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February 7, 1992

HAND DELIVERED

ORIGINAL
FILE COPY

Mr. Steve C. Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399-0850

Re: Territorial Dispute Between Okefenoke Rural Electrical Membership Corporation, and the Jacksonville Electric Authority of the City of Jacksonville, in Duval County; FPSC Docket No. 911141-EU

Dear Mr. Tribble:

Enclosed for filing in the above docket on behalf of Okefenoke Rural Electrical Membership Corporation are the original and fifteen (15) copies of the following:

	Direct Testimony	Exhibits
Robert Page	X	X
Pete J. Gibson	X	X
Emory Middleton	X	X
Robert C. Dew, Jr.	X	X
Glenn S. Wrightson	X	

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,

J. Jeffry Wahlen

ACK ✓
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DOCUMENT NUMBER-DATE
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of the following materials:

	Direct Testimony	Exhibits
Robert Page	X	X
Pete J. Gibson	X	X
Emory Middleton	X	X
Robert C. Dew, Jr.	X	X
Glenn S. Wrightson	X	

have been furnished by U. S. Mail or Hand Delivery* this 7th day of February, 1992 to the following:

Martha Carter Brown*
Florida Public Service Commission
Division of Legal Services
101 East Gaines Street
Tallahassee, Florida 32301

Bruce Page
Office of the General Counsel
City of Jacksonville
421 West Church Street, Suite 715
Jacksonville, Florida 32202

ATTORNEY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Territorial Dispute Between Okefenoke Rural Electrical Membership Corporation, and the Jacksonville Electric Authority of the City of Jacksonville, in Duval County	)))))	DOCKET NO. 911141-EU

PREPARED DIRECT TESTIMONIES

AND EXHIBITS OF

ROBERT PAGE

PETE J. GIBSON

EMORY MIDDLETON

ROBERT C. DEW, JR.

GLENN S. WRIGHTSON

Page Testimony

OKEFENOKE RURAL ELECTRIC
MEMBERSHIP CORPORATION
DOCKET NO. 911141-EU
SUBMITTED FOR FILING 2/7/92

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

ROBERT PAGE

Q. Please state your name and business address.

A. My name is Robert Page. My business Address is P. O. Box 602, Nahunta, Georgia, 31553.

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

A. I am employed by the Okefenoke Rural Electric Membership Corporation ("OREMC," "Okefenoke" or "Corporation") as its General Manager. I have been employed in this capacity since July 1990.

Q. What are your duties and responsibilities as Okefenoke's General Manager?

A. I have direct and full responsibility for the day-to-day management of the Corporation. I report directly to the Board of Directors of the Corporation which sets the policies for the Corporation. The Board of Directors ("Board") in turn are responsible to the Corporation's members who elect the Board.

Q. Please describe your employment and educational background and experience.

A. I was graduated from the University of Georgia in 1967 with a Bachelors of Science degree in Agriculture. Thereafter, I enlisted in the United States Army for a three-year hitch in the Signal Corps.

In May 1971, following my honorable discharge from the United States Army in November 1970, I became employed by Okefenoke as Sales Manager. During my eighteen years as Sales Manager, I was responsible for member services, large power sales, safety and customer relations throughout our service territory. I was promoted to Assistant Manager in 1989 and Manager in July 1990.

Purposes

Q. What are the purposes of your testimony in this proceeding?

A. The purposes of my testimony are to (1) describe Okefenoke, (2) explain the status of our relationship with the Holiday Inn-Jacksonville Airport, and (3) describe the areas of dispute involved in this proceeding.

Q. Have you prepared exhibits for presentation to the Commission in this proceeding?

A. Yes. The following exhibits were prepared under my direction and supervision for filing in this proceeding:

Exhibit	Document	Description
___	(RP-1)	Map of OREMC Facilities as of 1-1-92
___	(RP-2)	OREMC's Facilities in the State of Florida as of 1-1-92

Each of these exhibits were prepared using the business records of Okefenoke and reflect the location of Okefenoke's facilities at this time with reasonable accuracy.

Description of OREMC

Q. Tell us generally about Okefenoke.

A. Okefenoke is a non-profit cooperative organized to supply electric services to its members. The members of the Corporation elect a Board of Directors from among themselves to manage the business and affairs of the Corporation, and are consumers of the electric and other services provided by the Corporation. Okefenoke was incorporated in 1939 to bring electric service to persons needing electric service in

southeast Georgia and northeast Florida.

OREMC began serving members in Duval County in the late 1940s. The growth and development of the Okefenoke system in Duval County is more fully explained in the prepared direct testimonies of Mr. Pete J. Gibson and Mr. Emory Middleton.

Okefenoke currently provides electric services to members in portions of Baker, Nassau and Duval Counties in Florida, as well as six counties in Georgia. Okefenoke has 22,800 members and approximately 2,800 miles of distribution lines, of which 600 miles is underground and 2,200 is overhead. Approximately 8,500 of Okefenoke's members are located in the State of Florida. Of those members, approximately 2,200, or about 10% of our total membership, are currently receiving service in Duval County. One of our members in Duval County is the Consolidated Government of Jacksonville.

Over the years, Okefenoke has provided retail electric service to persons and businesses in areas where no municipal or investor-owned utility would serve, or when the terms and conditions they offered were either unacceptable or unaffordable. People and businesses therefore applied for membership in order to provide themselves an essential service that they could not otherwise obtain or could not obtain in an

affordable manner from anyone else. Since introducing electric service to the areas it has historically served, Okefenoke has served new growth and development in those areas in which it first introduced service.

Okefenoke's service area density varies from moderately dense in subdivision developments and commercial areas to sparsely populated areas with very few members per mile of line. Okefenoke has an average of 8.1 members per mile of line. Providing essential electric power service to its members, whether in a densely or sparsely populated area, is consistent with the reasons Okefenoke was founded, which is to serve its members with electric power.

Okefenoke is a member-owned electric utility, and is considered an electric cooperative under Chapter 425, Florida Statutes.

Q. Do you have any maps which show OREMC's overall service territory and its territory in Florida?

A. Yes. A map showing Okefenoke's overall service area has been identified as Exhibit __ (RP-1). A map showing the areas where Okefenoke serves in Baker, Nassau and Duval Counties is identified as Exhibit __ (RP-2). These maps show our

facilities in those areas with reasonable accuracy.

Q. Is the density of Okefenoke's system the same throughout the areas in which it serves?

A. No. The areas around a city or town have more members per mile of line than those in the outlying areas of a county. That, of course, is to be expected. For example, our overall density is 8.1 members per mile of line. In Duval County, our density is 12.1 members per mile of line.

Q. What impact would the loss of areas with the greatest density have on Okefenoke's system?

A. As the density per mile of line increases, the cost of service to each member declines. The loss of areas with the greatest density will accordingly increase the cost of service to Okefenoke's members. Since our service territory in Duval County is our most dense area, the loss of this area will hurt us the most. The impact on OREMC and its members associated with the loss of territory in Duval County is discussed further in the prepared direct testimony of Mr. Glenn Wrightson of Southern Engineering Company, Inc.

Q. What is the current composition of Okefenoke's membership?

A. Okefenoke's members are 95% residential consumers. Approximately 5% of Okefenoke's members are commercial/industrial consumers.

Q. Please describe OREMC's relationship with Seminole Electric Cooperative, Inc.

A. Okefenoke has an "all power requirements" contract with Seminole Electric Cooperative, Inc. ("Seminole"). Under the terms of this contract, Okefenoke is obligated to purchase all of the power it purchases in Florida from Seminole. Seminole has the capacity and ability to fulfill our power needs in Florida for the foreseeable future. Okefenoke has a similar contract with Oglethorpe Power Corporation for its power purchases in Georgia.

Okefenoke receives power from Seminole at four locations in Florida. Three of these locations are used to serve our members in Duval County. Two of these locations, the Yulee metering point and the Callahan substation, are in Nassau County. The Macclenny metering point is located in Baker County and is not used to provide service in Duval County. The other location, the Oak Grove metering point, is located in Duval County and is the subject of a special contract between JEA and Seminole. Under the terms of this special

contract, Seminole purchases power from JEA for resale to Okefenoke at the Oak Grove metering point. Okefenoke, in turn, uses this power, which was generated by JEA, to serve its customers in northeast Duval County.

Mr. Middleton discusses the details of this contract and the circumstances surrounding the execution of this contract in his prepared direct testimony.

Q. Where does OREMC currently provide service in Duval County?

A. The five general areas in which OREMC serves in Duval County can be summarized and described as set forth below:

1. Black Hammock Island: Okefenoke serves approximately 650 members in this area. This area is located in northeast Duval County and contains the Black Hammock Subdivision, the Boney Road area and the Cedar Point Road area. OREMC is the only retail supplier of power in this area. This area and our facilities in this area are shown on Exhibit __ (RP-6).

2. Yellow Bluff/Starrett Road Area: Okefenoke serves approximately 690 members in this area which is in north central Duval County generally lying east of Highway 17. This area and our facilities in this area can be seen on

Exhibit __ (RP-5).

3. Airport Area: Okefenoke serves approximately 220 members in the airport area which includes Airport Road, Pecan Park Road, Owens Road, Bird Road and Bernard Road. From June 3, 1968, to November 25, 1991, the Holiday Inn-Jacksonville Airport was a member of OREMC in this area. The airport area and our facilities in this area are shown on Exhibit __ (RP-4).

4. Lannie Road Area: Okefenoke serves approximately 220 members in the Lannie Road area. This area includes Braddock Road, Eberhart Road and Lem Turner Road. This area and our facilities in this area are shown on Exhibit __ (RP-3).

5. West Dinsmore Area: Okefenoke serves approximately 420 members in this area which can be described as northwest Duval County. This area and our facilities in this area are shown on Exhibit __ (RP-2). Major concentration of members in this area are found in Cisco Gardens Subdivision, Carver Subdivision, Garden Street, Plummer Road, Acree Road, Sycamore Street and Old Kings Road.

Most of our customers are served at locations north of the "magic line boundary" set forth in the 1978 Operating Guidelines agreed to by OREMC and JEA. These guidelines are discussed in the testimony of Mr. Pete J. Gibson.

Q. Have you reviewed Exhibits __ (RD-1) through __ (RD-6) of Mr. Robert Dew?

A. Yes. These exhibits reflect the service territory of OREMC and OREMC's facilities in Duval County with reasonable accuracy.

Q. Where in Duval County does OREMC provide service to the Consolidated Government of Jacksonville?

A. Based on a review of our business records, OREMC provides service to the Consolidated Government under several different accounts. These accounts include street lights, a ball field, a concession stand, and a fire department. OREMC provides street light service to the Consolidated Government, pursuant to a 1971 contract between OREMC and the Consolidated Government.

Q. Does the Consolidated Government of Jacksonville impose a utility tax on Okefenoke?

A. Yes. OREMC collects and pays a 10% utility tax from each of its customers in Duval County. This amounted to approximately $156,000 for the year ended December 31, 1991.

Holiday Inn-Jacksonville Airport

Q. Please describe the status of OREMC's relationship with the Holiday Inn-Jacksonville Airport.

A. After receiving service from Okefenoke for over 20 years, the Holiday Inn-Jacksonville Airport ("Holiday Inn") partially disconnected itself from our system on November 25, 1991. The Holiday Inn partially disconnected from our system for the purpose of taking retail electric service from JEA.

Q. Does the Holiday Inn continue to take service from OREMC?

A. Yes. As I alluded to above, the Holiday Inn has only partially disconnected itself from our system. Specifically, the "Holiday Inn" sign fronting on the interstate (I-95) continues to be served by Okefenoke. The main buildings of the Holiday Inn are now served by JEA. By letting us serve Holiday Inn's sign and providing service to the Holiday Inn's main buildings, the JEA now serves the vast majority of the Holiday Inn's electric needs.

Q. When did OREMC first learn of the Holiday Inn's desire to disconnect from its system?

A. On or about June 17, 1991, OREMC received a letter from Mr. Frederick Koberlien, Holiday Inn's attorney. In that letter, Mr. Koberlien told us that the Holiday Inn wanted to disconnect from our system, and cited paragraph 5 of our contract with the Holiday Inn.

Q. What does paragraph 5 say?

A. Paragraph 5 says, among other things, that the contract can be terminated by either party giving to the other three months notice in writing. We have never interpreted this paragraph to allow a customer to change utility providers upon three months written notice. Rather, we have interpreted this paragraph to allow a customer to change rate schedules and/or enter into a new contract with us upon three months written notice. This interpretation of paragraph 5 is based on our understanding that utility customers do not have an absolute right to choose their utility suppliers in the State of Florida.

Q. Did OREMC agree to disconnect the Holiday Inn from its system?

A. No. As discussed in Mr. Pete J. Gibson's prepared direct testimony, we have had a contract to provide service to the Holiday Inn since before the Consolidated Government came into

existence in 1968. Accordingly, we have always felt we have the right and the obligation to serve the Holiday Inn. With this in mind, we could not agree to disconnect the Holiday Inn from our system, even at their request.

Q. In order to serve the Holiday Inn, was the JEA required to expand its distribution facilities?

A. Yes. The type of equipment recently installed by the JEA so they could serve the Holiday Inn is discussed in the prepared direct testimony of Mr. Robert Dew of Southern Engineering Company, Inc.

Q. Did the JEA consult with Okefenoke before expanding its distribution facilities to serve the Holiday Inn or before JEA began serving the Holiday Inn?

A. No. The JEA expanded its facilities to serve the Holiday Inn without consulting OREMC.

Areas in Dispute

Q. Other than the Holiday Inn-Jacksonville Airport, what member locations are currently in dispute in Duval County?

A. As a practical matter, every location in Duval County where Okefenoke provides service to members is presently in dispute.

Q. Why do you believe that all locations where OREMC provides service in Duval County are in dispute?

A. For two reasons. First, with the exception of the 1978 Operating Guidelines, the JEA has refused to enter into an agreement with Okefenoke to establish a firm territorial agreement within Duval County. Until this occurs or until the FPSC resolves this matter, Okefenoke faces uncertainty. The harm associated with this uncertainty is discussed by Mr. Robert Dew in his prepared direct testimony.

Second, as described in Mr. Gibson's testimony, the Consolidated Government and the JEA have taken the position that Okefenoke can serve in Duval County only when JEA decides it is "practical and economical" for JEA for OREMC to do so. As we understand this policy, the JEA may at sometime in the future decide it is "practical and economical" to serve some of the areas where we are currently serving and force us out of those areas. Since nothing has stopped them from doing so thus far, it appears that the JEA will continue to install equipment in the areas we have historically served so it will be in a position to provide service to our members if those

members ever decide to change utility providers. A good example of this activity is the Holiday Inn episode in which the JEA installed additional distribution facilities to serve the Holiday Inn after we had been serving the Holiday Inn for over 20 years. The harm to the ratepayers of JEA and OREMC from this type of activity is discussed in the prepared direct testimonies of Mr. Robert Dew and Mr. Glenn Wrightson.

As discussed in the testimony of Mr. Robert Dew, it is in the best interests of our members and JEA's customers to have this dispute resolved once and for all by the FPSC.

Conclusion

Q. Please summarize your testimony.

A. Okefenoke is a rural electric cooperative providing retail electric service to approximately 8,500 members in Florida and approximately 2,200 in Duval County. Okefenoke has been serving its members in Duval County since the late 1940s. All of the locations served by OREMC in Duval County are either in dispute presently or are areas of potential dispute in the future. It is in the best interests of our members in Florida and JEA's customers to have the disputed areas in Duval County resolved once and for all by the FPSC.

Q. Does this conclude your testimony?

A. Yes it does.

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Page Exhibits

Gibson Testimony

OKEFENOKE RURAL ELECTRIC
MEMBERSHIP CORPORATION
DOCKET NO. 911141-EU
SUBMITTED FOR FILING 2/7/92

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

PETE J. GIBSON

Q. Please state your name and address.

A. My name is Pete J. Gibson. My address is Box 141, Waynesville, Georgia, 31566.

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

A. At the present time I am not employed. I retired from employment by the Okefenoke Rural Electric Membership Corporation ("OREMC" of "Okefenoke") in 1985. At the time of my retirement, I was employed as General Manager, the position currently occupied by Mr. Robert Page. Since my retirement, I have actively followed the activities of Okefenoke and have consulted with subsequent Managers, Mr. Middleton and Mr. Page, on an informal basis.

Q. Please describe your educational background and work experience.

A. I was graduated from the University of Georgia in 1939 with a Bachelor of Science degree in Agricultural Engineering. Upon my graduation, I worked briefly for Georgia Power as a rural engineer and then accepted an appointment into the United States Navy. After six months of flight training, I was honorably discharged for medical reasons. After my military service, I was employed by LeTournou Company as a factory supervisor.

In August 1947, I became General Manager of Okefenoke, a position I held until my retirement in 1985. As General Manager, I had direct and full responsibility for the day-to-day management of OREMC.

Purposes

Q. What is the purpose of your testimony in this proceeding?

A. The purposes of my testimony are to provide historical background regarding Okefenoke's relationship with the Jacksonville Electric Authority ("JEA") and its predecessor, the City of Jacksonville Electric System. In particular, I will describe the various efforts Okefenoke and JEA have undertaken over the years to enter into territorial agreements. For the purposes of my testimony, I will discuss

the history of OREMC in Duval County within the context of several different eras as defined below:

Era	Time Period
Pre-Consolidation	1947 to 1968
Consolidation	1968 and 1969
Post-Consolidation	1970 to 1974
Post-Grid Bill	1974 to Present

Q. Have you prepared an exhibit for presentation to the Commission in this proceeding?

A. Yes. The following exhibits were compiled from the business records of OREMC under my direction and supervision for filing in this case. Each of these exhibits are true and correct copies of documents maintained by OREMC in the normal course of business. A summary of these exhibits is as follows:

Exhibit	Document	Description
_____	(PJG-1)	Contract for electrical service between OREMC and Holiday Inn-Jacksonville Airport, dated July 3, 1968.
_____	(PJG-2)	Letter dated April 3, 1969 from Louis H. Winnard (JEA) to Pete J. Gibson (OREMC) regarding ordinance.

_____	(PJG-3)	Draft of 1977 proposed territorial agreement.
_____	(PJG-4)	Letter dated April 2, 1978 from W. M. Irving (JEA) to Pete J. Gibson (OREMC) transmitting 1978 Operating Guidelines.
_____	(PJG-5)	Letter dated April 17, 1978 from Pete J. Gibson (OREMC) to W. M. Irving (JEA) accepting 1978 Operating Guidelines.

Pre-Consolidation Era

Q. When did Okefenoke first begin providing electric service to members in the State of Florida?

A. When I began working for Okefenoke in 1947, we were already providing retail electric service to parts of the town of Hilliard in Nassau County, Florida. At that time, Okefenoke had already built a system of distribution lines into northwest Duval County as part of the "Victor" Project. When I came to work, the Victor Project was substantially complete, but the lines were not energized. One of my first priorities as Manager of Okefenoke was to energize the Victor Project lines so our members in west Duval County could have power.

We energized the Victor Project lines in late 1947. In so doing, we brought power to a hand full of members in northern Duval County for the first time.

Our second major distribution project in Duval County was the K Project, which brought central station power to north central and northeast Duval County. This project, as well as the Victor Project, are discussed in the prepared direct testimony of Mr. Emory Middleton.

Q. Why did Okefenoke extend its lines into Baker, Nassau and north Duval Counties?

A. At the time Okefenoke built its lines into Baker, Nassau and north Duval Counties, each of these areas was sparsely populated and were considered rural. We built lines in these areas to provide retail electric service to persons and businesses who could not get electric service from a municipal electric system or an investor-owned utility.

Q. Please describe the relationship between OREMC and the City of Jacksonville Electric System from 1947 to 1968.

A. During the period from 1947 until 1968, Okefenoke had little significant operating contact with the City of Jacksonville

electric system. Okefenoke continued to develop its system and add members in its territory in north and west Duval County. During this time period, and later, OREMC did not provide service to customers already receiving central station power from the city of Jacksonville or another electric provider. During this time period, Okefenoke and Florida Power & Light Company (which served a small area) were the sole electric utility providers in north Duval County because the City of Jacksonville electric system did not want to serve these "rural" areas.

Consolidation Era

Q. When did the Consolidated Government of Jacksonville and JEA come into existence?

A. Based on my review of the City of Jacksonville and JEA Special Acts, the Consolidated Government of Jacksonville and JEA came into existence on October 1, 1968.

