

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to resolve territorial dispute between Okefenoke Rural Electric Membership Corporation and Jacksonville Electric Authority ) Docket No. 911141-EU  
 )  
 )  
 ) FINAL HEARING  
 ) VOLUME II, Pages 161 - 365

BEFORE:

COMMISSIONER J. TERRY DEASON  
 COMMISSIONER SUSAN F. CLARK

**RECEIVED**

Division of Records &amp; Reporting

JUN 26 1992

FPSC Hearing Room 106  
 Fletcher Building  
 101 East Gaines Street  
 Tallahassee, Florida

Florida Public Service Commission

Met pursuant to notice at 9:35 a.m.  
 Wednesday, June 17, 1992

Reported by:

Lisa Girod Jones, RPR, CM

## APPEARANCES:

JAMES HAROLD THOMPSON, Esquire, and J. JEFFRY WAHLEN, Esquire, Ausley, McMullen, McGehee, Carothers & Proctor, P.O. Box 391, Tallahassee, Florida 32302; on behalf of Okefenoke Rural Electric Membership Corporation.

KENNETH A. HOFFMAN, Esquire, Messer, Vickers, Caparello, Madsen, Lewis, Goldman and Metz, P.A., Post Office Box 1876, Tallahassee, Florida 33431; on behalf of Jacksonville Electric Authority.

BRUCE PAGE, Esquire, City of Jacksonville, Office of General Counsel, 1300 City Hall, Jacksonville, Florida 32202; on behalf of the Jacksonville Electric Authority.

\* \* \* \*

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1 APPEARANCES: (Continued)

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3 BIRCHFIELD, Esquire, Florida Public Service Commission,  
4 101 E. Gaines Street, Tallahassee, Florida 32399-0863; on  
5 behalf of the Commission Staff.

6 PRENTICE PRUITT, Esquire, Florida Public Service  
7 Commission, 101 E. Gaines Street, Tallahassee, Florida  
8 32399-0862; on behalf of the Commissioners.  
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## EXHIBITS

<u>EXHIBIT NO.:</u>	<u>FOR I.D.</u>	<u>RECEIVED</u>
8 - (Composite) Exhibits to Dew's Rebuttal Testimony	216	237
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## 1 PROCEEDINGS

2 MR. WAHLEN: Commissioner Deason, Mr. Dew was out  
3 of the room this morning when witnesses were sworn so  
4 he'll need to be sworn.

5 Whereupon,

6 ROBERT C. DEW, JR.

7 Was called as a witness, having first been duly sworn to  
8 speak the truth, the whole truth, and nothing but the truth,  
9 was examined and testified as follows:

10 DIRECT EXAMINATION

11 BY MR. WAHLEN:

12 Q. Mr. Dew, would you please state your full name?

13 A. Robert C. Dew, Jr.

14 Q. What is your business or occupation?

15 A. I'm an engineer with Southern Engineering Company  
16 out of Atlanta.

17 Q. Did you previously prepare direct testimony that  
18 was submitted on February 7, 1992 consisting of 42 pages?

19 A. Yes, I have.

20 Q. Are there any corrections or changes to your  
21 testimony?

22 A. I don't believe there are.

23 Q. If I were to ask you the same questions today,  
24 what would your -- would your answers be the same?

25 A. Yes, I believe they would.

1           Q.    We would request that Mr. Dew's prefiled direct  
2 testimony be inserted into the record as if read.

3           COMMISSIONER DEASON:  It will be so inserted.  
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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.

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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

1 engineering from Purdue University in 1971, and I completed  
2 post-graduate courses in electrical engineering at the Georgia  
3 Institute of Technology in 1976 and 1977. Additionally, I  
4 received a Masters Degree in Business Administration from  
5 Butler University at Indianapolis, Indiana, in 1981.  
6

7 Q DO YOU HOLD ANY PROFESSIONAL LICENSES?  
8

9 A I am a registered Professional Engineer in Florida and 14  
10 other states.  
11

12 Q HAVE YOU PREVIOUSLY TESTIFIED BEFORE REGULATORY COMMISSIONS?  
13

14 A Yes. I have testified before the Indiana Public Service  
15 Commission, Public Utilities Commission of the State of  
16 Colorado, Public Service Commission of Georgia and the South  
17 Carolina Public Service Commission in territorial proceedings.  
18 I have also testified before the Florida Public Service  
19 Commission ("FPSC" or the "Commission") on utility matters.  
20

21 Q TO WHAT PROFESSIONAL ORGANIZATIONS DO YOU BELONG?  
22

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

1 Q PLEASE BRIEFLY DESCRIBE YOUR DUTIES WITH SOUTHERN ENGINEERING  
2 COMPANY AS VICE PRESIDENT.  
3

4 A I am in charge of our Distribution Planning Department and  
5 have been since January, 1984. I am also responsible for the  
6 overall management of our branch office. This office, located  
7 in Indianapolis, Indiana, primarily provides distribution  
8 planning and design consulting services. The branch office  
9 provides planning and operations consulting to clients in  
10 Indiana and in contiguous states. In the Atlanta office, the  
11 Distribution Planning Department prepares short- and long-  
12 range planning reports and provides general consulting for  
13 clients in over 15 states.  
14

