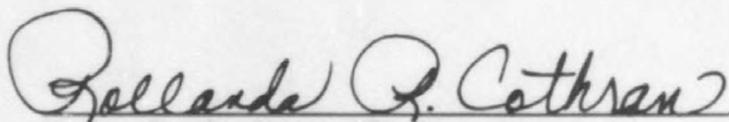
STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA )

Docket No. 940001-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 19th day of March, 1994.

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

Commission Number:

Commission Expires:



GULF POWER COMPANY  
COAL SUPPLIERS  
October 1, 1993 - March 31, 1994

| <u>PURCHASES</u>           | <u>TONS<br/>RECEIVED</u> |
|----------------------------|--------------------------|
| <u>CONTRACT</u>            |                          |
| GOLDEN OAK MINING          | 86,593.00(1)             |
| DECKER COAL                | <u>215,012.00(1)</u>     |
|                            | 301,605.00               |
| <u>SPOT PURCHASES</u>      |                          |
| ANDALEX RESOURCES          | 31,005.00                |
| CLARENDON                  | 121,412.00               |
| COAL SALES                 | 296,452.00               |
| FRANKLIN COAL SALES        | 162,038.00               |
| FREEMAN COAL               | 61,119.00                |
| KERR MCGEE                 | 299,584.00               |
| PHIBRO ENERGY              | 257,910.00               |
| TAFT COAL CO               | 24,422.00                |
| CYPRUS WESTERN             | 10,886.00(1)             |
| JADER SUGAR CAMP           | 129,216.00               |
| COSTAIN COAL CO            | 37,319.00                |
| <u>DRUMMOND COAL SALES</u> | <u>128,983.00</u>        |
|                            | 1,560,346.00             |
| <br>TOTAL                  | <br><u>1,861,951.00</u>  |

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