Q. How many members was OREMC serving in Duval County on October 1, 1968?

A. By the time the Consolidated Government and the Jacksonville Electric Authority came into existence on October 1, 1968,

Okefenoke had established a significant operating presence in north Duval County. At that time, Okefenoke had approximately 622 members in Duval County and, based on our 1968 property tax return for Duval County, had invested approximately $500,000 to provide service to those members. In his prepared direct testimony, Mr. Emory Middleton describes the configuration of Okefenoke's system in Duval County about this time.

Q. Was OREMC serving the Holiday Inn-Jacksonville Airport ("Holiday Inn") on October 1, 1968?

A. Yes. As shown in Exhibit __ (PJG-1), Okefenoke entered into a contract for electric service with the Holiday Inn on July 3, 1968, approximately three months before the Consolidated Government of Jacksonville and JEA came into existence.

The circumstances surrounding the Holiday Inn becoming a member of OREMC are described more fully in the testimony of Mr. Emory Middleton.

Q. Did the formation of the Consolidated Government and the creation of the Jacksonville Electric Authority change the conditions under which OREMC provided service in Duval County?

A. Not significantly at first. The Okefenoke system and membership in Duval County had been developing and expanding over twenty years. This development is discussed in the prepared direct testimony of Mr. Emory Middleton. With a few minor exceptions, Okefenoke continued to provide service in Duval County on a "business-as-usual" basis.

Q. Please describe the exceptions you referred to above.

A. The exceptions I referred to above all relate to two ordinances passed by the Consolidated Government of Jacksonville in 1968 and 1969.

The first ordinance, Number 68-120-88, was passed by the council of the Consolidated Government of Jacksonville in 1968 and purported to extinguish OREMC's rights to serve in Duval County. We have never thought that this ordinance extinguished our rights and obligations to serve in the areas of Duval County where we had been serving. Even though this ordinance was passed by the Consolidated Government, neither JEA or the Consolidated Government took affirmative steps to condemn or take over our system at that time. Accordingly, Okefenoke has continued to provide service to its existing members and has continued to provide service to new members upon request, notwithstanding the first ordinance.

The second ordinance, Number 69-217-119, delegated to the JEA the right to authorize other electric utilities to furnish electric service to certain premises in the City of Jacksonville. Ordinance Number 69-217-119 was passed by the Consolidated Government council on March 25, 1969, and became effective on March 27, 1969, and states:

> The Jacksonville Electric Authority, or its authorized agent, is hereby delegated the authority to grant permission to other electric utility companies to furnish electric service to additional premises and to extend their lines when it is not practical or economical for the Jacksonville Electric Authority to furnish such service.

Q. Did OREMC change its operating procedures in response to the second ordinance?

A. Yes. On or about April 3, 1969, Okefenoke received a letter from Louis H. Winnard, then the Managing Director of JEA, requesting that Okefenoke direct all future requests for line extensions or services to new members in Duval County to the JEA. This letter was dated seven days after the second ordinance became effective, and a copy of this letter is included as Exhibit __ (PJG-2). As requested by Mr. Winnard

and in accordance with the second ordinance, Okefenoke directed all such requests to the JEA. Then, when the JEA decided that it was not "practical or economical" for the JEA to provide service to an area in Duval County, we did so at their request.

Q. Who decides whether or not it is "economical or practical" for the JEA to serve a person or business in northern Duval County?

A. It appears that the decision on which utility will serve a person or business in northern Duval County is made by the electrical inspectors employed by JEA. Whether these inspectors make their decision based on some internal guidelines prepared by JEA is not known to me. If there are such guidelines, they have not been given to OREMC for our planning purposes.

Q. Has OREMC served members in Duval County if it was not "practical or economical" for OREMC to do so?

A. Yes. Okefenoke has always believed that we have an obligation to serve in our service areas. Accordingly, we have provided service to members throughout our territory in Duval county even when it might have been impractical or not economical for

us to do so. This is consistent with the "area coverage" policy adopted by all rural electric cooperatives.

Q. During the consolidation era, did the JEA ever offer to purchase OREMC's system in Duval County?

A. Yes. On or about April 10, 1969, Mr. Louis Winnard indicated JEA's intent to purchase OREMC's system in a letter to me. Okefenoke did not accept JEA's offer to purchase its system in Duval County. Since that initial offer, JEA and OREMC have never come close to executing a purchase/sale transaction.

Post-Consolidation Era

Q. Did OREMC's system in Duval County continue to expand and improve during the post-consolidation era?

A. Yes. After the second ordinance was passed, with the permission of JEA, which permission was granted on a member-by-member basis, Okefenoke continued to develop its system and add members in Duval County. Indeed, from 1968 to 1974, OREMC obtained a net total of 385 new members in Duval County, for a total of approximately 1,007 members.

Q. How many members did OREMC serve in Duval County on July 1,

1974?

A. As of about July 1, 1974, the date the Grid Bill became effective, OREMC provided service to approximately 1,007 members in Duval County. Okefenoke's investment in Duval County around this time was approximately $1 million. In his prepared direct testimony, Mr. Emory Middleton describes the configuration of Okefenoke's system in Duval County at this time in his prepared direct testimony.

Post-Grid Bill Development: The 1978 Agreement

Q. Have OREMC and JEA ever considered entering into a territorial agreement for Duval County?

A. Yes. During the mid-1970s, JEA and Okefenoke held serious discussions for the purpose of entering into a territorial agreement in Duval County. Exhibit __ (PJG-3) is a copy of the draft version of an agreement between OREMC and JEA, dated September 30, 1977.

Q. Did the parties execute this draft territorial agreement?

A. No. Even though Okefenoke was willing to do so, the parties did not execute this agreement because the general counsel of

the Consolidated Government advised JEA against signing the agreement.

Q. After the formal territorial agreement was abandoned, did JEA and OREMC enter into any informal agreement(s) dividing the territory in north Duval County?

A. Yes. By letter dated April 2, 1978, Mr. Irving, then JEA's managing director, requested that Okefenoke agree to adopt certain operating guidelines for northern Duval County. On behalf of OREMC, I agreed to adopt these guidelines in a return letter, dated April 17, 1978. These letters are Exhibits __ (PJG-4) and __ (PJG-5) which accompany my testimony. A signed original of Exhibit __ (PJG-5) was sent to Mr. Irving to signify Okefenoke's acceptance of the 1978 Operating Guidelines. Exhibit ___ (PJG-5) is a copy of the unsigned file copy of the original sent to Mr. Irving.

Q. Please generally describe the 1978 Operating Guidelines.

A. The 1978 Operating Guidelines were patterned after the abandoned territorial agreement. They contain a boundary line dividing the territory in northern Duval County and has certain guidelines for cleaning up the boundary over time. The boundary line contained in the 1978 Operating Guidelines

has come to be known as the "magic line."

Q. Please describe the 1978 Operating Guidelines in more detail.

A. In paragraph 1, the parties acknowledge that it is in the best interest of the public to operate under the guidelines set forth therein. The 1978 Operating Guidelines were intended to minimize the duplication of facilities in Duval County.

In paragraph 2, OREMC agreed, to the extent possible, that it would not expand its facilities south of the "magic line." Paragraph 2 also describes the "magic line" via a quasi-legal description of the boundary.

Paragraphs 3 through 10 outline the guidelines for the elimination of duplicate facilities and procedures for cleaning up the boundary between the two utilities over time. While OREMC has recognized the "magic line" boundary in the 1978 Operating Guidelines as the southern border of its service territory in Duval County, very little progress has been made toward eliminating the duplication of facilities in our service territory. This is because JEA has continued to expand its system into our territory when it is "economical and practical" for them to do so.

Conclusion

Q. Please summarize your testimony.

A. Okefenoke has a long history of providing retail electric service in north Duval County. Okefenoke first began serving members in Duval County in the late 1940s, long before the Consolidated Government and JEA came into existence, and long before the Grid Bill was passed by the Florida Legislature.

Over the years, the JEA and Okefenoke have considered whether a purchase/sale transaction would be in their mutual interests, but have never come close to consummating such a transaction. In the mid-1970s, JEA and OREMC attempted to enter into a formal territorial agreement but did not do so. Instead, in 1978, the parties agreed to operate under an informal agreement which established a "magic line" and contained guidelines for cleaning up our respective territories on either side of the magic line. During my tenure as General Manager, Okefenoke observed the "magic line" as its southern boundary in Duval County, but little progress was made toward eliminating the duplication of facilities in northern Duval County. This occurred because JEA has expanded its system in our territory when it was "economical or practical" for them to do so.

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

jjw\pld\gibson.tst

Gibson Exhibits

Docket No. 911141-EU
Exhibit ___ (PJG-1)
Contract Between OREMC and
Holiday Inn dated 7/3/68

AGREEMENT FOR PURCHASE OF POWER LP

AGREEMENT made July 3, 1968, between Okefenoke Rural Electric Membership Corporation (hereinafter called the "Seller"), and Inn of Starke, Inc. dba Holiday Inn - Jacksonville Airport (hereinafter called the "Consumer"), a corporation, ~~partnership, individual~~ (strike inapplicable designations).

WITNESSETH:

The Seller agrees to sell and deliver to the Consumer, and the Consumer agrees to purchase and receive from the Seller all of the electric power and energy which the Consumer may need at I-95 and Airport Road Duval County, Florida up to 500 KVA, upon the following terms:

1. Service Characteristics

(a) Service hereunder shall be alternating current, Three phase, sixty (60) cycles, 277/480 volts.

(b) All motors larger than twenty five (25) H. P. shall be equipped with reduced voltage starters.

(c) All three (3) phase motors shall be protected by fuses or other overcurrent devices being inserted in each ungrounded conductor.

2. Payment

(a) The Consumer shall pay the Seller for service hereunder at the rates and upon the terms and conditions set forth in Schedule LP attached to and made a part of this agreement. Notwithstanding any provision of the Schedule, however, the minimum charge per month shall be $ 375.00.

(b) Bills for service hereunder shall be paid at the office of the Seller in Nahunta, State of Georgia, monthly within fifteen (15) days after the bill is mailed to the Consumer. If the Consumer shall fail to pay any such bill within such fifteen (15) day period, the Seller may discontinue service hereunder by giving fifteen (15) days' notice in writing to the Consumer.

(c) The Consumer agrees that if, at any time, the rate under which the Seller purchases electric energy at wholesale is modified, the Seller may make a corresponding modification in the rate for service hereunder. If the rate is increased thereby the Consumer shall then have the option of cancelling this agreement and discontinuing service.

3. Continuity of Service

The Seller shall use reasonable diligence to provide a constant and uninterrupted supply of electric power and energy; but if such supply shall fail or be interrupted, or become defective through act of God, or the public enemy, or by accident, strikes, labor troubles, or by action of the elements, or inability to secure right-of-way, or other permits needed, or for any other cause beyond the reasonable control of the Seller, the Seller shall not be liable therefor.

4. Membership

The Consumer shall become a member of the Seller, shall pay the membership fee and be bound by the provisions of the articles of incorporation and bylaws of the Seller and by such rules and regulations as may from time to time be adopted by the Seller.

5. Term

This agreement shall become effective on the date service is first delivered hereunder by the Seller to the Consumer, and shall remain in effect for a period of 5 years and thereafter until terminated by either party giving to the other 3 months notice in writing.

6. Succession

This agreement shall be binding upon and inure to the benefit of the successors, legal representatives and assigns of the respective parties hereto.

7. Deposit

The Consumer shall deposit with the Seller the sum of $ 500.00 on account of the cost of facilities required to make service available to the Consumer on or before commencement of construction of such facilities. Such deposit shall be returnable to the Consumer upon termination of this agreement.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their duly authorized representatives all as of the day and year first above written.

ATTEST: J. O. Allen
(Secretary)

Okefenoke Rural Electric Membership Corporation
(Seller)
By R. L. Howard
(President)

INN OF STARKE, INC. dba Holiday Inn - Jacksonville Airport
(Consumer)

ATTEST: W. H. Encarnacion, Jr.
(Secretary)

By Mike P. Rinehart
President
(Title of Officer)*

*If other than president, vice-president, partner or owner, a power of attorney must accompany contract.

Form # 540A

Docket No. 911141-EU
Exhibit ___ (PJG-2)
Letter dated 4/3/69
from Winnard to Gibson

Jacksonville Electric Authority

220 EAST BAY STREET • JACKSONVILLE, FLA. 32202

April 3, 1969

Mr. Pete J. Gibson, Manager
Okefenoke Rural Electric Membership Corporation
P. O. Box 98
Nahunta, Georgia 31553

Dear Mr. Gibson:

Effective March 27, 1969, the City Council of the Consolidated City of Jacksonville amended Ordinance No. 68-120-88 to delegate to the Jacksonville Electric Authority the right to authorize other electric utility companies to furnish electric service to certain premises in the City of Jacksonville.

You will recall that this authority was originally vested under the subject ordinance, in the Council only. Will you, therefore, direct all future requests for line extensions or services to new customers, to this office?

We hope that with this amended ordinance we will be able to expedite your requests. Copy of the amended ordinance is attached.

Very truly yours,

Louis H. Winnard

Louis H. Winnard
Managing Director

LHW:ks

Attach.

Docket No. 911141-EU
Exhibit ___ (PJG-3)
Draft of 1977 Proposed
Territorial Agreement

DRAFT
9/30/77
CJS

IN THE MATTER OF AN AGREEMENT

LEADING TO THE

ESTABLISHMENT OF SERVICE AREA BOUNDARIES

BETWEEN

OKEFENOKEE RURAL ELECTRIC COOPERATIVE, INC.

AND

THE JACKSONVILLE ELECTRIC AUTHORITY

WITNESSETH:

Whereas, the Jacksonville Electric Authority, a municipal corporation, created and existing under Chapter 67-1569 of the Laws of the State of Florida, hereinafter referred to as "JEA", and Okefenokee Rural Electric Cooperative, Inc., a Rural Electric Cooperative created and existing under the Laws of the State of Georgia and operating in Duval County under the Laws of the State of Florida, Chapter 425, Florida Statutes Annotated, hereinafter referred to as "Okefenokee", do engage in the distribution and sale of electric energy in certain areas of Duval County, and

Whereas, the best interest of these parties and of the public would be served by the parties working toward a service area agreement establishing the rights and determinations of each, and

Whereas, JEA and Okefenokee do recognize it to be in their mutual self-interest to resolve certain territorial questions in an unhurried atmosphere, and do further recognize that failure to do so will result in a continued climate of less than optimum system planning, growth sequences, and return on investment.

Now, therefore, in settlement of the differences of the parties in the sale and distribution of electrical energy in Duval County, the parties, in lieu of all alleged rights they may have or did have by virtue of any precedent, agreement, usage, forfeiture, or abandonment from the beginning of time to the date hereof, and for and in consideration of the mutual covenants herein contained, do hereby mutually stipulate and agree as follows:

1. The lines of demarcation defining to each the tentative service area assigned to the other are depicted upon the maps appended to this Agreement, and said maps shall be a part hereof. The lines of demarcation are verbally described as follows:

Beginning in the Atlantic Ocean at the center of the Nassau Sound outfall, proceed in a southerly direction along the meanderings of Simpson Creek into the waters of Fort George River. Proceed westerly along the centerline of said River to Sisters Creek, thence southwesterly along the centerline of said Creek to a line running due east and west and lying one-half mile south of Cedar Point on Black Hammock Island, all as identified on U.S.'C & G Quadrangle Maps. Proceed west along said line to a point due south of Buckhorn Bluff, then turn northwesterly and follow the meanderings of Clapboard Creek to a point due east-southeast of a point 1000 feet east of the intersection of Cedar Point Road and New Berlin Road. Depart the former point on the line established by b oth points and proceed in a west-northwest direction to the latter point. Turn essentially north and follow the meanderings of the centerline of Sample Swamp to the intersection of the centerlines of Starratt Road and Cape Drive East. Proceed therefrom westerly along the centerline of Starratt Road to the intersection of the centerline of Starratt Road and Yellow Bluff Road. Proceed northwest therefrom 500 feet, thence turn due west for 3000 feet then turn south-southwes 2000 feet, then turn due west to a point in the center of Dunn Creek. Proceed due north upon the center of the Dunn Creek and its headwater swamp to a line running due east-west and lying 500 feet south of and parallel to Bird Road. Proceed west on said line, crossing north Main Street (U.S.17) to the centerline of the SCL RR ROW. Tur south along said centerline a distance of 1000 feet, then proceed westerly a distance of one mile along the center of an unnamed swamp thence southwest along the meandering center of said swamp to a point one-half mile north of Owens Road. Turn due west a distance of 2000 feet, thence due north along the centerline of the meanderings of another unnamed swamp to the

closest point upon the northerly boundary of Jacksonville International Airport. Follow the meandering of said boundary westerly, departing same as necessary to traverse the shortest distance to a point on Lem Turner Road 1000 feet southerly of its intersection with Eagerton Road. Proceed due southwest a distance of 2000 feet, thence proceed due west to a meandering line which follows the contours of Braddock Road and lies 2000 feet easterly and/or southerly thereof. Follow said line southerly to a point 1000 feet northerly of the centerline of the JEA 138/240 kV transmission line ROW. Turn west at said point and follow a line parallel to and 1000 feet north of said centerline to a point on a line 1000 feet west of and parallel to the north-south portion of the centerline of the JEA 138/240 kV transmission line ROW. Proceed south along said line to a point one-half mile south of the Southern RR X-ing. Proceed westerly therefrom 2000 feet, thence northerly one-half mile, generally in the center of an unnamed swamp. Turn generally west-southwest along the center of an unnamed swamp labelled Trout River on U.S. Coast and Geodetic Survey Quadrangle Maps until said "river" shall intersect a line running due east-west one-half mile north of and parallel to Garden Street Road. Proceed westerly along said line as extended until same shall intersect the Nassau County-Duval County border. All that portion of Duval County north of the foregoing described boundary line shall be reserved to Okefenokee (as pertains to JEA) and conversely south of said line.

2. No facet of this Agreement between JEA and Okefenokee shall be construed to infringe upon any existing territorial agreement between another utility and either party.

3. Nothing in this Agreement shall be construed to prohibit or constrain one party from constructing, maintaining, modifying or using any transmission line or "express" distribution tie line over or

under and across the territory of the other party, provided applicable laws are complied with and accepted utility construction practices and reasonable judgment are utilized in the construction, re-construction and use thereof.

4. It is agreed that final implementation of this long range program entail transfer of a few customers or members and serving facilities from one party to the other, and that these activities shall be accomplished in accord with the provisions of this Agreement until same is superceded by contract.

5. Either party may enter an area in which they hold existing facilities which are ultimately to be transferred to the other party:

   A. For repairs and/or to provide maintenance necessary to continue to serve members or customers existing as of the date of this Agreement.

   B. To make minimal system improvements to adequately continue to serve existing customers or members.

   C. For meter reading and other administrative functions.

   D. If so permitted in writing by the other party for any other purpose.

B. IMPLEMENTATION

1. JEA and Okefenokee agree that each will not serve or offer to serve a new customer outside its service area unless mutual investigation shall disclose such action to be in the best interest of both parties.

2. Each party reserves the right to refuse to serve a totally new customer in the area designated for ultimate assignment to the other but hereby agree that such right shall not be arbitrarily and capriciously enjoyed to the detriment of the other.

3. For the area north of the tentative line, JEA shall continue to serve the meter locations of its existing customers' premises in such area with the services furnished as of the date of this Agreement.

When a new customer or account moves into an existing structure that is served by JEA, the new customer shall become a member of Okefenokee and shall be so notified in writing, and shall be provided electric service by Okefenokee. (A widow or widower of a deceased JEA customer shall not be considered a new customer). If it is mutually determined that Okefenokee should not immediately serve the location, JEA shall continue to serve until such time as Okefenokee elects to serve the location. Payment by Okefenokee to JEA for such customer/member transfer to Okefenokee shall be based upon the provisions of Paragraph C(4).

4. When a new service location is constructed north of the tentative line, such new location shall be served by Okefenokee at a time and in a manner to be determined by Okefenokee and the customer shall be so notified in writing. JEA may temporarily serve such new customer upon written request from Okefenokee to serve such customer when it has been mutually determined to be more economically feasible for JEA to temporarily so serve. Such customers shall belong to Okefenokee, shall be so notified in writing, and JEA shall, upon Okefenokee's request, return the customer and/or facility to Okefenokee. Payment to JEA for providing such service will be based upon the provisions of Paragraphs C(5) and C(6).