15 Q PLEASE STATE YOUR EXPERIENCE IN THE ELECTRIC UTILITY INDUSTRY  
16 PRIOR TO BECOMING VICE PRESIDENT OF SOUTHERN ENGINEERING  
17 COMPANY.  
18

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



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

6  
7        In early 1974, I joined Southern Engineering Company as a  
8        staff engineer in the Distribution Design Department. My  
9        duties with Southern Engineering Company included the design  
10       and planning of electrical distribution systems, the  
11       preparation of two-year construction work plans, the  
12       preparation of long range plans, the preparation of  
13       sectionalizing studies, capacitor studies, and general utility  
14       consulting. I have provided consulting services to electric  
15       utilities in 15 states.

16  
17       Q    AS MANAGER OF THE INDIANAPOLIS OFFICE OF SOUTHERN ENGINEERING  
18       COMPANY FROM LATE 1978 UNTIL JANUARY, 1984, WHAT WERE YOUR  
19       DUTIES AND RESPONSIBILITIES?

20  
21       A    My duties were much the same as when I was a member of our  
22       Distribution Design Department, but, in addition, I supervised  
23       the work of field personnel as well as office personnel in the  
24       Indiana Office. Furthermore, I served as a principal  
25       territorial negotiator for the Indiana Statewide Association

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

6  
7 It is declared to be in the public interest  
8 that, in order to encourage the orderly  
9 development of coordinated statewide electric  
10 service at retail, to eliminate or avoid  
11 unnecessary duplication of electric utility  
12 facilities, to prevent the waste of material  
13 and resources, and to promote economical,  
14 efficient, and adequate electric service to  
15 the public, the currently unincorporated areas  
16 of Indiana shall be divided into designated  
17 geographic areas within which an assigned  
18 electricity supplier has the sole right to  
19 furnish retail electric service to customers.  
20

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

1 Furthermore, I have field inventoried and appraised electric  
2 utility facilities being acquired by other electric utilities.  
3 I have participated in the transfer of electric facilities  
4 pursuant to law or commission order.  
5

6 Q PLEASE DESCRIBE YOUR EXPERIENCE WITH REGARD TO TERRITORIAL  
7 INTEGRITY MATTERS.  
8

9 A Over the past 20 years, I have provided territorial assistance  
10 to clients in Indiana, Kentucky, Colorado, Georgia, South  
11 Carolina, Alabama, Florida, Ohio and Oklahoma. This  
12 assistance involved evaluating engineering, operations and to  
13 some extent financial impact of consumers, facilities and  
14 service territory being lost to neighboring utilities through  
15 adverse territorial proceedings.  
16

17 Additionally, I have studied the territorial laws in the above  
18 states and others, and have analyzed the real world  
19 implications of these territorial laws. Also, most of these  
20 laws contain formulas for determining compensation for lost  
21 consumers, facilities and territory.  
22

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

1           just for the benefit of one part of the public.

2

3

Purpose of Testimony

4

5       Q     ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

6

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

9

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

11

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

20

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

23

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

1 Q WHICH PORTIONS OF DUVAL COUNTY SERVED BY OREMC DO YOU BELIEVE  
2 ARE IN DISPUTE AT THE PRESENT TIME?  
3

4 A I believe that the actions that JEA took to serve the Holiday  
5 Inn are a forerunner of their future actions to take the  
6 entire consumer base that Okefenoke serves away from them in  
7 Duval County. In summary, I believe that the entire Duval  
8 County service area is at risk from Okefenoke's viewpoint.  
9

10 Q HAVE YOU PREPARED ANY EXHIBITS FOR PRESENTATION IN THIS  
11 PROCEEDING?  
12

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

15	<u>Exhibit</u>	<u>Document</u>	<u>Description</u>
16	_____	(RD-1)	Detail Map of Northern Duval
17			County with Duplicate Facilities.
18	_____	(RD-2)	Detail Map of Duplicate Facilities
19			in and Around Dinsmore.
20	_____	(RD-3)	Detail Map of Duplicate Facilities
21			in and Around Lannie Road.
22	_____	(RD-4)	Detail Map of Duplicate Facilities
23			in and Around Jacksonville
24			International Airport.
25	_____	(RD-5)	Detail Map of Duplicate Facilities

1			in and Around Yellow Bluff Road.
2	_____	(RD-6)	Detail Map of Duplicate Facilities
3			in and Around Hammock Island.
4	_____	(RD-7)	Photos of Holiday Inn.
5	_____	(RD-8)	Photos of Duplications.
6	_____	(RD-9)	Photos of Duplications.

