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FILE COPY

Jack L. Haskins
Director, Division of Legislative Matters
Florida Public Service Commission

May 18, 1995

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. 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.
2. Prepared direct testimony and exhibit of M. L. Gilchrist.
3. Prepared direct testimony and exhibit of G. D. Fontaine.
4. Prepared direct testimony of M. W. Howell.

Sincerely,

Jack L. Haskins

lw

Enclosures

Howell
DOCUMENT NUMBER - DATE
04891 MAY 1995
FPSC-RECORDS/REPORTING

Cranmer
DOCUMENT NUMBER - DATE
04888 MAY 1995
FPSC-RECORDS/REPORTING

Gilchrist
DOCUMENT NUMBER - DATE
04889 MAY 1995
FPSC-RECORDS/REPORTING

Fontaine
DOCUMENT NUMBER - DATE
04890 MAY 1995
FPSC-RECORDS/REPORTING

"Our business is customer satisfaction"

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost)
Recovery Clause with Generating)
Performance Incentive Factor) Docket No. 950001-EI
_____)

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 18th day of May, 1995 on the following:

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ORIGINAL
FILE COPY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 950001-EI

PREPARED DIRECT TESTIMONY
OF

M. L. GILCHRIST

FUEL COST RECOVERY AND
PURCHASED POWER CAPACITY COST RECOVERY

FINAL TRUE-UP
MAY 19, 1995



DOCUMENT NUMBER DATE
04889 MAY 19 95
FPSC-RECORDS/REPORTING

GULF POWER COMPANY

Before the Florida Public Service Commission

Prepared Direct Testimony of

M. L. Gilchrist

Docket No. 950001-EI

Date of Filing: May 19, 1995

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Prepared Direct Testimony of

4 M. L. Gilchrist

Docket No. 950001-EI

Date of Filing: May 19, 1995

5 Q. Please state your name and business address.

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

8
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
13 Q. Mr. Gilchrist, will you please describe your education and experience?

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

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

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

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 October 1994 through March 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 1 schedule
17 be marked as Exhibit No. _____ (MLG-1).
18

19 Q. During the period October 1, 1994, through March 31, 1995, how did Gulf's
20 actual fuel expenses compare with the budget or projected expenses?

21 A. Gulf's actual fuel expense was \$87,631,975 as compared with the
22 projected amount of \$111,500,080, or under our estimate by 21.41%.
23 Gulf's total net system generation was 4,298,211 MWH compared to the
24 projected generation of 5,907,450 MWH or 27.24% less than predicted.
25

1 The resulting total fuel cost per KWH generated was 2.0388¢/KWH or
2 8.02% over the projected amount of 1.8874¢/KWH.
3

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

6 A. No. Peabody CoalSales is supplying a blend of Venezuelan and Illinois
7 coal sufficiently low in sulfur content to ensure compliance with Phase I of
8 the Clean Air Act which became effective January 1, 1995.
9

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

12 A. For the period, Gulf's average unit cost of coal purchased was 6.22%
13 greater than projected.
14

15 Q. What caused Gulf's average unit cost of coal purchased to be 6.22%
16 greater than projected?

17 A. Gulf Power's unit cost of coal was up due to a drop in generation,
18 resulting in the purchase of a lesser amount of spot market coal to reduce
19 the overall unit cost.
20

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

22 A. The current fuel supply program, called the seasonal Powder River Basin
23 (PRB) fuel program, was implemented in 1994 as a cost-saving strategy
24 for Plant Daniel. During the off peak season, when full plant capacity is
25 not normally needed, the plant will burn lower cost PRB coal. During the

1 peak season, when full plant capacity is required, the plant will burn high
2 Btu western coal. To date, the seasonal fuel program is working very
3 well.

4
5 Q. Do you mean that Plant Daniel will operate below its rated capacity on
6 PRB coal?

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

13
14 Q. How much spot coal did Gulf Power Company purchase during the period
15 ending March 31, 1995?

16 A. Gulf purchased 333,219 tons or 18% of its supply from the spot coal
17 market. My Schedule 1 of Exhibit No. _____ (MLG-1) consists of a
18 list of contract and spot coal suppliers for the period ending March 31,
19 1995.

20
21 Q. How are coal prices determined under Gulf's long-term contracts?

22 A. Under all of Gulf's long-term coal contracts, Gulf pays a base price per ton
23 plus cost escalations that have occurred since the coal contract began.
24 The base price with cost escalations type contract is a long term
25 agreement on quantity, quality, and escalation factors that provides the

1 buyer with an assured source of coal of known quality. The price of coal
2 supplied under this type of contract will not go up and down with current
3 market conditions.

4
5 Q. Should Gulf's fuel purchase cost for the period be accepted as reasonable
6 and prudent?

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

15
16 Q. Mr. Gilchrist, does this conclude your testimony?


17 A. Yes.
18
19
20
21
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23
24
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 18th day of May 1995.



Notary Public, State of Florida at Large

Commission Number: CC 117 163

Commission Expires: _____
My commission expires July 19, 1997
-65