5. For the area south of the tentative line, Okefenokee shall continue to serve the meter locations of its existing members' premises in such area with the services furnished as of the date of this Agreement. When a new customer or account moves into an existing structur that is served by Okefenokee, the new customer shall become a customer of JEA and shall be so notified in writing, and shall be provided electric service by JEA. (A widow or widower of a deceased Okefenokee member shall not be considered a new customer). If it it mutually determined that JEA should not immediately serve the location, Okefenokee shall continue to serve until such time as JEA elects to serve the location. Payment by JEA to Okefenokee for such member/customer transfer to JEA shall be based upon the provisions of Paragraph C(4).

6. When a new service location is constructed south of the tentative line, such new location shall be served by JEA at a time and in a manner to be determined by JEA and the customer shall be so notified in writing. Okefenokee may temporarily serve such new customer upon written request from JEA to serve such customer when it has been mutually determined to be more economically feasible for Okefenokee to temporarily so serve. Such customers shall belong to JEA, shall be so notified in writing, and Okefenokee shall, upon JEA's request, return the customer and/or facility to JEA. Payment to Okefenokee for providing such service will be based upon the provisions of Paragraphs C(5) and C(6).

7. When a customer or member of either party requests in writing to be transferred to the party assigned the area in which such customer or member resides, the request shall be granted provided the parties hereto mutually agree it is economically practical to so do.

8. Written permission and acquiescence shall be obtained from all members or customers not covered by the provisions of Paragraphs B(3,4,5,6,7) (Preceeding)prior to his/her/their/its transfer of service from one party to the other. The burden of obtaining this permission and acquiescence shall fall upon the "new" serving utility, (the accepting party, hereinafter defined) unless and until said transfer may be mandated by action of competent authority.

9. The parties agree that every effort will be directed to avoid duplication of facilities during implementation of this Agreement.

C. ADMINISTRATION

1. Definitions:

   A. Relinquishing Party - That party to this agreement which, pursuant to the provisions hereof, is transferring customers or members and/or facilities (or the right to install or modify facilities) to the other.

   B. Accepting Party - The party receiving such customers, or members and/or facilities from the other.

C. Annual Revenue - The sum of the billings for electric service to a meter location for the most recent consecutive or non-consecutive twelve months in which service was actually provided to such meter location. In the case of accounts billed less than twelve months, annual revenue shall mean the monthly average of such billings multiplied by twelve. In the case of new accounts without billing history, annual revenue shall mean the average annual revenue derived from similar accounts in the area.

D. Depreciation - The loss in value of a physical item or facility due to ravages of time, based upon the criteria approved by the Federal Power Commission uniform method of accounting.

E. Salvage Value - Used herein with references to materials for construction of electric distribution facilities. For an item which cannot or will not be re-used, salvage value shall be the most recent historically demonstrated scrap value. For items which can and will be re-used, the salvage value shall be the cost of original acquisition less applicable depreciation as defined above.

F. Promptly - Within 30 days unless mutually agreed upon otherwise by the parties.

2. The accepting party may elect to purchase facilities as-is, where-is, based upon the various provisions of this agreement, or to build, rebuild or modify facilities, and return unused items to the relinquishing party for credit based upon the various provisions of this Agreement.

3. In each instance where the accepting party acquires facilities from the relinquishing party as provided for under the terms of this Agreement, said relinquishing party promptly shall make, execute and deliver to the accepting party a conveyance or other instrument of transfer as is appropriate in order to convey all right, title and interest in any right-of-way, easements, road permits or other rights which authorize the location of such facilities so trans-

ferred, or which are to be replaced or supplanted by similar facilities of the accepting party.

4. For customers/members categorized by the provisions of Paragraphs B(3,5 & 7),when the accepting party serves such customer/member either by purchase of facilities of the relinquishing party not then being utilized to serve any other customer, and/or by construction of new facilities, then shall the accepting party pay promptly to the relinquishing party the following sums:

   a. The depreciated value of any facility or portion thereof purchased by the accepting party from the relinquishing party, plus

   b. If applicable, the direct cost incurred by the relinquishing party for constructing (labor, material and overhead) necessary facilities to reintegrate the system of the relinquishing party outside the disconnected location or locations after detaching the facilities to be sold and transferred to the accepting party, plus

   c. An amount equal to 2½ times the historical or estimated annual revenue, exclusive of taxes and fuel adjustment, which would have accrued to the relinquishing party had he continued to serve the location(s).

5. For customers/members categorized by the provisions of Paragraphs B(4) and B(6), should the accepting party immediately serve such customer/member either by purchase of facilities of the relinquishing party not then being utilized to serve any other customer, or by construction of new facilities, then shall the accepting party pay promptly to the relinquishing party the following sums:

   a. The depreciated value of any facility or portion thereof purchased by the accepting party from the relinquishing party, plus

   b. If applicable, the direct cost incurred by the relinquishing party for constructing (labor, material and overhead) necessary facilities to reintegrate the system of the relinquishing party outside the disconnected location or locations after detaching

with U. S. Government official statistics on inflationary factors, and then depreciated, plus

c. If applicable, the cost incurred by the relinquishing party for constructing (labor, material and overhead) necessary facilities to reintegrate the system of the relinquishing party outside the disconnected area after detaching the facilities to be sold and transferred to the accepting party, plus

d. An amount equal to 2½ times the annual revenue, exclusive of taxes and fuel adjustment, which woul have accrued to the relinquishing party had he continued to serve all customers/members being transferred.

8. Such payment as provided for in this Agreement shall promptly be made by the accepting party in cash to the relinquishing party from time to time as such debts may be incurred. Proof of the amounts shown on the books and records of the relinquishing party shall be subject to examination by a Certified Public Accountant selected by the accepting party. In the event of a dispute as to the amount of any payment due hereunder, the matter shall be settled by three arbitrators, the JEA choosing one, Okefenokee choosing one, and the two so chosen selecting a third who shall serve as Chairman of the Arbitrators. The devision of the arbitrators shall be binding on the parties as provided for in the Florida Arbitration Code, Chapter 682, Florida Statutes, 1967.

9. Customers' deposits of customers who are to be transferred shall be refunded to the customer at the time of transfer. If any customer who is to be transferred should refuse to complete an application for service with the accepting party and to make such deposit as is customarily required prior to the actual transfer of service, then the accepting party shall, nevertheless, effect the transfer and serve such customer, but may, within 30 days after beginning to serve such customer, take appropriate remedial action.

D. MISCELLANEOUS

(The parties may wish to make provisions for the term of this Agreement, and possibly also allow for cancellation)

Note: Paragraphs C(4c, 5c, and 7d) are controversial and will require additional discussion. Particularly, C(5c) is clumsily worded even if the intent is agreed upon.

E. INDEMNIFICATION

(In this section, the Legal Departments of the parties shall frame appropriate Indemnification Provisions)

For the JEA

For Okefenokee

Witness _____ Witness _____

Witness _____ Witness _____

Docket No. 911141-EU
Exhibit ___ (PJG-4)
Letter dated 4/2/78 from
Irving to Gibson

Jacksonville Electric Authority

233 WEST DUVAL STREET • P. O. BOX 53015 • JACKSONVILLE, FLORIDA 32201

JEA "POWER TO SERVE"

April 2, 1978

Mr. Pete J. Gibson
General Manager
Okefenoke Rural Electric Membership Corporation
P. O. Box 602
Nahunta, Georgia 31553

Dear Mr. Gibson:

I wish once again to express my thanks to you and the participating members of your Staff for the cooperative spirit displayed during our recent meetings relative to establishment of system expansion guidelines.

Those guidelines, a copy of which is enclosed, seem to offer positive benefits to both parties, and I propose that we mutually agree to apply them in day-to-day operations.

Your written concurrence is earnestly solicited, and upon receipt, I will instruct my Staff to continue to implement the essence of our understandings.

Sincerely,

W. M. Irving
Managing Director

WMI/cjs/jb

DIST BUTION OPERATIONS

GUIDELINES

FOR

OKEFENOKE RURAL ELECTRIC COOPERATIVE, INC.

AND

THE JACKSONVILLE ELECTRIC AUTHORITY

4/2/78

1. The Jacksonville Electric Authority, hereinafter referred to as "JEA", and Okefenoke Rural Electric Cooperative, Inc., hereinafter referred to as "Okefenoke", agree that the best interest of these parties and of the public would be served by the parties working under guidelines establishing the good-faith determinations of each as relates to minimizing the duplication of facilities.

2. For its part, Okefenoke agrees that to the extent possible it will not expand its electric distribution facilities southerly of a line roughly described as follows:

Beginning in the Atlantic Ocean at the center of Nassau Sound, proceed southerly along the meanderings of Simpson Creek into the waters of Fort George River. Proceed westerly along the centerline of said River to Sisters Creek, thence southwesterly along the centerline of Sisters Creek to a line running due east and west and lying one-half mile south of Cedar Point on Black Hammock Island. Proceed west along said line to a point due south of Buckhorn Bluff, then turn northwesterly and follow the meanderings of Clapboard Creek to a point due east-southeast of a point 1000 feet east of the intersection of Cedar Point Road and New Berlin Road. Depart the former point on the line established by both points and proceed in a west-northwest direction to the latter point. Turn essentially north and follow the meanderings of the centerline of Sample Swamp to its intersection with the centerline of Starratt Road. Proceed therefrom westerly along the centerline of Starratt Road approximately 1430 feet to the intersection of the centerlines of Starratt Road and Yellow Bluff Road. Proceed northwest therefrom 500 feet, then turn due west 3000 feet, then south-southwest 2000 feet, then due west to a point in the center of Dunn Creek. Proceed due north upon the center of the Dunn Creek and its headwater swamp to a line running due east-west and lying 500 feet south of and parallel to Bird Road. Proceed west on

said line, crossing North Main Street to the centerline of the SCL RR ROW. Turn south along said centerline a distance of 1000 feet, then proceed westerly a distance of one mile along the center of an unnamed swamp, thence southwest along the meandering center of said swamp to a point one-half mile north of Owens Road. Turn due west a distance of 2000 feet, thence due north along the centerline of the meanderings of another unnamed swamp to the closest point upon the northerly boundary of Jacksonville International Airport. Follow the meandering of said boundary westerly, departing same as necessary to traverse the shortest distance to a point on Lem Turner Road 1000 feet southerly of its intersection with Eagerton Road. Proceed due southwest a distance of 2000 feet, thence proceed due west to a meandering line which follows the contours of Braddock Road and lies 2000 feet easterly and/or southerly thereof. Follow said line southerly to a point 1000 feet northerly of the centerline of the JEA 138/240 kV transmission line ROW. Turn west at said point and follow a line parallel to and 1000 feet north of said centerline to a point on a line 1000 feet west of and parallel to the north-south portion of the centerline of the JEA 138/240 kV transmission line ROW. Proceed south along said line to a point one-half mile south of the Southern RR Crossing. Proceed westerly therefrom 2000 feet, thence northerly one-half mile, generally in the center of an unnamed swamp. Turn generally west-southwest along the center of an unnamed swamp labelled Trout River on U.S. Coast and Geodetic Survey Quadrangle Maps until said "river" shall intersect a line running due east-west one-half mile north of and parallel to Garden Street Road. Proceed westerly along said line as extended until same shall intersect the Nassau County-Duval County border. JEA agrees to view all territory north of the foregoing described line in the spirit of this Operating Agreement.

3. When mutually agreed by the respective Engineering Staffs of the parties, minor changes to service areas may be made when to do so will allow for more efficient utilization of existing or necessary new facilities.

4. JEA and Okefenoke agree that implementation of these guidelines may entail transfer of a few customers or members and serving facilities from one party to the other, and that these activities shall be accomplished in accord with the intent herein expressed.

5. JEA and Okefenoke agree that each will not serve or offer to serve a new customer in northern Duval County until mutual investigation shall define the activities which are most compatible with the long-term goals implicit in these guidelines.

6. When a customer or member of either utility requests in writing to be transferred to the utility assigned the area in which such customer or member resides, the request shall be granted provided JEA and Okefenoke mutually agree that existing or planned distribution facilities make it practical to do so.

7. Whenever a new location requires service, or there is a change in account name at an existing service location (other than as defined in Paragraph 8) such location will be served by the utility which is mutually determined as able to most economically so serve consistent with the long term goal of these guidelines. If the utility so selected is not that which will continue to serve over the long term, then the customer should be so informed through a jointly-executed notice transmitted by registered mail, said notice to stipulate that in the future there will be a change in serving utility.

8. An heir of a deceased customer or member which continues to occupy or newly occupies the premise of such deceased customer or member is not regarded as a new customer for purposes of this operating guideline.

9. Each party may refuse to serve a totally new customer in the area designated for ultimate assignment to the other, but hereby agree that such right shall not be arbitrarily utilized.

10. JEA and Okefenoke agree that efforts should be made to disestablish existing instances of duplicate facilities. To this end, each party will continuously search for distribution line segments which may be considered for transfer negotiations.

Docket No. 911141-EU
Exhibit ___ (PJG-5)
Letter dated 4/17/78 from
Gibson to Irving

April 17, 1978

Mr. W. M. Irving, Managing Director
Jacksonville Electric Authority
P. O. Box 53015
Jacksonville, Fl. 32201

Dear Mr. Irving:

We wholly concur with the operating guide lines set forth with your letter of April 2, 1978.

We believe this plan gives us a workable guide which, when implemented by both of our agencies, will accrue to the benefit of all parties concerned, not the least of which is the people we serve.

The discussions with you and your people were mott pleasant, for which we sincerely thank you. I trust that mutual benefits will continue to flow from our understandings long after you and I have left the scene.

Yours truly,

Pete J. Gibson
Manager

PJG:dj

Middleton Testimony

OKEFENOKE RURAL ELECTRIC
MEMBERSHIP CORPORATION
DOCKET NO. 911141-EU
SUBMITTED FOR FILING 2/7/92

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

EMORY MIDDLETON

Q. Please state your name and address.

A. My name is Emory A. Middleton. My address is 106 Drew Street, Nahunta, Georgia, 31553.

Q. By whom are you employed and in what position.

A. At the present time, I am not employed. I retired from the employment by the Okefenoke Rural Electric Membership Corporation ("OREMC" or "Okefenoke") in 1990, having worked there since 1952. Since my retirement, I have actively followed the activities of Okefenoke and have consulted with Mr. Robert Page, my successor, on an informal basis.

Q. Please describe your employment and educational background.

A. Following my graduation from high school in 1941, I enlisted in what is now the United States Air Force and spent four years as a radio operator/repairman, personnel NCO and First Sergeant. Thereafter, I worked on my family's farm for

several years until 1952. During this time period, I spent one year at the University of Georgia.

In 1952, I became employed by Okefenoke as a Right-of-Way/Easement Solicitor, a position I held until 1966 when I was promoted to Assistant Manager. As Right-of-Way/Easement Solicitor, I was responsible for acquiring the easements and right-of-way necessary to expand Okefenoke's system in many areas, including Baker, Nassau and Duval Counties. Accordingly, I am very familiar with the development of Okefenoke's system in those counties.

In 1966, I was promoted to Assistant Manager under Mr. Pete Gibson. In that position, I was responsible for special projects and "trouble shooting," but continued to be heavily involved in system development and right-of-way acquisitions.

When Mr. Gibson retired as General Manager in 1985, I succeeded him and held that position until my retirement in 1990. As General Manager, I had direct and full responsibility for the day-to-day management of OREMC.

Purposes

Q. What are the purposes of your testimony?

A. The purposes of my testimony are to (1) describe the historical development of Okefenoke's system in Duval County, and (2) discuss the Power Sales Agreement between JEA and Seminole Electric Corporation, Inc.

Q. Have you prepared exhibits for submission to the Commission in this proceeding?

A. Yes. The following exhibits were compiled from the business records of Okefenoke and Southern Engineering Company under my direction and supervision for filing in this case. A summary of these exhibits is as follows:

Exhibit	Document	Description
_____	(EM-1)	Map showing location of "Victor" Project in Duval County
_____	(EM-2)	Map of "K" Project
_____	(EM-3)	OREMC System as of 12-19-67
_____	(EM-4)	Circuit Diagram of OREMC's Facilities in Duval County as of 2-7-75
_____	(EM-5)	Wholesale Electric Service Contract Between JEA and Seminole Electric Cooperative, Inc.

OREMC's System Development in Duval County

Q. Was OREMC providing retail electric service in Duval County when you became employed by OREMC in 1952.

A. Yes. At the time I became employed by Okefenoke in 1952, we had built a system of distribution lines into northwestern Duval County as part of the "Victor" project. The location of the "Victor" project in Duval County is shown on the map which constitutes Exhibit __ (EM-1). This map was prepared by Southern Engineering Company, and, based on my present recollection is a reasonable approximation of the distribution lines installed in Duval County as part of the "Victor" project.

Q. Please describe the "Victor" project.

A. Based on my review of the records of OREMC and my recollection of OREMC's system at the time I was employed, the "Victor" project was a project to construct approximately 350 miles of line throughout our system. The major emphasis of this project was in Charlton County, Georgia and Nassau and Baker Counties, Florida. Only a small portion, approximately ten miles, of the "Victor" project lines were constructed in Duval County. Initially, the ten miles of line in Duval County were

single phase, 7.2 KV lines. While the "Victor" project had a formal letter designation like all of our other projects, it was called the "Victor" project because the contractor for the project was the "Victory Electric Company."

Q. What was OREMC's next significant distribution project in Duval County?

A. Okefenoke's next significant distribution line construction project into Duval County was called the "K" project.

Q. How were you involved in the "K" project?

A. The design and planning for the "K" Project was started before I became employed by Okefenoke. One of my first major tasks as right-of-way/easement solicitor was to acquire the right-of-way and easements necessary to construct the "K" Project lines into Duval County.

Q. Please describe the "K" Project.

A. The purpose of the "K" project was to serve members in north central and northeast Duval County who were not already receiving central station power from another electric utility provider. At the time the project was planned and

constructed, there was no wholesale metering point available to OREMC in Nassau County or northern Duval County. Accordingly, to serve persons who needed service in northern Duval County, we built a fifteen mile distribution line from Kingsland, Georgia along U.S. Highway 17 into north central Duval County. Then, once in Duval County, the "K" project branched out at the Yellow Bluff Road area to serve north central and northeast Duval County. As part of the "K" project, OREMC installed approximately thirty-five miles of line in northeast Duval County to serve the Starrett Road area, the Boney Road area, the Spring Hammock Road area, the Cedar Point Road area and the Sawpit (now Black Hammock) Road area. In north central Duval County, OREMC installed approximately forty-three miles of line beginning at the Yellow Bluff area to serve portions of Bird Road, Bernard Road, Pecan Park Road, Owens Road, Oliver Road, Lem Turner Road, Lannie Road, Ethel Road, Braddock Road and Blyler Road. Most of the "K" project lines were single or three phase, 14.4 KV lines.

As part of the "K" project, OREMC's new facilities in north central Duval County were interconnected with the "Victor" project facilities in northwest Duval County. At that same time, the "Victor" project was upgraded to single phase, 14.4 KV service.

The "K" project is shown on Exhibit __ (EM-2) which is a map dated June 4, 1951. This map was prepared by Southern Engineering Company and, based on my present recollection, is a reasonable representation of the "K" project as it relates to Duval County. The "K" project was completed in 1956.

Q. Has OREMC upgraded the "Victor" and "K" project lines since they were originally installed?

A. Yes. As part of the planning process described in the prepared direct testimony of Mr. Robert Dew, OREMC prepares a bi-annual work plan which details planned system developments. As part of this process, OREMC and its engineers consider voltage level, system loads, service reliability and the overall physical condition of the equipment in the field. Over the years, we have upgraded the "Victor" and "K" project lines to reflect changes in technology, member growth and to improve reliability. In addition, we have expanded our distribution facilities in Duval County. The fact that we have upgraded and expanded our system in Duval County is reflected in our increasing level of investment in Duval County over the years. This increasing level of investment in Duval County is reflected later in my testimony.

Q. Please describe the growth and development of OREMC's system

in Duval County from 1956 to 1968.

A. After the "K" and "Victor" projects were complete, Okefenoke's system continued to develop within Duval County. Our primary focus was on establishing new members on the "Victor" and "K" project lines; however, over this twelve year period, OREMC installed approximately thirty-two miles of additional distribution line in Duval County. During this time period Okefenoke's membership in Duval County grew to approximately 622 in 1968. Exhibit __ (EM-3) is a map dated December 19, 1967 which reflects the configuration of OREMC's system in Duval County around 1968. To the best of my recollection, there were no significant expansion projects in Duval County between December 17, 1967 and October 1, 1968.

