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Important! If you do not receive all pages, call us back immediately

TVA 15536 (F-RIM 3/94)

Petty, Harold L.

From: Smith, H. Michael
Sent: Wednesday, August 06, 1997 1:46 PM
To: Petty, Harold L.
Cc: Garrett, Donal J.; Dunn, John R.
Subject: Coal Receiving meeting

Lynn,

Your "Purpose and Need for the Project" statement is great. I think it will generate some questions from Nathan that we need to be prepared to answer. You probably know all these in your head, but for those of us that are not in the category (Magna cum laude) that you are, I thought we might list some possible questions and answers.

Your statement that Kingston fuel cost are above average for TVA fossil plants will generate questions.

Delivered coal cost for FY 1996	cents/MMBtu	
Cumberland	101.5	
System Average		114.9
Widows Creek 1-6	134.3	
Kingston	122.4	

Delivered coal cost for FYTD 1997		
Cumberland	106.4	
System Average		116.0
Widows Creek 1-6	131.7	
Kingston	123.2	

Your statement, "The existing arrangement is inefficient and substantially increases TVA's fuel transportation costs", will generate the question; Just how much is your transportation cost and how much will this project reduce that cost?

Coal Receiving and Sampling Costs FYTD

Cumberland	.22\$/ton		
Bull Run	.25\$/ton		
Gallatin	.27\$/ton		
John Sevier	.42\$/ton	Johnsonville	.47\$/ton
Colbert	.48\$/ton		
Shawnee	.53\$/ton		
Kingston	.59\$/ton		
Paradise	.72\$/ton		
Widows Creek	.77\$/ton		
Allen	.80\$/ton		
System Average	.50\$/ton		

Note: A reduction of the Fuel handling costs from the present .59\$/ton to the system average would mean a savings for Kingston of \$360,000. By reducing our cost to .45\$/ton our savings would be \$560,000 per year.

CSX coal is levied a switching fee. What is the current switching fee?

This fee has been as high as \$1.68/ton. I think it is about \$1.45/ton now but I do not have the real numbers. Nathan may ask.

You mentioned the low sulfur coal requirements and the Clean Air Act. He may ask about these numbers.

You mentioned a savings of 14 million dollars per year. We need to have a breakdown of these savings

Savings on switching fees	4million \$/yr.
Competition of suppliers	?million \$/yr.
Competition of rail transportation	?million \$/yr.

Is 14 million the most we could save? What is the least we might realize? If we were to be optimistic what is the most that we could save due to competition and reduced O&M costs.

Please let me know if I can be of any assistance in selling our money saving project.

I am your unworthy servant
mike smith