Q. Please describe the circumstances surrounding the Holiday Inn becoming a member/customer of OREMC.

A. The Holiday Inn-Jacksonville Airport ("Holiday Inn") signed a contract and became a member of OREMC on July 3, 1968, about three months before the Consolidated Government of Jacksonville and JEA came into existence. Exhibit __ (PJG-1), discussed in Mr. Pete J. Gibson's prepared direct testimony, is a copy of the contract between the Holiday Inn and Okefenoke.

For some time before the Holiday Inn was built, OREMC had an overhead distribution line running through the land now occupied by the Holiday Inn. This line was built to serve a "downline" member who could not get service from the city electric system. This line was in place well before the Jacksonville Airport was built and before I-95 was constructed.

Sometime in late 1967 or early 1968, Okefenoke was contacted by a real estate agent on behalf of an unnamed client who wanted to purchase the land where the Holiday Inn is now located. Since we already had a line running through that location, the real estate agent asked us to bury the line and provide service to his client. We gladly agreed to do so, and ultimately signed the above-mentioned contract with the Holiday Inn.

Q. How would you characterize the area surrounding the Holiday Inn when OREMC began providing service to the Holiday Inn in 1968?

A. I would describe the area as rural. At the time, the airport was just being built, and the area was covered with trees. With the exception of the Holiday Inn and the airport, there was little commercial development in the area.

Q. Please describe the growth and development of OREMC's system in Duval County from 1968 to 1974.

A. During this time period, Okefenoke continued to expand and improve its system in Duval County with a series of small distribution expansion projects. As of 1974, Okefenoke served approximately 1,007 members, had approximately 140 miles of distribution line, and a total investment of approximately $1 million in Duval County. Facilities growth in this time period was somewhat slower than in the 1940s and 1950s because by this time, we had already established a significant operating presence in northern Duval county.

Exhibit __ (EM-4) is a map showing the location of OREMC's facilities in Duval County, dated February 7, 1975, and was taken from the records of Southern Engineering Company. To the best of my recollection, this map reflects the configuration of our system in Duval County around that time. Even though this map is dated some eight months after the Grid Bill was passed, it reflects with reasonable accuracy the location of our facilities around the time the Grid Bill became law.

Q. Please describe the growth and development of OREMC's system in Duval County from 1974 to the time of your retirement.

A. From 1974 to the time of my retirement, OREMC's system in Duval County continued to grow and improve. During this time period, we had a net gain of approximately 1,242 members in Duval County for a total of approximately 2,249 members in Duval County in 1990. Based on our 1974 and 1990 Duval County tax return, our investment in Duval County increased from approximately $1 million in 1974 to approximately $3.2 million in 1990. From an operating perspective, the most significant addition to our system during this time period was the Oak Grove metering point, which I will discuss in more detail later in my testimony.

Power Sales Agreement

Q. Please describe OREMC's Oak Grove metering point.

A. Okefenoke receives the power it uses in Duval County at three locations, one of which is located in Duval County. The location in Duval County is known as the Cedar Point/Oak Grove delivery point. This delivery point has come to be known to OREMC as "Oak Grove". The Oak Grove delivery point is located near the intersection of Cedar Point Road and New Berlin Road. OREMC invested in three single phase 200 amp voltage regulators and two distribution circuits with over current protective devices at this location. The metering point

provides power for OREMC's customers in the Black Hammock Island area described in Mr. Robert Page's testimony and shown on Exhibit ___ (RD-6).

Q. What arrangements have been made so that OREMC can receive power at the Oak Grove metering point?

A. As discussed by Mr. Robert Page, OREMC has an "all power requirements" contract with the Seminole Electric Cooperative, Inc. ("Seminole") for the OREMC's power purchases in Florida. Accordingly, we have a direct contractual relationship with Seminole for our power purchases in Duval County.

We are also the beneficiary of a wholesale electric service contract between Seminole and JEA relating to the Oak Grove metering point.

Q. Were you involved in the negotiations of the wholesale electric service contract between JEA and Seminole referred to above?

A. Yes, I was. Exhibit __ (EM-5) is a true and correct copy of the contract between JEA and Seminole referred to above.

Q. Please describe the contract.

A. Under the terms of the contract, JEA agrees to provide wholesale power to Seminole at the Oak Grove metering point for a period of ten years, beginning February 17, 1987. After the ten-year period expires, the contract continues from year to year until terminated by either party upon one year's prior written notice. Since we are Seminole's only member in northern Duval County, it is clear that the contract was intended to benefit OREMC and its members.

Q. What role did OREMC play in the negotiation of this contract?

A. Okefenoke was initially involved in the negotiation of this contract. In fact, Okefenoke was the driving force behind this contract.

Q. Why was OREMC interested in this contract?

A. For several reasons. First, and most important, from a system-integrity and reliability standpoint, OREMC needed a source of energy in the Cedar Point area. As early as 1984, we began negotiating with Oglethorpe Power Corporation, JEA, and other power suppliers for the purpose of obtaining a power source in the Cedar Point area. A variety of factors, not the least of which was our "all power requirements" contract with Seminole, led us to believe that a contract between JEA and

Seminole would be the best solution to our needs.

Second, since 1978, we had been operating under the 1978 Operations Guidelines discussed in Mr. Gibson's testimony, but without any other territorial agreement with JEA. We thought, and I believe JEA recognized at the time, that a contract between JEA and Seminole would be a step toward resolving our ongoing territorial disagreement with JEA.

For these reasons, we were very much in favor of the contract between JEA and Seminole.

Conclusion

Q. Please summarize your testimony.

A. Okefenoke has been providing retail electric service in portions of northern Duval County since the late 1940s. During the early 1950s, Okefenoke had a major system expansion in north central and northeast Duval County called the "K" project. Since that time, the OREMC has continued to steadily develop and upgrade its system and has continued to serve new members in the areas in which it has historically served. Okefenoke had a substantial operating presence in Duval County at the time the consolidated government and JEA came into

existence and at the time the Grid Bill was enacted.

Q. Does this conclude your prepared direct testimony?

A. Yes it does.

jjw\pld\middle.tst

Middleton Exhibits

the facilities to be sold and transferred to the accepting party, plus

c. If applicable, 50% of the depreciated value of any existing facility of the relinquishing party which is located between the new customer's location and the next closest customer toward the source of energy and which was rendered useless to the relinquishing party by the action. (Such amounts will be deducted from any final payment due the relinquishing party as a result of eventual total transfer of facilities from the relinquishing party to the accepting party).

6. For customers/members categorized by the provision of Paragraphs B(4) and B(6), should the accepting party elect not immediately to serve such customer/member, then shall the relinquishing party temporarily provide service to such customer/member, and keep accurate records of the actual costs incurred, for incorporation into future settlement of accounts.

7. All customer/members not categorized by Paragraphs B(3,4,5,6 & 7) will be transferred from the relinquishing party to the accepting party on an area project basis pursuant to implementation of the provisions of Paragraph B(8). Prompt payment by the accepting party to the relinquishing party shall be based upon the sum of the following factors:

a. The depreciated value of any facility or portion thereof purchased by the accepting party from the relinquishing party for which exact cost records may be available pursuant to activities performed under the provisions of Paragraph B(8), and/or for which exact cost records may be available from any other source satisfactory to the Accounting Department of the accepting party, less any items returned as salvage to the relinquishing party, plus

b. For facilities, the value of which cannot be determined under a.(above), the average current cost of similar construction determined by the records of both parties, de-rated in accord

Docket No. 911141-EU
Exhibit ___ (EM-5)
Wholesale Electric Contract
Between JEA and Seminole

WHOLESALE ELECTRIC SERVICE CONTRACT

BETWEEN JACKSONVILLE ELECTRIC AUTHORITY AND

SEMINOLE ELECTRIC COOPERATIVE, INC.

THIS CONTRACT, made and entered into this 17th day of February, 1987, between JACKSONVILLE ELECTRIC AUTHORITY, a body politic and corporation existing under the laws of the State of Florida, hereinafter called "Authority"; and SEMINOLE ELECTRIC COOPERATIVE, INC., a Florida Corporation, hereinafter called "Cooperative."

WITNESSETH:

For and in consideration of the mutual covenants and agreements herein contained and other good and valuable considerations to each of the parties hereto, the parties do hereby mutually agree as follows:

Section 1. Scope of Contract

Subject to the terms and conditions hereinafter set forth, the Authority shall sell and deliver on a firm basis and the Cooperative shall purchase (except that which may be received from a cogenerator or small power producer) and receive from the Authority the Cooperative's entire electrical requirements at the Cedar Point/Oak Grove Delivery Point, for Cooperative's use or for resale.

Section 2. Term of Contract

This contract shall become effective upon the date hereof, and shall continue in effect for a period of ten (10) years, except unless terminated by the Cooperative by giving Authority not less than one (1) year advance written notice of the effective date of termination, and this contract shall remain in effect at the end of the initial ten (10) year term, on a year to year basis, unless terminated by either party upon at least one year's prior written notice. Provided, however, that in the event that the Cooperative is prevented, by action of the Federal Energy Regulatory Commission (FERC) or otherwise relating to the Stipulation and

Agreement in FERC Docket No. ER86-383, from switching load currently served through the Yulee delivery point to service through the Cedar Point/Oak Grove delivery point, then this contract shall be deemed null and void, except that any debts outstanding as a result of valid actions taken pursuant to this contract shall be enforceable hereunder.

Section 3. Rates

All electric power and energy received by Cooperative under this Contract shall be billed in accordance with the rates, charges, adjustments and definitions designated in Rate Schedule MS, as it presently exists, or may be subsequently lawfully amended, except that all terms and conditions shall be as expressly provided for in this contract. Attachment 1 contains the Rate Schedule MS and Fuel and Purchase Power Adjustment Policy in effect at time of signing.

The Authority agrees that the Cooperative will be billed at the lowest applicable rate schedule which is available to its wholesale customers. Furthermore, the Authority agrees that it will notify the Cooperative in writing upon commencement of any rate review or studies which may impact the Customer, Demand, Energy Charges, or Fuel and Purchased Power Adjustment contained in the Cooperative's applicable rate schedule and will keep the Cooperative informed of such impact up to, and including, final rate determination. Authority will provide to Cooperative relevant rate reviews or studies prior to final rate determination.

The Authority will make no changes in the applicable rate schedule or fuel adjustment without having notified Cooperative at least seven (7) days in advance of the public hearing to set and approve such changes. The effective date of any revisions in the applicable rate schedule or fuel adjustment will be no earlier than the effective date of any revisions to the rate schedule or fuel adjustment for Authority's other customers. In addition, the Authority will use its best efforts in providing as much advance notice to the Cooperative as possible and further will provide the Cooperative copies of pertinent cost support

documentation pertaining to such changes. Lastly, the Authority agrees that any changes must be cost supported and will be performed using cost of service and other methodologies generally accepted by the Florida Public Service Commission at that time to the extent applicable to the Authority.

Section 4. Payments

(a) Payments for the service rendered hereunder to the Cedar Point/Oak Grove Delivery Point shall be made monthly on submission of a bill containing a statement of meter readings at the beginning of the billing period, end of the billing period, meter constants, energy consumption and demand, and such other pertinent data as shall be required, and shall be forwarded to Tax Collector, 411 North Julia Street, Jacksonville, FL 32202, and made payable to Tax Collector within twenty (20) days from the date the bill is postmarked. The payment date shall be determined by the postmark of the remittance. Invoices not paid within twenty (20) days from the date of mailing shall be termed delinquent and shall then accrue interest daily at the rate of one (1) percent per month.

(b) Pursuant to the provisions of Section 5, the Authority must provide certain metering facilities in order to measure the demand and energy requirements of the Cooperative. Coincident with the rendering of any monthly invoice for service hereunder, the Authority shall provide to the Cooperative a record of the integrated 15-minute demands on an IBM compatible 5 1/4" floppy disk in ASCII coded format. Any 15-minute demands which have been estimated under the provisions of Section 7 shall be designated as such.

(c) The Authority shall invoice for electric service hereunder in monthly billing cycles. Readings for billing purposes shall be obtained between the first and the fifth day of each month, and the Authority shall provide the Cooperative with this data no later than the tenth day (as determined by postmark) of the month. Meter readings shall be taken directly, and any discrepancy between the pulse data and actual register readings shall be reconciled within the current billing month.

(d) In case any portion of any bill is in bona fide dispute, the undisputed amount shall be payable when due. Upon determination of the correct amount, the remainder, if any, shall become due and payable within fifteen (15) days of date of such determination. Any reimbursements or refunds hereunder shall be at an interest rate of one (1) percent per month from date of underpayment or overpayment as the case may be.

Section 5. Cooperative and Authority Facilities

The Cooperative shall, at its own risk and expense, furnish, install and maintain all necessary apparatus for utilizing the energy to be supplied hereunder, such as transformers, switchboards, circuit breakers, safety devices, wiring, etc., and said installations shall be of such character as will not introduce undue and unnecessary disturbances on the Authority's lines.

The Authority shall provide, install, maintain, and calibrate the necessary watt-hour meter, demand recording equipment, and accessories of a standard manufacture for the measurement of demand and energy consumed under this contract. Upon request by the Cooperative, the Authority will allow metering interface and SCADA equipment installation by the Cooperative.

The Cooperative shall provide a suitable location for Authority to mount and install the meters and other service equipment of the Authority as may be required by the Authority.

The Authority shall, at its cost, construct and maintain the required facilities on the Authority's side of the meter as described in Attachment 2. The estimated costs of the facilities are contained in Attachment 2, but such costs will be accurately ascertained by appropriate records of the Authority during and immediately following such construction. Authority shall notify Cooperative of such final costs.

In the event the Cooperative terminates this contract pursuant to Section 2 of this contract within less than ten (10) years from the date of this contract,

Cooperative shall pay the Authority within ninety (90) days from the date of such termination, liquidated damages. Such liquidated damages will be equal to the Authority's unamortized actual cost of the construction of such facilities (less net salvage value) based upon ten (10) years straight line depreciation (ten-twelfths (10/12) percent for each month). Such liquidated damages shall be further reduced by the apportioned value of any then-continued use by Authority of such facilities for any other purpose, with such value being determined solely by the Authority.

Section 6. Service Specifications

(a) The Authority shall furnish electric service of the following characteristics at the Cedar Point/Oak Grove Delivery Point:

Phase	3
Wire	4
Cycles	60
Voltage	26,400
Current	Alternating
Metering Voltage	26,400

(b) The Cooperative shall use reasonable diligence to take and use electric energy hereunder from each of the phases in such manner that the total energy shall be divided as equally as practical between the three phases.

(c) The Authority shall use reasonable diligence to furnish all electric energy required by the Cooperative at the Cedar Point/Oak Grove Delivery Point. The receiving voltage at the point of interconnection shall be maintained by the Authority at 26,400 volts. Normal variation in voltage will be limited to plus or minus five (5) percent of the nominal voltage agreed upon. Should the delivered voltage regularly exceed the five (5) percent variation from the specified nominal voltage, the Authority shall use its best efforts promptly to remedy such condition and to bring the voltage within such limits.

Section 7. Measurement of Energy

All electric energy furnished by the Authority hereunder shall be measured at the Cedar Point/Oak Grove Delivery Point by suitable meter of standard manufacture, to be furnished, installed, maintained, calibrated, and read by the Authority at its expense. In the event any meter or metering equipment fails to register, or registers incorrectly, the electric energy furnished through it during any month, the parties shall agree upon the length of the period in such month during which such meter failed to register or registered incorrectly, and the quantity of electric energy delivered through it during such period, and an appropriate adjustment based thereon shall be made in the Cooperative's bill solely for such month; provided that in no event shall an adjustment be made for any month unless such meter shall have been tested by the Authority of its own volition or at the written request of the Cooperative, within thirty (30) days from and after the date upon which the bill for such month shall have been rendered. Any meter which registers not more than two (2) percent slow or fast shall be deemed correct. No device or connection shall be maintained by the Cooperative at the service location which will prevent any meter from registering correctly the energy used or to be used.

Section 8. Meter Tests

The Authority, at its expense, shall periodically inspect and test the meter(s) installed by it at intervals not exceeding one (1) year. At the written request of the Cooperative, the Authority shall make additional tests of any or all of such meters in the presence of the Cooperative's representatives. The cost of such additional test shall be borne by the Cooperative if the percentage of error is found to be not more than two (2) percent slow or fast.

Section 9. Change in Load

Whenever possible, reasonable notice shall be given by the Cooperative to the Authority respecting any material changes proposed in the connected load or

in the characteristics of such load at the service location.

Section 10. Continuity of Service and Consumption

(a) The Authority shall exercise due care and diligence to supply electric service hereunder free from interruption.

(b) The Authority shall not be liable to the Cooperative hereunder, nor shall the Cooperative be liable to the Authority hereunder, by reason of failure of the Authority to deliver or the Cooperative to receive electrical energy as the result of fire, strike, riot, explosion, flood, accident, breakdown, acts of God, or the public enemy, prohibition by governmental authority or court decree, or any other acts beyond the control of the party affected; it is the intention of each party to relieve the other of the obligation to supply electric energy or to receive and pay for electric energy when as a result of any of the above mentioned causes either party may be unable to deliver or use in whole or in part the electric energy contracted to be delivered or received. Both parties shall be prompt and diligent in removing and overcoming the cause or causes of said interruption, but nothing herein contained shall be construed as permitting the Authority to refuse to deliver or the Cooperative to refuse to receive electric energy after the cause of interruption has been removed.

(c) The Authority does not guarantee that the supply of electric energy hereunder shall be free from interruption occasioned by any of the causes mentioned in the foregoing paragraph, and it is agreed that such interruption shall not constitute a breach of this contract on the part of the Authority and the Authority shall not be liable to the Cooperative for damages resulting therefrom. In the event of such interruption of service, the Authority will restore the service as soon as it can reasonably do so and will at all times exert the greatest efforts toward the end of supplying as nearly constant service as is reasonable and practicable. In case of impaired or defective service, the Cooperative shall immediately give notice to the nearest office of

the Authority by telephone, confirming such notice in writing as soon thereafter as practicable.

Section 11. Access to Service Location

The Cooperative hereby grants to the Authority the right to reasonable access, by its duly authorized agents and employees, to enter the premises of the Cooperative for the purpose of installing, inspecting, and repairing or removing the property of the Authority, of reading meters, or of performing any work incidental to the supplying of all services hereby contracted for.

Section 12. Liability for Accidents

The Authority and Cooperative each expressly agree to indemnify and save harmless and defend the other against all claims, demands, costs or expense for loss, damage or injury to persons or property in any manner directly or indirectly connected with, or growing out of, the use or misuse or presence of said electric energy on its own side of the delivery point, unless such claim or demand shall arise out of or result from the negligence or willful misconduct of the other party, its agents, servants or employees.

Section 13. Miscellaneous

Any notice contemplated by this Wholesale Electric Service Contract shall be made in writing and shall be delivered either in person, by prepaid telegram, by telex or facsimile transmission, or by deposit in the United States mail, first class mail, postage prepaid, certified-return receipt requested, to JACKSONVILLE ELECTRIC AUTHORITY, 233 West Duval Street, Jacksonville, FL 32202, Attention: Managing Director, in the case of Authority; and to SEMINOLE ELECTRIC COOPERATIVE, INC., P.O. Box 272000, Tampa, FL 33688-2000, Attention: Director of Rates and Corporate Planning in the case of Cooperative; or to such other person as may be designated by Authority or Cooperative. The designation of the person to be notified or the address of such person may be changed by Authority or Cooperative at any time, or from time to time, by similar notice.

Section 14. Default

If either party shall default in the performance of any obligations under this contract, the other party may cancel this contract in the event of any such default, provided that said party provides at least sixty (60) days' prior written notice of its intention to cancel the contract and the reason therefor. The defaulting party shall have such period in which to cure such default. No delay by either party in enforcing any of its rights hereunder shall be deemed a waiver of such rights, nor shall a waiver by either party of the other's defaults be deemed a waiver of any other or subsequent default.

Section 15. Transfer of Contract and Assignment of Claim

Cooperative may delegate to one or more of its members all or a part of its performance provided for herein; provided, however, such delegation shall not relieve Cooperative of its obligations set forth in this contract. Except as provided above, neither this contract nor any interest herein nor any claim arising hereunder shall be transferred or assigned by the Authority or by the Cooperative to any party or parties without the prior written consent of the other party hereto, which consent shall not be unreasonably withheld.

Section 16. Entire Contract

This contract supersedes as of the effective date hereof all previous contracts or representations, whether written or oral, heretofore in effect by the Authority and the Cooperative with respect to matters herein contained. This contract (including attachments) sets forth the entire understandings of the parties and no other agreements, modifications, or amendments shall be binding unless the same is in writing signed by the authorized representatives of the parties.

Section 17. Extent of Obligation

This contract shall be binding upon the successors or legal assigns of either of the parties hereto.

Section 18. Retention of Rights

By entering into this contract, Authority does not waive, and expressly reserves, any rights which it may have, under any and all applicable laws, including but not limited to the Charter and Ordinance Code of the City of Jacksonville, to the exclusive right to provide wholesale and/or retail service in Duval County.

By entering into this contract, Cooperative does not waive, and expressly reserves, any rights which it may have, under any and all applicable laws, to provide wholesale and/or retail service in Duval County.

Section 19. REA Approval

The Cooperative shall be solely responsible for promptly obtaining approval of this contract from the Rural Electrification Administration (REA) and shall seek to obtain such approval promptly and deliver a true copy thereof to the Authority. If the REA disapproves this contract or imposes any condition to its approval not acceptable to Cooperative or Authority, the Cooperative will, by notice to the Authority, terminate this contract with such termination to be effective thirty (30) days from the date of said notice.

IN WITNESS WHEREOF, THE JACKSONVILLE ELECTRIC AUTHORITY and SEMINOLE ELECTRIC COOPERATIVE, INC., have caused this contract to be executed and attested by their duly authorized officers on the day and the date first above written.

Attest:

(SEAL)

THE JACKSONVILLE ELECTRIC AUTHORITY

By

Managing Director

Form Approved:

Attest:

Secretary

SEMINOLE ELECTRIC COOPERATIVE, INC.

By

Executive Vice President (SEAL)
and General Manager

Jacksonville Electric Authority

Eighth Revised Sheet No. 11.0
Canceling Seventh Revised Sheet No. 11.0

MS
Revenue Code 45

RATE SCHEDULE MS

MUNICIPAL SERVICE (RESALE)

Available — In all territory served by the Jacksonville Electric Authority where service can be rendered from the transmission facilities of the Authority.

Applicable — To any public utility who has executed an electric service agreement to purchase its entire electrical requirements for any intergrated service area in bulk from the Jacksonville Electric Authority for distribution and resale to ultimate consumers.

Charter of Service — Three phase, 60 Hertz, 13,200 volts; other voltages as required and available.

Rate Per Month — The charge per month shall consist of the total of customer, demand and energy charges as follows:

Customer Charge:

$250.00 per month

Demand Charge:

$3.20 per kW for all kW of Billing Demand

Energy Charge:

3.85¢ per kWh, plus applicable Fuel and Purchased Power Adjustment.

Fuel & Purchased Power Adjustment — As stated in the Fuel and Purchased Power Adjustment Policy in effect at the time of billing.

(Continued to Sheet No. 11.1)

ANN K. CHAWK, CHIEF
ELECTRIC RATES DIVISION

Effective Sept. 1, 1986

Jacksonville Electric Authority

Fourth Revised Sheet No. 11.1
Canceling Third Revised Sheet No. 11.1

(Continued from Sheet No. 11.0)

Minimum Bill

$250.00 Customer Charge plus the demand Charges as computed above.

Definition of Billing Demand

The Billing Demand for the month shall be the maximum integrated 15-minute metered kW demand in the month; but not less than the applicable contract minimum demand.

Terms and Conditions

(a) Service under this rate schedule will be made available upon the execution of a service agreement for five years or more.

(b) Service hereunder shall be subject to the Rules and Regulations of the Jacksonville Electric Authority.

ANN K. CHAWK, CHIEF
ELECTRIC RATES DIVISION

Effective Oct. 1, 1984

Jacksonville Electric Authority

Seventeenth Revised Sheet No. 5.0
Cancels Sixteenth Revised Sheet No. 5.0

FUEL AND PURCHASED POWER ADJUSTMENT POLICY

PART A

Part A of this Fuel and Purchased Power Adjustment Policy shall be applicable to all JEA Retail Rate Schedules which incorporate a 3.205¢ fuel cost component per kilowatt hour within the base energy charge stated on each such Rate Schedule. The said energy charge stated in each rate schedule for each kilowatt hour billed in accordance with the Authority's normal billing cycle, commencing with the first billing under Cycle 01 occurring on or after January 1, 1987, shall be increased by .530¢ per kilowatt hour.

PART B

Part B of this Fuel and Purchased Power Adjustment Policy shall be applicable to all JEA Sale for Resale Rate Schedules which incorporate a 3.205¢ fuel and purchased power cost component per kilowatt hour within the base energy charge stated therein. The said energy charge stated in each such rate scheduled for each kilowatt hour billed in accordance with the Authority's normal billing cycle, commencing with the first billing under billing Cycle 01 occurring on or after January 1, 1987, shall be increased by .310¢ per kilowatt hour.

GENERAL APPLICABILITY PART C

Adjustment in rates to reflect changes in the cost of fuel and purchased power that may occur from time to time in the future will be made only after the Authority has held a public hearing on the matter.

The amount of these adjustments to the basic rate is designed to recover the charges detailed in the attached calculations which are incorporated herein by reference.

This fuel and purchased power adjustment policy supersedes the adjustment rider for fuel charges which will have been in effect since September 1, 1986.

ANN K. CHAWK, CHIEF
ELECTRIC RATES DIVISION

Effective Jan. 1, 1987

Jacksonville Electric Authority

Fifteenth Revised Sheet No. 5.1
Cancels Fourteenth Revised Sheet No. 5.1

FUEL AND PURCHASED POWER ADJUSTMENT CALCULATIONS

I.	**RETAIL SERVICE**	
1.	System Fuel and Purchased Power Cost per kWh:	3.446¢
2.	Allowance for 6% Line Loss: (1)/(.94)	3.666¢
3.	Allowance for 1.5% State Tax: (2/(.985)	3.722¢
4.	Allowance for 0.35% Uncollectables: (3)/(.9965)	3.735¢
5.	Less: Fuel and Purchased Power Component in Base Rate: (4)-3.205¢	0.530¢
6.	Plus: Allowance for Increase in Fuel Inventory Carry Charges: (5)+($0.00)	0.530¢
PART A:	FUEL AND PURCHASED POWER ADJUSTMENT FOR RETAIL SERVICE PER KWH	0.530¢
II.	**MUNICIPAL SERVICE**	
1.	System Fuel and Purchased Power Cost per kWh:	3.446¢
2.	Allowance for 1.96% Line Loss: (1)/(.9804)	3.515¢
3.	Less: Fuel and Purchased Power Component in Base Rate: (2)-3.205¢	.310¢
4.	Plus: Allowance for Increase in Fuel Inventory Carrying Charges: (3)+($0.00)	.310¢
PART B:	FUEL AND PURCHASED POWER ADJUSTMENT FOR MUNICIPAL SERVICE PER KWH	.310¢

ANN K. CHAWK, CHIEF
ELECTRIC RATES DIVISION

Effective Jan. 1, 1987

ATTACHMENT 2

JACKSONVILLE ELECTRIC AUTHORITY

PROJECT COST ESTIMATE
01/30/87

JOB #-T883147 37 4000CEDAR PL . OKEFENOKE PRI S
WO. #-A55687

ENG- DURHAM

COST BREAKDOWN

		JEA
	MATERIALS	
1	NEW MATERIAL COST	13797.21
2	TRANSFORMER COST	1543.98
3	RETURNED MATERIAL SALVAGE VALUE	-1025.73
	LABOR	
4	CREW TIME	4880.98
5	JEA TRAVEL TIME	2031.60
5A	TREE TRIM	2000.00
5A	PR METERING	6002.00
5A	SURVEYING & EXPENS	1605.14
	JEA OVERHEAD	
6	FRINGE BENEFITS (37% OF LINES 4,5-5E & 7)	6586.03
7	ENGINEERING COSTS (5.5% OF LINES 1,2,3,4 & 5)	1280.37
8	EQUIPMENT (23% OF LINES 4 & 5-5E)	3799.54
9	MATERIAL HANDLING (15.66% OF LINES 1 & 3)	2321.27
10	TOTAL COST OF PROJECT	44822.39
11	WORK ORDER ESTIMATE (LINE 10 MINUS LINE 2)	43278.41

CREW REQUIREMENTS	DAYS	CREW HRS	YD MHRS	TRVL MHRS
3-MAN LINE CREW	17.60	140.83	26.41	105.00
4-MAN LINE CREW	13.31	106.50	26.62	108.00
5-MAN UG CABLE CREW	0.00	0.00	0.00	0.00
2-MAN SPLICER CREW	0.00	0.00	0.00	0.00
3-MAN TECH CREW	0.00	0.00	0.00	0.00
3-MAN SPLICER CREW	0.00	0.00	0.00	0.00
3-MAN TECH CREW	0.00	0.00	0.00	0.00
4-MAN UG CONST CREW	0.00	0.00	0.00	0.00

16 & 16

Dew Testimony

OKEFENOKE RURAL ELECTRIC
MEMBERSHIP CORPORATION
DOCKET NO. 911141-EU
SUBMITTED FOR FILING 2/7/92

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

ROBERT C. DEW, JR.

Q PLEASE STATE YOUR NAME AND ADDRESS.

A My name is Robert C. Dew, Jr. and my business address is 1800 Peachtree Street, N.W., Atlanta, Georgia.

Q BY WHOM ARE YOU EMPLOYED?

A I am employed by Southern Engineering Company.

Q WHAT IS YOUR POSITION WITH SOUTHERN ENGINEERING COMPANY AND HOW LONG HAVE YOU HELD THAT POSITION?

A I am Vice President of Southern Engineering Company and have held that position since June, 1987.

Education and Experience

Q DO YOU HOLD ANY DEGREES FROM COLLEGES OR UNIVERSITIES?

A I received a Bachelor of Science Degree in electrical

engineering from Purdue University in 1971, and I completed post-graduate courses in electrical engineering at the Georgia Institute of Technology in 1976 and 1977. Additionally, I received a Masters Degree in Business Administration from Butler University at Indianapolis, Indiana, in 1981.

Q DO YOU HOLD ANY PROFESSIONAL LICENSES?

A I am a registered Professional Engineer in Florida and 14 other states.

Q HAVE YOU PREVIOUSLY TESTIFIED BEFORE REGULATORY COMMISSIONS?

A Yes. I have testified before the Indiana Public Service Commission, Public Utilities Commission of the State of Colorado, Public Service Commission of Georgia and the South Carolina Public Service Commission in territorial proceedings. I have also testified before the Florida Public Service Commission ("FPSC" or the "Commission") on utility matters.

Q TO WHAT PROFESSIONAL ORGANIZATIONS DO YOU BELONG?

A I am a member of the Institute of Electrical and Electronics Engineers ("IEEE") and the Power Engineering Society of the IEEE.

Q PLEASE BRIEFLY DESCRIBE YOUR DUTIES WITH SOUTHERN ENGINEERING COMPANY AS VICE PRESIDENT.

A I am in charge of our Distribution Planning Department and have been since January, 1984. I am also responsible for the overall management of our branch office. This office, located in Indianapolis, Indiana, primarily provides distribution planning and design consulting services. The branch office provides planning and operations consulting to clients in Indiana and in contiguous states. In the Atlanta office, the Distribution Planning Department prepares short- and long-range planning reports and provides general consulting for clients in over 15 states.

Q PLEASE STATE YOUR EXPERIENCE IN THE ELECTRIC UTILITY INDUSTRY PRIOR TO BECOMING VICE PRESIDENT OF SOUTHERN ENGINEERING COMPANY.

A Starting in early 1972, I became the system engineer for Harrison County Rural Electric Membership Cooperative located in Corydon, Indiana. As system engineer, I was involved in short- and long-range planning, construction of facilities and system operations. In late 1972, I became the system engineer for the Tipmont Rural Electric Membership Cooperative located in Linden, Indiana. This cooperative serves consumers in 8

counties and is one of the largest electric cooperatives in the State of Indiana. As staff engineer, I was involved in short- and long-range planning, construction of facilities, system operations, and territorial matters affecting the cooperative.

In early 1974, I joined Southern Engineering Company as a staff engineer in the Distribution Design Department. My duties with Southern Engineering Company included the design and planning of electrical distribution systems, the preparation of two-year construction work plans, the preparation of long range plans, the preparation of sectionalizing studies, capacitor studies, and general utility consulting. I have provided consulting services to electric utilities in 15 states.

Q AS MANAGER OF THE INDIANAPOLIS OFFICE OF SOUTHERN ENGINEERING COMPANY FROM LATE 1978 UNTIL JANUARY, 1984, WHAT WERE YOUR DUTIES AND RESPONSIBILITIES?

A My duties were much the same as when I was a member of our Distribution Design Department, but, in addition, I supervised the work of field personnel as well as office personnel in the Indiana Office. Furthermore, I served as a principal territorial negotiator for the Indiana Statewide Association

of Rural Electric Cooperatives for the purpose of implementing the provisions of the Indiana Electric Utility Territorial Act (I.C. 8-1-2.3), also known as "Public Law 69", which became effective in Indiana on March 1, 1980. The purpose of this law is as follows:

> It is declared to be in the public interest that, in order to encourage the orderly development of coordinated statewide electric service at retail, to eliminate or avoid unnecessary duplication of electric utility facilities, to prevent the waste of material and resources, and to promote economical, efficient, and adequate electric service to the public, the currently unincorporated areas of Indiana shall be divided into designated geographic areas within which an assigned electricity supplier has the sole right to furnish retail electric service to customers.

As a territorial negotiator, I negotiated territory or assisted in negotiations of territory between the majority of the 42 Cooperatives, the 5 investor-owned utilities and many of the municipal electric systems in Indiana. All of this was subject to approval by the Indiana Public Service Commission.

Furthermore, I have field inventoried and appraised electric utility facilities being acquired by other electric utilities. I have participated in the transfer of electric facilities pursuant to law or commission order.

Q PLEASE DESCRIBE YOUR EXPERIENCE WITH REGARD TO TERRITORIAL INTEGRITY MATTERS.

A Over the past 20 years, I have provided territorial assistance to clients in Indiana, Kentucky, Colorado, Georgia, South Carolina, Alabama, Florida, Ohio and Oklahoma. This assistance involved evaluating engineering, operations and to some extent financial impact of consumers, facilities and service territory being lost to neighboring utilities through adverse territorial proceedings.

Additionally, I have studied the territorial laws in the above states and others, and have analyzed the real world implications of these territorial laws. Also, most of these laws contain formulas for determining compensation for lost consumers, facilities and territory.

This experience with detailed territorial cases have given me a great deal of understanding of how these cases should be resolved in the best interest of the public as a whole, not

just for the benefit of one part of the public.

Purpose of Testimony

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing on behalf of the Okefenoke Rural Electric Membership Corporation ("OREMC" or "Okefenoke").

Q WHAT WAS YOUR FIRM'S RESPONSIBILITY IN THESE PROCEEDINGS?

A My firm was asked to review the territorial implications of Okefenoke's and JEA's service within Duval County. We were asked to comment on the implications of service area territorial integrity from a broad public interest perspective and to comment generally on how the encroachment into OREMC's historical service area by Jacksonville Electric Authority will affect existing and future consumers in areas historically served by OREMC.

Q ARE YOU FAMILIAR WITH THE OREMC AND JEA ELECTRIC UTILITIES SYSTEMS IN DUVAL COUNTY?

A I personally conducted on-site inspections of portions of both utility systems within Duval County.

Q WHICH PORTIONS OF DUVAL COUNTY SERVED BY OREMC DO YOU BELIEVE ARE IN DISPUTE AT THE PRESENT TIME?

A I believe that the actions that JEA took to serve the Holiday Inn are a forerunner of their future actions to take the entire consumer base that Okefenoke serves away from them in Duval County. In summary, I believe that the entire Duval County service area is at risk from Okefenoke's viewpoint.

Q HAVE YOU PREPARED ANY EXHIBITS FOR PRESENTATION IN THIS PROCEEDING?

A Yes, the following exhibits were assembled and prepared under my direction and supervision for filing in this proceeding:

Exhibit	Document	Description
_____	(RD-1)	Detail Map of Northern Duval County with Duplicate Facilities.
_____	(RD-2)	Detail Map of Duplicate Facilities in and Around Dinsmore.
_____	(RD-3)	Detail Map of Duplicate Facilities in and Around Lannie Road.
_____	(RD-4)	Detail Map of Duplicate Facilities in and Around Jacksonville International Airport.
_____	(RD-5)	Detail Map of Duplicate Facilities

in and Around Yellow Bluff Road.

_____ (RD-6) Detail Map of Duplicate Facilities in and Around Hammock Island.

_____ (RD-7) Photos of Holiday Inn.

_____ (RD-8) Photos of Duplications.

_____ (RD-9) Photos of Duplications.

Q WHAT ARE THE PURPOSES OF YOUR TESTIMONY IN THIS PROCEEDING?

A The purposes of my testimony are to:

1) Comment on Okefenoke's system in the disputed area.
2) Comment on OREMC's historical commitment to serve the disputed areas.
3) Describe the existing duplication of service within the disputed area.
4) Describe operational problems associated with duplication of service.
5) Describe the duplication of facilities at Holiday Inn.
6) Describe relevant system planning and operational considerations.
7) Present suggestions for resolution of this conflict.

I would like to discuss these items in this order.

<u>OREMC Facilities in Duval County</u>

Q PLEASE DESCRIBE OREMC'S FACILITIES AND THEIR ASSOCIATED CAPACITY WHICH PROVIDE ELECTRIC SERVICE WITHIN DUVAL COUNTY.

A Okefenoke provides service to its members in Duval County from three sources. One is a substation located in Callahan, Florida, another is the Yulee Metering Point located on Highway 17 just north of the Duval County line and the third is the Oak Grove Metering Point located near the intersection of Cedar Point Road and New Berlin Road inside Duval County. The Callahan Substation was extensively rebuilt in 1990 and presently consists of 2-12/16/20 MVA 230-24.5 KV transformers and 3-14.4/24.5 KV distribution circuits. One of these circuits, known as the Dinsmore Circuit, extends into Duval County and provides service to approximately 1,400 consumers via a 4/0ACSR primary line which has a capacity of 14.7 MVA. This line presently serves an electric demand of approximately 6.2 MW.

The Yulee Metering Point consists of 3-200A voltage regulators and interconnects with Florida Power & Light Company. The station has 2-14.4/24.5 KV circuits. The north circuit feeds 11 consumers in Nassau County. The south circuit services approximately 990 consumers in Duval County. The circuit has 4/0ACSR as the primary conductor to the point where this circuit splits in two directions each with a primary conductor

of 1/0ACSR. The capacity of this station to serve load in Duval County is 8.6 MVA and presently serves 990 consumers with a demand of about 5.8 MW. It should be noted that this 5.8 MW includes 1.6 MW of load at the Holiday Inn on Airport Road.

The Oak Grove Metering Point consists of 3-200 amp voltage regulators which are served by JEA. This station has 2-14.4/24.9 KV distribution circuits both of which serve load within Duval County. This load consists of 723 consumers with a total demand of 2.7 MW. The capacity of this station is 8.6 MVA.

Q HOW LONG HAS OREMC BEEN PROVIDING SERVICE WITHIN DUVAL COUNTY?

A Since the late 1940s with a major expansion in facilities between 1951 and 1955.

Q WHAT IS THE BASIS OF THESE FACTS?

A Based on Mr. Middleton's testimony and exhibits, I know that OREMC first began serving load in Duval County in the late 1940s. In addition, Southern Engineering has been OREMC's consulting engineer since the early 1950s and records at our offices show the extent of OREMC's facilities in Duval County

in the 1940s, 1950s and beyond.

Q WHAT IS THE NATURE OF THESE RECORDS?

A They consist of electrical circuit diagrams of OREMC's system which were used in their planning processes. We have circuit diagrams which are dated 1951, 1955, 1961, 1969, 1975, 1979, 1981 and 1984, and which show most of OREMC's lines. Short taps are generally omitted for clarity in these types of diagrams.

Q YOU STATED THERE WAS MAJOR EXPANSION IN OREMC'S FACILITIES IN THE EARLY 1950s. PLEASE DESCRIBE THIS EXPANSION.

A This expansion generally includes all of the area presently served by OREMC laying east of what is today the Jacksonville International Airport. This includes a line running south from the Duval-Nassau County line roughly along Highway 17, then east along Yellow Bluff Road to Starrett Road, continuing on down to Cedar Point Road and then further to the east along Cedar Point Road. In addition, a line was constructed from Highway 17 along Pecan Park Road to the west across to Lem Turner Road. It is my understanding, based on Mr. Middleton's testimony, that this project is generally referred to as the "K" project.

Q HAS OREMC CONSTRUCTED ADDITIONAL FACILITIES SINCE THAT TIME?

A Yes, the circuit diagrams show continued growth and improvement to the facilities within Duval County.

Q PLEASE EXPLAIN YOUR TERM IMPROVEMENT TO THE FACILITIES.

A The "Victor" project distribution lines were originally constructed primarily as single phase lines and were operated at 7.2 KV phase-to-ground. Since that time OREMC in accordance with their system planning report has multi-phased a number of these lines and also has increased the operating voltage of these lines to 14.4/24.9 KV. As originally installed, the "K" project lines were 14.4 KV and a number of these lines have been multi-phased. In addition, improved overcurrent protection has been installed on these lines over the years.

Q YOU STATED THAT AT ONE TIME OREMC HAD A DISTRIBUTION LINE WHICH RAN FROM HIGHWAY 17 WEST TO LEM TURNER ROAD. DOES THIS LINE STILL EXIST?

A No.

Q WHY NOT?

A OREMC removed a portion of this line in order to accommodate the construction of the Jacksonville International Airport.

Q BASED ON THESE CIRCUIT DIAGRAMS, WHEN DID OREMC FIRST PROVIDE SERVICE IN THE AREA WHICH IS KNOWN TODAY AS THE AIRPORT ROAD?

A Sometime between 1955 and 1960.

Duplication of Facilities

Q DURING YOUR INSPECTION OF THE AREA, DID YOU OBSERVE ANY LOCATIONS OF DUPLICATION OF FACILITIES?

A Yes, there were numerous cases which are too exhaustive to list separately, but can be seen on Exhibit __ (RD-1) through __ (RD-9) and can be observed in the field.

Q COULD YOU PLEASE DESCRIBE A FEW REPRESENTATIVE CASES?

A Yes. First, referring to Exhibit __ (RD-3) along Lannie Road east of the Jacksonville Penal Farm, OREMC has a primary line which has been in place since 1951 which serves numerous members near the end of Lannie Road. Based on pole brands (birthmarks) observed in the field on JEA's line, JEA constructed approximately 1.0 miles of primary line in 1974 to

Chaddy Lane. This line serves three residential customers from two distribution transformers. These customers are located adjacent to existing OREMC lines.

Another example is JEA's service to Eagle Bend Road off of Yellow Bluff Road which is shown on Exhibit __ (RD-5). OREMC has had a line in this area since 1955. Around 1970, JEA constructed 3,500 feet of primary line on the opposite side of Yellow Bluff Road from OREMC's line to Eagle Bend Road so they could serve the subdivision in Eagle Bend.

The situation on Moncrief-Dinsmore Road is also a representative example and is shown on Exhibit __ (RD-2). In this case, JEA constructed over 2,000 feet of three phase primary line in 1987 along the west side of the road to serve a single consumer who required three phase service. OREMC has a three phase line on the east side of the road which has been in place since 1969.

Also, at 15033 Braddock Road, shown on Exhibit __ (RD-3), I observed a case where OREMC had been providing service to this address since 1981 and JEA had installed a transformer, a secondary pole (branded 1991) and a secondary conductor which crosses Braddock Road and goes under OREMC's line to the secondary pole. JEA also has a length of service wire coiled

up on the pole. The length of the service wire appears to be of sufficient length to extend to the weather head of the electric service at this address which is already served by OREMC.

The Utsey Road area, located in northwest Duval County and shown on Exhibit __ (RD-2) has duplicated facilities. OREMC has been in this area since 1955. JEA constructed more than one mile of single phase line to this road in order to serve approximately five customers. Based on the pole brands, JEA built this line in 1979.

Cisco Garden Subdivision, also shown on Exhibit __ (RD-2), is served by both utilities. It appears that the services are equally divided between JEA and OREMC and that they both constructed within the subdivision in the early 1970s.

A unique example of duplication in Duval County is the Carver Manor Subdivision located south of I-295 off of U.S. 1. OREMC provided service to this subdivision by constructing a three phase line to the area in 1969. However, the surrounding area has been served by JEA since the mid-1950s.

Finally, the service constructed by JEA to serve the Holiday Inn in 1991 uneconomically duplicated OREMC's facilities which

were in place since before 1968.

Q DO YOU HAVE AN OPINION OF THE NUMBER OF CUSTOMERS NOW SERVED BY JEA THAT COULD HAVE BEEN SERVED BY OREMC'S EXISTING FACILITIES?

A I have been advised by Okefenoke personnel and have seen from my field inspection that JEA has selected and now serves at least 1,000 customers in Duval County that could have been served economically by OREMC with facilities that were in place the time service was established and with minor system additions. For OREMC to have done so would have required an additional investment in Duval County of approximately 10% of its existing investment in Duval County.

Operational Problems Associated With Duplication of Facilities

Q WOULD YOU PLEASE DESCRIBE THE OPERATIONAL PROBLEMS ASSOCIATED WITH THE DUPLICATION OF ELECTRIC FACILITIES.

A In my opinion the following items are the major problems associated with duplicate electric facilities:

1) Availability of right-of-way.

2) Compliance with the National Electrical Safety Code ("NESC" or the "Code").

3) Coordination of construction between the utilities.

4) Trouble shooting outages.

5) Increased line losses.

Q COULD YOU PLEASE ELABORATE ON EACH OF THESE ITEMS AS THEY PERTAIN TO THE EXISTING FACILITIES IN DUVAL COUNTY?

A Yes. Presently there is no joint use pole agreement between JEA and OREMC although at least three joint use poles were found during my inspection. Because no joint use agreement exists, JEA must be located on one side of the street and OREMC on the other. Typically, both utilities locate their poles near the outside edge of the right-of-way and trim the trees adjacent to the right-of-way. If all the streets were straight and neither utility crosses the street, then there would be fewer problems. However, both utilities cross the roads either with tap lines, span guys, or main line. In these instances, it is difficult and expensive to maintain adequate separation of lines, both vertically and horizontally. An example of this condition exists on Yellow Bluff Road at Denton Road where JEA had to install two 65 foot poles so their single phase line could cross over OREMC's tap down Denton Road. The Code specifies minimum vertical clearance at an unattached crossing and minimum horizontal and vertical clearances for electric lines passing near, but not

attached to poles. Without a joint use agreement it is difficult and expensive for both utilities to maintain proper clearance.

It is typical of electric utilities, including OREMC, to set their primary overcurrent protection devices on non-automatic reclose when working on or in close proximity to an energized primary line. This is done to prevent injury to the personnel working the line in the event of an accident. However, it is my understanding that the two utilities do not routinely provide this non-automatic setting to each other. Also, during road widening, as with the recently completed road work on Starrett Road, the two electric utilities must work closely to insure the timely relocation of their lines.

In my opinion, trouble shooting of outages in these areas of duplication can be more time consuming and more dangerous than in other areas where there is no duplication. For example, in two different areas of the system, Cisco Gardens Subdivision and the area between Bird Road and Bernard Road, the intermingling of the two utilities is so extensive that even driving slowly through these neighborhoods on a sunny day, I had difficulty determining which utility served which house.

Furthermore, if a car hits a pole and causes an outage, it may

be difficult for the average person to determine which utility to call to report the outage.

Duplication of facilities creates more primary line loss, more transformer loss and more kilowatt hour loss in the services than non-duplicative facilities.

I encountered many instances where each supplier had their own transformer, their own primary and their own service wire serving a residential consumer across the street from one another. With efficient planning, a utility should be able to serve four or more consumers off of one transformer with one set of primary wires, thus reducing system losses as a whole. Duplication of facilities leads to increased energy losses which appears to be inconsistent with the conservation goals in the Florida Law.

Q DID YOU OBSERVE ANY LOCATIONS WHICH, IN YOUR OPINION, VIOLATED THE NESC?

A Yes, a number of apparent NESC violations by JEA were observed. However, I must point out that when each line is built it must meet only the requirements of the latest Code in effect at that time and not necessarily the Code as it exists today. So where I may have observed apparent violations to

the 1990 Code, they may not be applicable to the line if it were built before 1990.

Q WHEN CONSIDERING DUPLICATION OF ELECTRIC FACILITIES, WHICH UTILITY HAS THE RESPONSIBILITY TO MAINTAIN THE NESC CLEARANCES?

A The utility which builds into an area last must design and construct their line in such a way that they maintain the proper clearances to all obstructions, including other electric utility plant as defined in the latest revision of the Code. The first utility would not be responsible for clearances to electric facilities which were not in place at the time their lines were constructed since they would have no indication or idea how the second utility would place or construct their lines.

Q BASED ON YOUR OBSERVATIONS, WHICH UTILITY HAD THEIR LINES IN PLACE FIRST IN MOST AREAS OF CONFLICT?

A Okefenoke.

Q PLEASE DESCRIBE A FEW OF THE LOCATIONS WHERE THE NESC WAS APPARENTLY VIOLATED.

A At 12848 Yellow Bluff Extension, JEA has a secondary pole located within five feet horizontally from OREMC's unattached primary lines.

At Yellow Bluff Road and Eagle Bend, JEA has a pole set adjacent to OREMC's three phase line. The pole is so close that JEA installed a horizontal insulator to attach one of OREMC's primary lines to the pole. However, the other two phases and the neutral are not attached and are within five feet, horizontally, of the pole.

At Lannie Road and Younis Road, JEA's single phase line crosses over OREMC's three phase line with only a foot and half of clearance. JEA's neutral has a splice at this crossing and OREMC's line has a rubber insulating hose installed to try to avoid further contact.

At 8251 Plummer Road, JEA installed a single phase line over OREMC's single phase line with a pole located three feet, horizontally, from OREMC's lines.

Holiday Inn

Q EARLIER YOU MENTIONED THAT JEA HAD UNECONOMICALLY DUPLICATED OREMC'S FACILITIES AT THE HOLIDAY INN ON AIRPORT ROAD. WHEN

DID HOLIDAY INN BECOME A MEMBER OF OREMC?

A The Holiday Inn became a member of OREMC on July 3, 1968.

Q DOES OREMC HAVE ANY OTHER SERVICES AT THIS LOCATION?

A Yes, directly south of the Holiday Inn, there is a sewer treatment plant which OREMC serves from a padmounted transformer located on the property of the Holiday Inn. OREMC continues to serve the Holiday Inn's sign located adjacent to I-95.

Q COULD YOU PLEASE DESCRIBE THE FACILITIES INSTALLED BY JEA AT THIS LOCATION?

A JEA constructed four new spans of three phase 2ACSR wire on concrete poles parallel to Airport Road to a riser pole located approximately 40 feet from the existing riser pole owned by OREMC. From that point, JEA cut a two and one-half foot wide trench for a length of about 600 feet through the parking lot of the Holiday Inn. The JEA installed one three phase underground primary cable in conduit in this trench. Two manholes were also installed by JEA to facilitate pulling of this cable.

The trench ends at the Holiday Inn's electric switch yard. This switch yard had to be expanded into the parking lot to accommodate JEA's two padmounted transformers, which consist of one 1000 KVA and one 1500 KVA transformer. On my first visit to this site, I observed the 600 volt cables feeding out of JEA's transformers lying on the ground (not buried) and tied into the bus of the backup generator. This was done in my opinion to re-route the feed into the Holiday Inn without disconnecting OREMC's transformers. During a subsequent inspection, I observed that OREMC's transformers were physically removed from their location in the switch yard. In their place now stands a new 600 volt switch yard and bus arrangement fed permanently from JEA's transformers. I observed OREMC's three phase underground stubbed out of its original location and cut off near the ground with no protection installed. The removal of OREMC's transformers and cutting of their cable was not performed by OREMC's staff or its contractors.

Q DID JEA ALSO INSTALL FACILITIES TO SERVE THE SEWER TREATMENT PLANT OR THE SIGN OWNED BY THE HOLIDAY INN?

A No.

Q CAN YOU TELL US WHAT THE ANNUAL ELECTRIC BILL TO THE SEWER

TREATMENT FACILITY IS?

A Yes, based on OREMC's records, last year's bill was about $24,000.

Q WHAT IS YOUR ESTIMATE OF THE AMOUNT OF COOPERATIVE ELECTRIC PLANT NOW RENDERED USELESS DUE TO THIS DUPLICATION BY JEA?

A Two padmounted transformers, including 1-1000 KVA and 1-1500 KVA, 2 CT metering packages, 1-3Ø underground primary cable from the riser pole to the switch yard, two pieces of switch gear and other associated accessories including grounds, elbows, connectors and concrete pads.

In addition, approximately 5.8 miles of OREMC's three phase line constructed from 1965 to 1969 will be rendered partially useless.

Q IN YOUR OPINION WILL THERE BE ADDITIONAL LOAD ADDED TO THIS LINE IN THE NEAR FUTURE TO REPLACE THE LOAD AT THE HOLIDAY INN?

A Not to my knowledge.

Q WHY NOT?

A Presently, if OREMC is to hook up and serve any new consumers (i.e. new load) in Duval County, they must have a release given to them by the city electrical inspectors for service from OREMC. That is to say the inspections department apparently decides which utility serves new loads within the county. Therefore, I believe that very few sizable new loads will be released to OREMC.

Q ARE THERE ANY OTHER EXAMPLES OF DUPLICATION OF FACILITIES IN AND AROUND THE JACKSONVILLE INTERNATIONAL AIRPORT?

A Yes. OREMC provides service to a business called "Executive Car Care" on Airport Road. This service includes six (6) poles with associated street lights running parallel to the western property line of Executive Car Care. Adjacent to this, JEA provides service to a similar car operation and has a similar row of street light poles running parallel to OREMC's line and separated by a horizontal distance of only four (4) feet as can be seen in Exhibit __ (RD-8). If a single utility was providing the service, it would have used the same poles and mounted multiple lights and reduced the overall costs of providing this service to the general public.

Planning and Operational Considerations

Q MR. DEW, WOULD YOU BRIEFLY EXPLAIN THE DISTRIBUTION COOPERATIVE PLANNING PROCESS USED BY OREMC.

A With regard to engineering planning, a distribution cooperative like OREMC usually has prepared by an outside consultant a Two Year Construction Work Plan, a Long Range Plan and a Power Requirements Study. The Rural Electrification Administration ("REA") requirements that a cooperative perform these Two Year and Long Range Plans on a periodic basis. The Two Year Construction Work Plan is usually the basis for a loan application and is generally based on the recommendations contained in a current Long Range Plan. A Power Requirements Study is a load forecast based upon end-use or econometric modeling with all pertinent parameters such as consumer growth, increased KWH usage, commercial and industrial growth, etc., contained in the forecasting model. The Long Range Plan KW demand is generally based on growth as projected in a Power Requirements Study. In a Long Range Plan, which normally covers a twenty year time period, OREMC generally expands a model of its existing system to meet the loads of the system reflected in the Power Requirements Study. The system is designed both from a distribution and a transmission standpoint to serve the load as projected in the twenty year planning period. Additionally, this long range planning process typically

examines facilities requirements at five-year and ten-year intervals. The two-year Construction Work Plan, which is a detailed look at the system, takes the projected two year load growth and superimposes it on the existing system to see where the system needs improvements to carry the projected two year load. Both the Two Year Work Plan and the Long Range Plan designs are based upon adequate voltage levels for the ultimate consumer as well as allowable ampacities on existing conductors, allowable energy losses and system reliability consistent with good utility practice.

OREMC has developed such a two-year work plan, which allows it to constantly upgrade its facilities. OREMC also has developed or is developing a ten-year and a twenty year work plan allowing OREMC to project expected future system expansion and upgrades. Such system enhancements are implemented over time in accordance with such projections to meet future system and customer demand.

Q WOULD YOU BRIEFLY EXPLAIN WHY THE ENCROACHMENT UPON UTILITY TERRITORY VIA PROGRESSIVE DUPLICATION LEADING TO THE ULTIMATE LOSS OF SERVICE AREA AFFECTS THIS PLANNING.

A The electric utility industry is one of the most capital intensive of industries in the country. Therefore, electric

utilities must invest substantially more in plant for each dollar of revenue received than is required by the average industry. These heavy investments require electric utilities to engage in more long-range planning than is required for other industries that are not as capital intensive. Electric utilities must engage in long-range planning for distribution lines, substations, transmission facilities and generating plants. All of these must be planned, designed, constructed and operated with the view not only for present service but for service to additional consumers expected in the service areas in the future. The utility, therefore plans and configures its system so as to have adequate facilities in future years to serve expected additional consumers and loads in that same area.

When a utility loses either its existing customers or part of an area that it had been planning to serve, its long-range planning is thwarted and a portion of its investment may be rendered totally or partially useless.

Furthermore, the Long Range Plan identifies potential substation locations, potential transmission line routes, and backbone feeder locations. The potential substations are generally located as close to the load center(s) as possible. The backbone feeders generally tie the substations together by

the time the long-range load levels are reached or before. The planned transmission lines are routed over existing rights-of-way or easily obtainable rights-of-way if possible.

Consequently, if an electric utility loses part of its service area due to encroachment via progressive duplication, then it is very probable that this electric utility will be left with an electric system that is over-built and under utilized. Existing substations will probably be in the wrong locations since the remaining load center has shifted. Existing and planned transmission lines will probably be in some other electric utility's service area. Additionally, if significant loss of territory through encroachment via progressive duplication occurs, then the electric utility must commence the planning process over again, but this time system planning will be performed in the remaining service area. If the service area erodes, then the planning process becomes more and more costly and less and less effective.

Q BASED ON YOUR INSPECTION AND ANALYSIS OF OKEFENOKE'S ELECTRIC UTILITY SYSTEM AND YOUR KNOWLEDGE OF ITS SHORT- AND LONG-RANGE PLANNING, PLEASE EXPLAIN THE DETRIMENTAL EFFECT TO OKEFENOKE IF FOR SOME REASON IT IS NOT ALLOWED TO CONTINUE TO SERVE THE DISPUTED TERRITORY IN DUVAL COUNTY.

A OREMC has been serving in Duval County for many, many years. It is in the continual planning, design and construction process to serve the disputed territory and other areas of its system. It has installed and equipped its system with sufficient substations, distribution lines, personnel and other physical plant and equipment to serve this load. If this area is assigned to another electric supplier and if the load is lost, OREMC will be forced to begin its planning process in this area all over again. This replanning will have a detrimental effect on its operations and OREMC's fixed cost of operations will have to be spread over fewer and fewer customers, thus resulting in higher rates for the remaining OREMC consumers. Furthermore, OREMC facilities currently installed in or adjacent to the disputed territory will be rendered partially or totally useless and the area will be marked by duplicative facilities.

Q IS THE LOSS OF TERRITORY AND FACILITIES BY AN ELECTRIC UTILITY IN THE PUBLIC INTEREST?

A No.

Q EXPLAIN WHY NOT?

A If a utility service area is encroached upon by a city or town

and the utility serving the city or town is allowed to provide electrical service to the encroached upon area, or in any other manner, the territory is lost in most instances there is duplication of facilities, and waste of material and resources resulting in inefficient electric service to the public. Duplication of facilities causes added cost which is certainly not in the best interest of the public. Additionally, when encroachment results in loss of territory in a checkerboard fashion, then the affected utility could be forced to maintain express feeder lines through some other utility's territory simply to back feed or connect substations to provide reliable electric service to the consumers that the utility continues to service.

Q DO YOU HAVE AN OPINION AS TO HOW THIS ENCROACHMENT WITH THE ULTIMATE LOSS OF SERVICE AREA COULD ADVERSELY AFFECT THE OPERATIONS OF A COOPERATIVE?

A Yes, I do.

Q WHAT IS YOUR OPINION?

A The short-range planning function and the operation function are very closely tied together. What has happened in many growth areas is that the serving electric utility has to

provide service and therefore make investments in the high growth areas in which they have no assurance that they will retain the right to continue to serve. This causes resources to be expended in areas that are receiving the growth possibly at the expense of making investments in other parts of the system that the electric utility is assured of keeping. Additionally, it is more difficult and expensive to operate a system that has had pieces of service area removed with these pieces then being served by another utility. In general, the electric utility probably has to maintain transmission lines as well as distribution tie lines through these areas in any event and it makes it more difficult, more costly, and more dangerous to operate the system when it is intermingled with the system of another electric utility system.

Another problem is that the encroaching utility may have to build substantial amounts of distribution line from a distant substation to serve the area. If the previous supplier has to keep backbone feeder distribution lines in the area to connect substations and provide service to the remaining customers, then the acquiring utility will have to build duplicate facilities. These duplicate facilities could be over-built or under-built on the existing facilities of the previous supplier. However, the existing poles are generally not tall enough to allow over-building or under-building so a

significant amount of poles may have to be changed out. If the poles have to be changed out, then the electric utilities involved incur additional cost due to cost of replacing poles and transfers of existing electrical facilities as well as the cost of constructing the new electrical facilities. When all of these utilities become involved, then the complexity of the project increases. When the complexity increases, the cost increases as well.

Q WOULD YOU PLEASE EXPLAIN THE BENEFITS AND SIGNIFICANCE OF TERRITORIAL INTEGRITY?

A In my opinion, territorial integrity is of paramount importance. Without an identifiable territorial service area it is very difficult to plan and efficiently operate a complex electrical system. Facilities that are planned and constructed may become under utilized or not necessary at all due to territorial changes and subsequent loss of territory. Utilities, therefore, must have identifiable service areas on which to make their financial, engineering and operations decisions. It is very difficult, if not impossible, to serve an area which is absolutely unpredictable. Territorial integrity enables electric utilities to engage in better planning, to stop the unnecessary duplication of electrical

utility facilities, and prevent the waste of materials and resources, which promotes economical, efficient, adequate and reliable electric service to the public.

In summary, OREMC has sufficient substation capacity and distribution facilities in close proximity to the disputed areas. OREMC is providing adequate and reliable service to these areas and has been doing so for quite some time.

Suggestions For Resolution

Q ARE YOU FAMILIAR WITH FLORIDA STATUTE 366.04(2)(e).

A Yes, I am.

Q DO YOU HAVE AN OPINION ON WHICH FACTORS THE COMMISSION SHOULD CONSIDER WHEN RESOLVING TERRITORIAL DISPUTES?

A Section 366.04(2)(e) of the statute says the Commission can resolve a territorial dispute and MAY consider, but not be limited to consideration of a number of factors including nature of the area served, population, degree of urbanization, proximity to other urban areas, etc. I think that in addition to these items that there are many other things to consider, including, but not limited to the following:

1) All uneconomic duplication of generation transmission, and distribution facilities should be avoided.

2) The public interest must be served.

3) The historical presence of the competing utility's facilities must be taken into account.

4) Territorial integrity must be established.

5) The ability of each competing utility to serve the disputed area must be considered.

6) Reliability of service must be considered.

7) Continuity of service area must be addressed.

8) Respective cost to serve the area by each competing utility must be evaluated.

9) The location, capability and time frame of construction of the existing facilities in the disputed area must be taken into account.

10) Economical, efficient, and adequate electric service should be the goal.

Q WHAT ITEMS SHOULD NOT BE CONSIDERED IN THE RESOLUTION OF TERRITORIAL DISPUTES?

A 1) Retail rates and charges.

2) Customer choice based on preferences.

3) Demographic nature of service area.

4) Other utility requirements such as a need for city water,

city sewer, CATV, natural gas, telephone, etc.

5) Form of ownership of the competing utility.

Q WHY SHOULD RETAIL RATES NOT BE CONSIDERED IN TERRITORIAL MATTERS?

A All retail rate structures are reviewed and approved by the FPSC and therefore are irrelevant. If you are going to use retail rates as a territory determinant then the utility with the most economical rates should serve all of Florida. Furthermore, retail rates are in a constant state of change, always have been and always will be. The most economical utility in the state today may be considerably higher, almost overnight, based on many changing variables.

Q WHY SHOULDN'T A CUSTOMER BE ALLOWED TO CHOOSE HIS ELECTRICITY SUPPLIER?

A For a customer to have a choice of electric utility implies that two or more utilities are available thus by definition we have duplication of facilities. Also, an individual person will make decisions that are in his best interest and his alone and not the best interest of the public.

Q WHY SHOULDN'T THE DEMOGRAPHICS OF AN AREA BE USED AS A

DETERMINANT OF TERRITORIAL ASSIGNMENT?

A Demographic factors are irrelevant because population density varies considerably with the area in question and throughout the country. Cooperatives, investor-owned utilities and municipals serve all manners of different population densities throughout the country and in Florida.

Q SHOULD OTHER UTILITY REQUIREMENTS SUCH AS A NEED FOR WATER AND SEWER, CATV, NATURAL GAS, TELEPHONE, FIRE PROTECTION, GARBAGE PICKUP, AND OTHER SERVICES BE A DETERMINANT IN TERRITORIAL ASSIGNMENT?

A No. There are many instances in Florida and throughout the United States that utility services shown above are provided by many different companies operating in the same geographic area. Why then should the need for other utility services determine which utility will provide electricity? For instance, at my home in Stone Mountain, Georgia, I am served by five (5) different utility companies and coincidentally not one of them is provided by a municipal system.

The rendering of electric service is a stand alone function and is not related to the rendering of other utility services. Many utility functions are stand alone services in Florida and

throughout the country.

Q WHY SHOULDN'T THE FORM OF OWNERSHIP OF THE UTILITY BE USED AS A DETERMINANT IN THE RESOLUTION OF TERRITORIAL DISPUTES?

A There are at least three forms of utility ownership that come to mind. They are investor-owned utilities, municipally-owned utilities, and cooperatives (member owned) utilities. Each form of ownership is different. Each form of ownership has a long history and each form is recognized by state and federal courts and laws. To favor one form of ownership over the other is discriminatory and not in the public interest in my opinion.

Recommendations

Q WHAT OBSERVATIONS CONCERNING PERTINENT FACTS DO YOU HAVE FOR RESOLVING THIS TERRITORY DISPUTE?

A There are a number of facts that I believe to be relevant to the resolution of this conflict. They are as follows:

1) Okefenoke has facilities in most parts of the disputed area and have had since the late 1940s and early 1950s.
2) Okefenoke has been planning to serve Duval County through both short- and long-term planning for sometime.

3) Okefenoke established service in much of the area in dispute because JEA either wouldn't or couldn't serve them for whatever reason.

4) Okefenoke had to remove several miles of line for the actual airport run ways to be constructed.

5) The Holiday Inn has been a member of OREMC since 1968.

6) JEA's mode of service to the Holiday Inn commencing in November 1991 is an example of uneconomic duplication of facilities at its worst.

7) Okefenoke has the ability, manpower and financial resources to serve existing load and future loads in the disputed areas.

8) Okefenoke has been providing economical, efficient and adequate electric service to this area for over 40 years.

Q SHOULD THE IMPACT ON THE PUBLIC AT LARGE OUTSIDE OF DUVAL COUNTY BE CONSIDERED IN THIS PROCEEDING?

A Yes. The adverse impact on Okefenoke's consumers remaining outside of Duval County in other areas of Florida and Georgia must be considered and given just consideration in any decision reached by the FPSC. The ouster of Okefenoke from serving any member in Duval County would have an adverse economic, operational and retail rate impact on the remaining Okefenoke consumers located in Nassau County, Florida and in

Georgia. Substation, transmission line, metering points and distribution facilities would be rendered useless or partially useless and this idled investment would adversely affect Okefenoke's remaining consumers.

Q BASED UPON YOUR INVESTIGATION, WHAT ARE YOUR RECOMMENDATIONS FOR RESOLVING THIS TERRITORIAL DISPUTE?

A First, the Holiday Inn service should be returned to Okefenoke and all gross revenues derived from this service by JEA be returned to Okefenoke.

Second, the Commission should supervise the preparation of a territorial agreement between JEA and Okefenoke that is not burdensome to Okefenoke members. This territorial agreement would contain identifiable boundaries within Duval County and would probably involve the exchange of facilities with the public interest being the most important factor.

A good place to start in the resolution of this territorial dispute would be for the Commission to re-examine the territorial boundaries as shown by the "magic line" that was developed in the 1978 Distribution Operations Guidelines between JEA and Okefenoke. The Commission should encourage Okefenoke and JEA to negotiate the territorial boundary and

allow for the exchange facilities to establish this territorial boundary over a reasonable period of time.

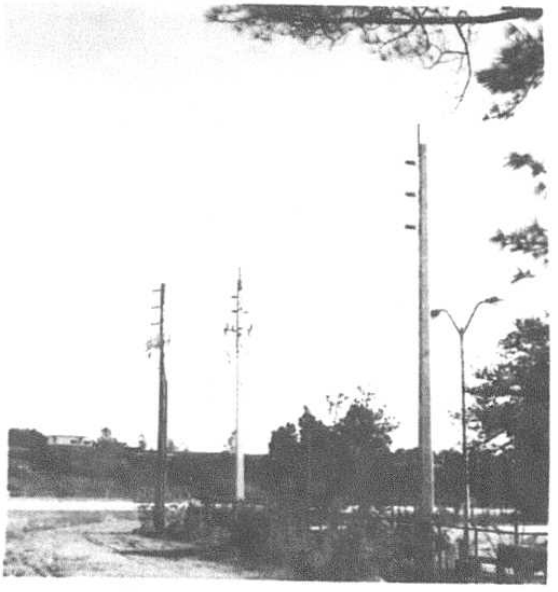
Finally, if the JEA and OREMC are not able to agree within a reasonable period of time, the Commission should draw a territorial line based upon good utility practice and Florida Law and should make both parties abide by its decision.

Q MR. DEW, DOES THIS CONCLUDE YOUR TESTIMONY?

A Yes, it does.

Dew Exhibits

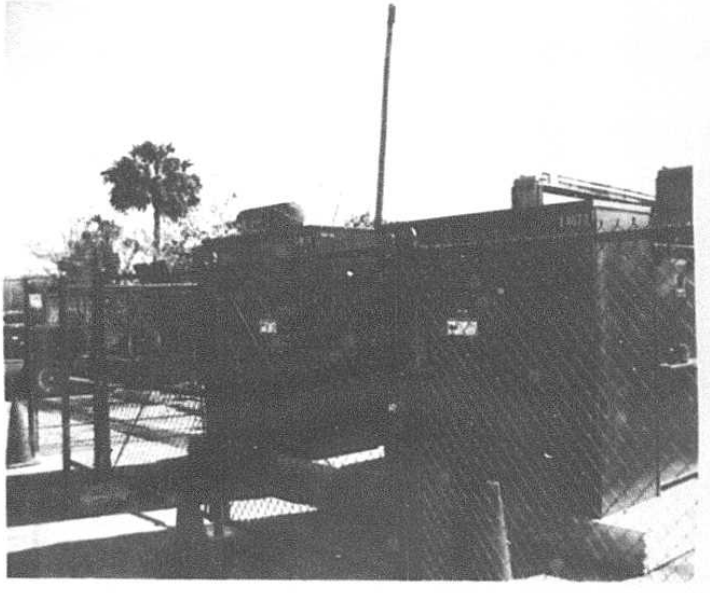
DOCKET NO. 911141 - EU
ROBERT DEW EXHIBIT NO. _____ (RD-7)
PHOTOS OF HOLIDAY INN DUPLICATION



(RD-7a)
AIRPORT ROAD LOOKING EAST AT
JEA'S NEW CONCRETE POLES TO
SERVICE HOLIDAY INN. OREMC UNDERGROUND
SERVICE TO HOLIDAY INN STARTS ON
POLE ON LEFT

(RD-7b)
HOLIDAY INN PARKING LOT LOOKING TOWARDS
AIRPORT ROAD. JEA'S NEW UNDERGROUND INSTALLED
IN CUT PAVEMENT. DISTANCE FROM POLE TO FIRST
MANHOLE 190 FEET

(RD-7c)
HOLIDAY INN PARKING LOT LOOKING DUE NORTH
365 FEET OF CUT PAVEMENT
FROM FIRST MANHOLE TO SECOND MANHOLE
FOR NEW
JEA UNDERGROUND JEA TO HOLIDAY INN

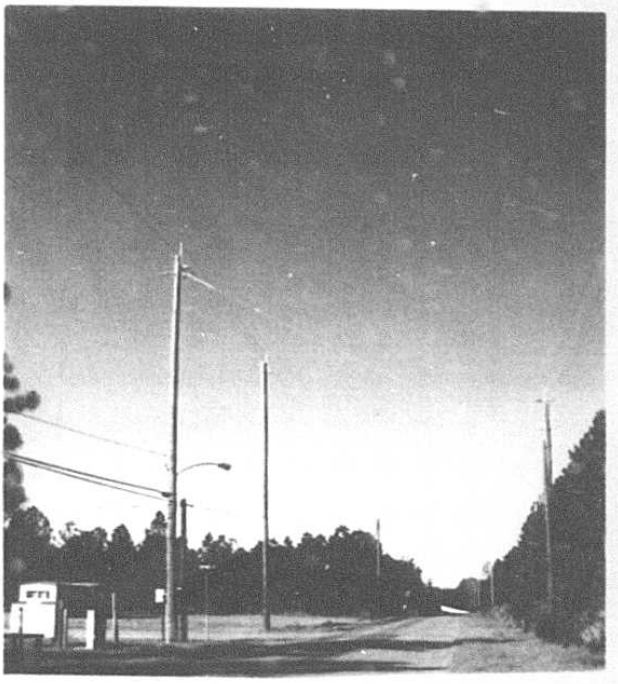


(RD-7d)
HOLIDAY INN PARKING LOT LOOKING SOUTHEAST
AT NEW TRANSFORMERS INSTALLED BY
JEA TO SERVE THE HOLIDAY INN

DOCKET NO 911141 - EU
ROBERT DEW EXHIBIT NO._____ (RD-8)
PHOTOS OF DUPLICATION IN
NORTHEAST DUVAL COUNTY

(RD-8a)

EXECUTIVE CAR CARE
AIRPORT ROAD
JEA SERVES STREET LIGHTS ON LEFT
OREMC SERVES STREET LIGHTS ON RIGHT

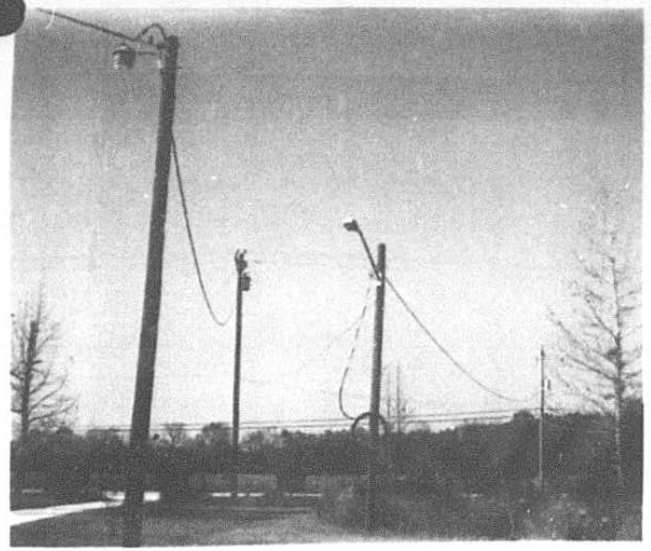


(RD-8b)

STARRATT ROAD AT DENTON ROAD
JEA LINE ON LEFT WITH 65 FOOT POLES
OREMC LINE ON RIGHT

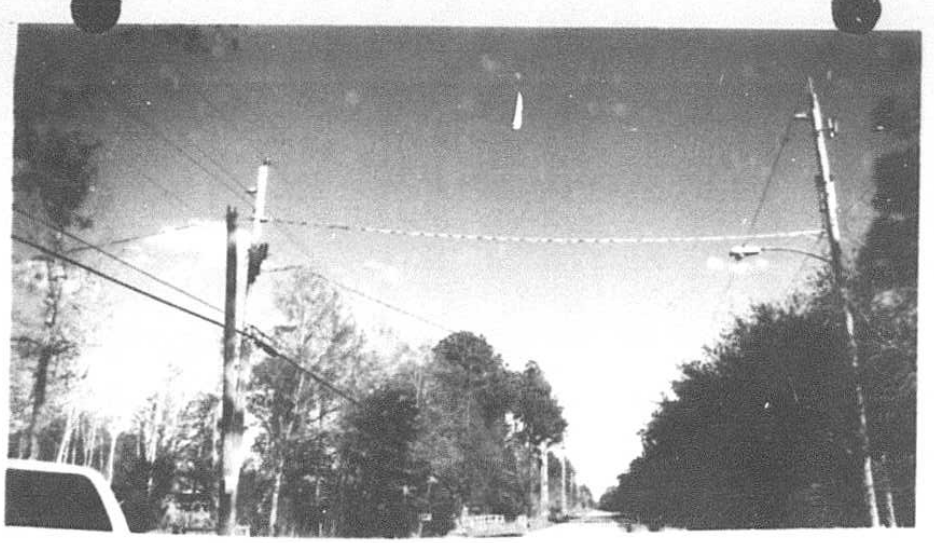
(RD-8c)

508 BERNARD ROAD
OREMC LINE ON RIGHT
JEA LINE ON LEFT



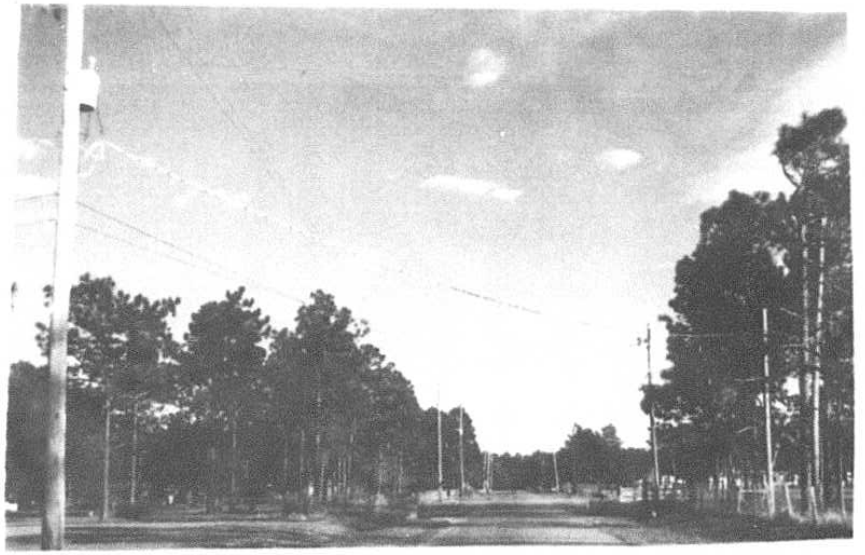
(RD-9a)

15033 BRADDOCK ROAD
OREMC SERVICE HOUSE FROM POLE ON LEFT
DATED 1983. JEA INSTALLED TRANSFORMER
SECONDARY, LIGHT AND POLE IN 1991 FOR
SERVICE TO SAME ADDRESS



(RD-9b)

LOOKING EAST ON SYCAMORE ROAD
OREMC LINE ON LEFT SERVES HOUSE ON RIGHT
JEA LINE ON RIGHT SERVES HOUSE ON LEFT



(RD-9c)

CISCO GARDENS
OREMC LINE ON LEFT
JEA LINE ON RIGHT

DOCKET NO. 911141 - EU
ROBERT DEW EXHIBIT NO. _____ (RD-9)
PHOTOS OF DUPLICATION IN
NORTHWEST DUVAL COUNTY

Wrightson Testimony

OKEFENOKE RURAL ELECTRIC
MEMBERSHIP CORPORATION
DOCKET NO. 911141-EU
SUBMITTED FOR FILING 2/7/92

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

GLENN S. WRIGHTSON

Q STATE YOUR NAME AND ADDRESS.

A My name is Glenn Steven Wrightson. My business address is 1800 Peachtree Street, N.W., Atlanta, Georgia 30326.

Q BY WHOM ARE YOU EMPLOYED?

A I am employed by Southern Engineering Company.

Q WHAT IS YOUR EDUCATIONAL BACKGROUND?

A I hold a Bachelor of Science Degree in Business Administration from Wake Forest University in Winston-Salem, North Carolina.

Q WHAT IS YOUR EXPERIENCE IN THE UTILITY BUSINESS?

A I have been employed by Southern Engineering Company for fourteen and one-half years. During this time, I have prepared or assisted in the preparation of numerous rate

studies and analyses for rural electric cooperatives and municipalities. The utilities involved provide service in Georgia, North Carolina, South Carolina, Florida, Alabama, Virginia, Maryland, West Virginia, Michigan, Louisiana, Ohio and Texas.

I have submitted testimony and exhibits before the Florida Public Service Commission and the Public Utility Commission of Texas. I testified before the FPSC on behalf of the Florida Cooperatives on the issue of the Cost Effectiveness of Undergrounding Electric Utility Lines in Docket No. 890833-EU. I have prepared and presented a detailed analysis of alternative loan repayment schedules to the Administrator of the REA and the Officers of the Bank for Cooperatives. My expertise is in analyzing information and determining the relative impacts of alternative economic decisions on utility companies and utility companies' ratepayers.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing on behalf of Okefenoke Rural Electric Membership Corporation ("OREMC," "Okefenoke" or "Corporation"). I was asked by OREMC to evaluate the costs to and impacts on OREMC and its members, both present and

future, if for some reason OREMC is not permitted to continue serving in the disputed areas described in Mr. Page's prepared direct testimony. In addition, I was asked to consider and comment on JEA's policy to only serve in Duval County when it is "practical and economical" for JEA to do so. The purpose of my testimony is to explain the results of my analyses.

Effect of Loss of Holiday Inn

Q HOW WOULD THE LOSS OF SALES BY OREMC TO THE HOLIDAY INN IMPACT OREMC?

A The loss in electric sales by OREMC to the Holiday Inn results in an accompanying reduction in revenue to OREMC and to a lesser degree, a reduction in wholesale purchased power cost to OREMC from Seminole Electric Cooperative, Inc. (Seminole).

OREMC's total revenues from the Holiday Inn for the eighteen (18) month period from June 1990 through November 1991 is approximately $516,200. The wholesale purchased power cost from Seminole attributable to the Holiday Inn, assuming the Holiday Inn's contribution to OREMC's demand billed by Seminole was 85% of the Holiday Inn's peak demand, was

approximately $430,200.

Thus, the direct and immediate impact of the loss of electric sales to the Holiday Inn totals approximately $4,800 per month. If the Corporation is to maintain the same overall financial performance in a subsequent like 18-month period, it would require a revenue increase from the remaining members of approximately $86,000. On an annual basis, the increase required would be approximately $57,300.

Q IS THIS A CONSERVATIVE ESTIMATE?

A Yes. Without knowing for certain the Holiday Inn's historical average demand that contributes to OREMC's wholesale billing demand from Seminole, one must estimate how the demand of the Holiday Inn has contributed to OREMC's wholesale purchase power cost. The Cooperative's power cost is determined, in part, by the monthly demand it places on the Seminole system at the time of the Seminole monthly peak. Typically, Seminole's peak occurs in the late afternoon. Since oftentimes a motel has guests registering later in the day and electric demand increases as guests occupy their motel rooms, it is likely the Holiday Inn's demand at the time of the Seminole peak is less than 85% of its maximum monthly peak. As such, the monthly and annual

loss to OREMC of $4,800 per month and $57,300 per year are conservative estimates.

Q OTHER THAN PURCHASE POWER COSTS, WOULD THERE BE ANY ADDITIONAL COSTS AVOIDED BY THE LOSS OF THE HOLIDAY INN AS A CUSTOMER?

A With the exception of postage and the cost of the utility's monthly invoice itself, no other significant expenses will be avoided through the loss of sales to the Holiday Inn. The Corporation's interest expense, depreciation, taxes, insurance, customer accounts expense, maintenance expense, operations expense, and virtually all other expenses will remain unchanged. The cost of postage and invoice costs are not material and can be ignored.

Q HAVE CAPITAL CREDITS BEEN ASSIGNED TO THE HOLIDAY INN BY OREMC?

A Yes, over the years capital credits are assigned each year to the Holiday Inn as well as to the other customer/members of OREMC.

Q HAS OREMC PAID CAPITAL CREDITS TO THE HOLIDAY INN?

A Yes. OREMC has paid previously assigned capital credits to the Holiday Inn just as it has paid previously assigned capital credits to its other members.

Q DOES THE TERMINATION OF SALES BY OREMC TO A MEMBER IN ANY WAY REDUCE OR ELIMINATE THE NEED TO REFUND PREVIOUSLY ASSIGNED CAPITAL CREDITS TO THAT MEMBER?

A No. In future years, the Corporation would pay the previously assigned capital credits to a former customer even if the individual and/or business entity is no longer receiving electric service from the Corporation. Cooperatives operate on the assumption that once a location is served, service will always be provided at that location. As a cooperative experiences a loss of sales at a particular location, as in the present case with the Holiday Inn, the future source of margins to pay previously assigned capital credits is eliminated and the future potential equity of the remaining members is reduced.

Q HOW ELSE WOULD THE LOSS OF THE HOLIDAY INN IMPACT OREMC AND ITS MEMBERS?

A The loss of future sales to the Holiday Inn will adversely effect OREMC and its members. The Holiday Inn was the

OREMC's largest customer. As such, some of the Cooperative's largest and most expensive transformation equipment is not being used. Similarly, other facilities dedicated to providing service to the Holiday Inn will not be used to generate revenue for OREMC.

Additionally, unless the Holiday Inn is re-established as a customer of OREMC, the annual loss of Holiday Inn revenue will recur, so a $50,000 or $60,000 loss in one year will total $500,000 to $600,000 in only ten years.

With regard to the facilities that were dedicated to serve the Holiday Inn, someone is going to have to pay for the carrying charges of those facilities in the future. Just because the facilities are not participating in producing revenue doesn't mean that depreciation, the interest, and a margin requirement stops as well. These costs continue in future years.

Q IN TERMS OF ELECTRIC LOAD, HOW MANY TYPICAL RESIDENTIAL ACCOUNTS DOES THE HOLIDAY INN REPRESENT?

A The average usage of an OREMC residential consumer in 1991 was 1,036 KWH per month. The average monthly usage of the Holiday Inn for ten months in 1991 was 419,640 KWH. Thus,

using these 1991 averages, the Holiday Inn represents the equivalent of 420 residential members. In terms of the number of residential accounts and volume of kWh sales, the loss of the Holiday Inn equates to a loss of approximately 2.0% of the residential class of the total system.

Other Disputed Areas

Q IS OREMC UNCERTAIN OF ITS ABILITY TO CONTINUE SERVING ITS EXISTING MEMBERS AND POTENTIAL NEW MEMBERS IN THE AREAS OF DUVAL COUNTY WHERE IT HAS HISTORICALLY SERVED?

A OREMC is capable of serving its existing members and potential members in the areas of Duval County where it has historically served. However, based on the testimony of Mr. Gibson, Mr. Page and Mr. Dew, I understand that the JEA has never agreed to enter into a formal territorial agreement with OREMC in Duval County. I also understand that JEA has a policy of serving areas in Duval County only when it is "practical and economical" for JEA to do so. In the absence of a firm territorial boundary in Duval County, and in light of JEA's policy, the OREMC may slowly lose its existing customers as JEA expands its system. In addition, if JEA is allowed to expand its facilities in Duval County, OREMC may, at some time in the future, be prevented from serving new

members located in areas in Duval County where OREMC has historically served.

Q ARE YOU FAMILIAR WITH THE DISPUTED AREAS DISCUSSED BY MR. PAGE IN HIS TESTIMONY?

A Yes, I am. According to Mr. Page, all of the areas historically served by OREMC in Duval County are in dispute. Based on my understanding of the situation, I would agree with Mr. Page on this point.

Q HAVE YOU EVALUATED THE COSTS TO AND IMPACTS ON OREMC AND ITS MEMBERS, BOTH PRESENT AND FUTURE, IF, BY VIRTUE OF JEA'S EXPANSION POLICY, OREMC IS NOT PERMITTED TO CONTINUE SERVING AND EXPANDING IN THE AREAS IT HAS HISTORICALLY SERVED?

A Yes. For the purposes of this evaluation, I have assumed that if JEA continues to install distribution facilities in Duval County where OREMC has historically served, JEA's system in Duval County may eventually serve all of OREMC's existing members and all new members in the areas of Duval County historically served by OREMC.

To conduct this evaluation, I reviewed the revenue and estimated the expenses for service by OREMC to members in

Duval County for each year from 1982 through 1991. Also, I projected future revenue and future expenses for service by OREMC to members in Duval County for the years 1992 through 1999 using varying growth rates in KWH sales for the Duval County sales portion and the total OREMC sales less the Duval County sales portion. The analysis compared actual revenue derived from total OREMC sales and OREMC sales in Duval County to total system expenses and allocated Duval County expenses to determine margin production by year for the total OREMC system and the Duval County system portion separately.

Q WHAT DOES THIS ANALYSIS REVEAL?

A The analysis shows that OREMC's profitability in Duval County in recent years has been below the OREMC system average. However, for the projected period from 1992 through 1999, the analysis shows that the margins, and thus the profitability, in OREMC's Duval County service area will increase.

Q WHAT IS THE SIGNIFICANCE OF THESE FINDINGS?

A These findings are significant because they show that OREMC and its members will be adversely affected if the JEA

continues to construct additional distribution facilities into areas of Duval County historically served by OREMC.

Q WHY DO YOU BELIEVE THAT OREMC'S PROFITABILITY IN DUVAL COUNTY HAS BEEN LOWER THAN THE SYSTEM AVERAGE?

A A number of factors could contribute to this condition. Included in these factors is the fact that JEA has historically prevented OREMC from serving certain new customers in Duval County when it was "economical and practical" for JEA to provide such service. This is discussed later in my testimony.

Q WHY DO YOU BELIEVE OREMC'S DUVAL COUNTY SERVICE AREA WILL PRODUCE IMPROVED MARGINS IN THE FORESEEABLE FUTURE?

A The Duval County sales by OREMC will provide a profit margin closer to the OREMC system average in the foreseeable future because it is anticipated the unit cost of wholesale power from Seminole will be lower than the unit cost of OPC sales to OREMC beginning in 1992 and will remain lower through 1999. In addition, OREMC expects system demand in the areas where it has historically served in Duval County to continue to grow.

Q PLEASE DISCUSS HOW THE RELATIONSHIP BETWEEN THE UNIT COST OF WHOLESALE PURCHASED POWER COST OF SEMINOLE AND THAT OF OGLETHORPE POWER CORPORATION MAY IMPACT REVENUE IN EXCESS OF WHOLESALE POWER COST FOR SALES IN GEORGIA AND FOR SALES IN FLORIDA.

A As Mr. Robert Page discusses in his prepared direct testimony, OREMC purchases its power needs for service in Georgia from Oglethorpe Power Corporation (OPC) and purchases its power needs for service in Florida from Seminole. With the present OREMC retail rate design, all OREMC customer/members are charged the same price for the same quantity of electricity whether they take service in Florida or Georgia. As the unit cost of wholesale purchased power from Seminole is greater than the unit cost of wholesale purchased power from OPC, gross margins, or the difference between revenue and associated purchased power cost, of sales in Florida are less than gross margins of equal sales in Georgia.

As the result of the comparison of the unit cost of wholesale purchased power cost between Seminole and OPC is reversed, the relationship between the production of gross margins production in Florida and Georgia reverses as well. From information obtained from OREMC, OPC, and Seminole, I

made the unit cost comparison of wholesale power purchased to sell in Georgia and the power purchased by OREMC to sell in Florida from 1970 to 1999.

The comparison shows that through 1991 for every year since 1970, the unit cost of the wholesale power purchased by OREMC to be sold in Florida exceeded the unit cost of the wholesale power purchased by OREMC to be sold in Georgia. However, according to cost estimates available, that relationship changes in 1992 and gross margin production of OREMC's sales in Florida will begin to exceed the gross margin production of OREMC's sales in Georgia for like quantity power sales.

Q DOES THIS MEAN OREMC'S DUVAL COUNTY SALES ARE EXPECTED TO BE MORE VALUABLE IN THE FUTURE THAN THEY HAVE BEEN IN THE PAST?

A Yes. The gross margins, i.e., revenue in excess of wholesale power cost, will be greater from the Duval County sales as the unit cost of wholesale power cost from Seminole is now expected to be below the unit cost of wholesale power cost from OPC.

Q DOES OREMC EXPECT NEW GROWTH TO INCREASE IN THE AREAS IT HAS HISTORICALLY SERVED IN DUVAL COUNTY?

A Yes. On average OREMC expects new member growth to increase in the areas it has historically served in Duval County. In particular, OREMC expects that the recent construction of the Dames Point Bridge over the Trout River will stimulate growth in the areas OREMC has historically served. With this growth, OREMC and its members will be able to take advantage of economies of scale which will result when new members connect to OREMC's distribution facilities.

Q IF JEA CONTINUES TO EXPAND ITS SYSTEM, AND OREMC IS NOT PERMITTED TO CONTINUE SERVING AND EXPANDING IN THE AREAS IT HAS HISTORICALLY SERVED, WILL OREMC'S OVERALL LEVEL OF NON-PURCHASED POWER EXPENSES DECREASE SIGNIFICANTLY?

A No. Consumer accounting, meter reading, and billing costs of OREMC would be reduced slightly. Postage expense for customer invoices, of course, would be eliminated. Operations and maintenance expense now associated with the Duval County service area would likely shift to another area of the system to clear right-of-way, undertake construction projects, or perform maintenance of a special nature. Meter readers would be reassigned elsewhere as meter reading territories are reassigned over time as normal growth occurs.

In summary, aside from wholesale power costs, postage expense, and some overhead expense associated with customer accounts and billing, few, if any, expense levels would change.

Specifically, I estimate that excluding power purchased for resale in Duval County, the level of expenses would be reduced only about $60,000.

Q GIVEN THIS ESTIMATE, WHAT THEN WOULD HAVE BEEN THE LOST NET REVENUE TO OREMC IN 1990 AND 1991 IF ALL OREMC'S CUSTOMERS HAD BEEN LOST AT OR NEAR THE END OF 1989?

A The revenue shortfall to produce the same year-end results in 1990 would have been approximately $790,000. The revenue shortfall to produce the same year-end results in 1991 would have been approximately $870,000. All other things being equal, these revenue short-falls would need to be recovered from OREMC's remaining customers.

Q DO THESE AMOUNTS REFLECT EXPECT POTENTIAL GROWTH IN THE AREAS WHERE OREMC HAS HISTORICALLY SERVED IN DUVAL COUNTY?

A No. These amounts are based on actual sales to OREMC's members in Duval County.

Q IF FUTURE GROWTH IS CONSIDERED, WHAT IS OREMC'S EXPECTED LEVEL OF LOST NET REVENUES FOR THE FORESEEABLE FUTURE ASSOCIATED WITH THE AREAS IN WHICH IT HAS HISTORICALLY SERVED?

A OREMC has been serving portions of north Duval County for over forty-five years. If for some reason OREMC is not allowed to continue providing service to existing and new members in the areas it has historically served in Duval County, OREMC may lose as much as $1 Million in net revenue per year in the foreseeable future as north Duval County develops.

Economic Impact Of JEA's "Economic and Practical" Policy

Q TO YOUR KNOWLEDGE, ARE THERE INSTANCES IN WHICH OREMC HAD FACILITIES AND AVAILABLE CAPACITY AT OR CONVENIENTLY LOCATED NEAR A SITE OF A NEW ELECTRIC SERVICE LOCATION AND OREMC WAS DENIED THE NEW ELECTRIC SALES BY JEA?

A Yes. As Mr. Robert Dew has testified, there are numerous "new" electric service sites that could have easily been served by OREMC but instead, JEA constructed facilities, provided capacity and selected to serve these "new" loads. I

have been advised both by Cooperative personnel and by Robert Dew that JEA has selected and now serves approximately 1,000 customers in Duval County that could have easily been economically served by OREMC with distribution facilities that OREMC was positioned to and capable of serving at the time.

Q HOW MUCH ADDITIONAL INVESTMENT WOULD HAVE BEEN REQUIRED TO CONNECT THESE ADDITIONAL 1,000 CONSUMERS?

A As Robert Dew has stated in his prepared direct testimony, the estimated additional investment which would have been needed to have connected the additional 1,000 customers is approximately $500,000.

Q WHAT IS THE ECONOMIC IMPACT OF THIS PRACTICE ON OREMC AND ITS MEMBERS?

A Generally, this practice has resulted in electric rates for OREMC's customers that are higher than they would otherwise have been had this policy not been in place. This is true because OREMC constructs substations and distribution facilities in anticipation of providing electric service to existing and future electric loads. When the future loads do not materialize, for whatever reason, the existing and

remaining customers must absorb the costs that would have otherwise partially been offset with the revenues from the new customers.

Q WHAT WOULD HAVE BEEN THE EFFECT ON OREMC AND ITS MEMBERS IF OREMC HAD BEEN ALLOWED TO SERVE THE NEW CUSTOMERS?

A All other things being equal, OREMC's rates would have been lower if OREMC had been allowed to service these customers. Generally, there would have been more members over which to spread the fixed costs of the corporation. When fixed costs are spread over a larger base of members, it is possible, all other things being equal, to reduce the rates OREMC charges to its members.

Q HAVE YOU DETERMINED HOW MUCH ADDITIONAL REVENUE THE OREMC MEMBERS ARE REQUIRED TO PAY ANNUALLY AS A RESULT OF OREMC NOT SERVING THE NEW LOADS FOR WHICH IT WAS ORIGINALLY POSITIONED AND CAPABLE OF SERVING?

A I have not made a precise calculation of the additional amount the OREMC consumer/members have or will be required to pay as a result of JEA's practice of selecting and serving new loads that could have easily been economically served by OREMC because I do not have the detailed usage

information of those customers that OREMC was not permitted to serve. At best, even with such information, making an exact determination would be difficult.

Assuming OREMC had approximately $5,000,000 invested in Duval County to serve approximately 2,270 consumers, and, based on the estimated additional investment required, OREMC would have increased its investment to approximately $5,500,000 to serve approximately 3,270 consumers. This would have reduced the OREMC investment per consumer from approximately $2,200 per consumer in Duval County to approximately $1,680 per consumer. It should be noted that the investment amounts stated herein are estimates developed from property tax records. What is important is how additional consumers served with essentially the same investment significantly lowers the average investment per consumer to an amount one would expect in this type of service area.

Since the OREMC members are responsible for paying the fixed carrying costs for a portion of its members at an investment rate of approximately $2,200 per consumer instead of $1,680 per customer, the rates are higher than they would otherwise be. With the additional 1,000 members, the Corporation would have had and will have had a greater number of

ratepayers to share in offsetting the fixed costs associated with essentially the same investment.

Based on my analysis of OREMC's revenues and costs for 1989 for OREMC's service in Duval County, revenues in excess of wholesale power cost in the Duval County service area were approximately $860,000 with annual sales of 38,075,388 KWH shared by 2,134 members. With these values, revenue in excess of wholesale power cost equalled approximately $403 per consumer per year. Had OREMC served the 1,000 customers it was originally positioned to serve, additional revenue in excess of additional wholesale power cost would have been approximately $403,000 per year ($403 per consumer times 1,000 consumers). Of course, a portion of the additional $403,000 would be required to off-set the carrying charges on the additional investment required of approximately $500,000. However, even with carrying charges and maintenance expense totalling 15% of the investment amount, the OREMC would have realized additional operating margins of approximately $328,000 in just one year. OREMC could have reduced the rates to the entire membership by approximately 1.34% if OREMC had served the new loads it was originally positioned and capable of serving and still the Corporation would have generated approximately the same financial ratios it achieved for that year.

Conclusion

Q PLEASE SUMMARIZE YOUR TESTIMONY.

A OREMC has lost its largest consumer and if the loss is sustained, the remaining members will absorb a greater cost burden. OREMC has not been allowed to serve new loads it was positioned and capable of serving and, as a result, its existing members are paying higher rates than they would have otherwise. OREMC sales in the Duval County service area will become relatively more valuable as the unit price of wholesale power cost in Florida is lower than the unit price of wholesale power in Georgia. New developments are expected in areas historically served by OREMC in north Duval County as a result of the construction of the Dames Point Bridge. If JEA continues to build distribution facilities in the areas historically served by OREMC in Duval County, OREMC and its existing members will be adversely affected.

Q DOES THIS CONCLUDE YOUR TESTIMONY?

A Yes, it does.