7

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

9

10 A The purposes of my testimony are to:

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

22

23 I would like to discuss these items in this order.

24

25

OREMC Facilities in Duval County



1 Q PLEASE DESCRIBE OREMC'S FACILITIES AND THEIR ASSOCIATED  
2 CAPACITY WHICH PROVIDE ELECTRIC SERVICE WITHIN DUVAL COUNTY.  
3

4 A Okefenoke provides service to its members in Duval County from  
5 three sources. One is a substation located in Callahan,  
6 Florida, another is the Yulee Metering Point located on  
7 Highway 17 just north of the Duval County line and the third  
8 is the Oak Grove Metering Point located near the intersection  
9 of Cedar Point Road and New Berlin Road inside Duval County.  
10 The Callahan Substation was extensively rebuilt in 1990 and  
11 presently consists of 2-12/16/20 MVA 230-24.5 KV transformers  
12 and 3-14.4/24.5 KV distribution circuits. One of these  
13 circuits, known as the Dinsmore Circuit, extends into Duval  
14 County and provides service to approximately 1,400 consumers  
15 via a 4/0ACSR primary line which has a capacity of 14.7 MVA.  
16 This line presently serves an electric demand of approximately  
17 6.2 MW.  
18

19 The Yulee Metering Point consists of 3-200A voltage regulators  
20 and interconnects with Florida Power & Light Company. The  
21 station has 2-14.4/24.5 KV circuits. The north circuit feeds  
22 11 consumers in Nassau County. The south circuit services  
23 approximately 990 consumers in Duval County. The circuit has  
24 4/0ACSR as the primary conductor to the point where this  
25 circuit splits in two directions each with a primary conductor



1 of 1/OACSR. The capacity of this station to serve load in  
2 Duval County is 8.6 MVA and presently serves 990 consumers  
3 with a demand of about 5.8 MW. It should be noted that this  
4 5.8 MW includes 1.6 MW of load at the Holiday Inn on Airport  
5 Road.

6  
7 The Oak Grove Metering Point consists of 3-200 amp voltage  
8 regulators which are served by JEA. This station has 2-  
9 14.4/24.9 KV distribution circuits both of which serve load  
10 within Duval County. This load consists of 723 consumers with  
11 a total demand of 2.7 MW. The capacity of this station is 8.6  
12 MVA.

13  
14 Q HOW LONG HAS OREMC BEEN PROVIDING SERVICE WITHIN DUVAL COUNTY?  
15

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

18  
19 Q WHAT IS THE BASIS OF THESE FACTS?  
20

21 A Based on Mr. Middleton's testimony and exhibits, I know that  
22 OREMC first began serving load in Duval County in the late  
23 1940s. In addition, Southern Engineering has been OREMC's  
24 consulting engineer since the early 1950s and records at our  
25 offices show the extent of OREMC's facilities in Duval County

1 in the 1940s, 1950s and beyond.

2

3 Q WHAT IS THE NATURE OF THESE RECORDS?

4

5 A They consist of electrical circuit diagrams of OREMC's system  
6 which were used in their planning processes. We have circuit  
7 diagrams which are dated 1951, 1955, 1961, 1969, 1975, 1979,  
8 1981 and 1984, and which show most of OREMC's lines. Short  
9 taps are generally omitted for clarity in these types of  
10 diagrams.

11

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

14

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

1 Q HAS OREMC CONSTRUCTED ADDITIONAL FACILITIES SINCE THAT TIME?

2

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

5

6 Q PLEASE EXPLAIN YOUR TERM IMPROVEMENT TO THE FACILITIES.

7

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

18

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

22

23 A No.

24

25 Q WHY NOT?

1 A OREMC removed a portion of this line in order to accommodate  
2 the construction of the Jacksonville International Airport.  
3

4 Q BASED ON THESE CIRCUIT DIAGRAMS, WHEN DID OREMC FIRST PROVIDE  
5 SERVICE IN THE AREA WHICH IS KNOWN TODAY AS THE AIRPORT ROAD?  
6

7 A Sometime between 1955 and 1960.  
8

9 Duplication of Facilities  
10

11 Q DURING YOUR INSPECTION OF THE AREA, DID YOU OBSERVE ANY  
12 LOCATIONS OF DUPLICATION OF FACILITIES?  
13

14 A Yes, there were numerous cases which are too exhaustive to  
15 list separately, but can be seen on Exhibit \_\_ (RD-1) through  
16 \_\_ (RD-9) and can be observed in the field.  
17

18 Q COULD YOU PLEASE DESCRIBE A FEW REPRESENTATIVE CASES?  
19

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

1 Chaddy Lane. This line serves three residential customers  
2 from two distribution transformers. These customers are  
3 located adjacent to existing OREMC lines.  
4

5 Another example is JEA's service to Eagle Bend Road off of  
6 Yellow Bluff Road which is shown on Exhibit \_\_ (RD-5). OREMC  
7 has had a line in this area since 1955. Around 1970, JEA  
8 constructed 3,500 feet of primary line on the opposite side of  
9 Yellow Bluff Road from OREMC's line to Eagle Bend Road so they  
10 could serve the subdivision in Eagle Bend.  
11

12 The situation on Moncrief-Dinsmore Road is also a  
13 representative example and is shown on Exhibit \_\_ (RD-2). In  
14 this case, JEA constructed over 2,000 feet of three phase  
15 primary line in 1987 along the west side of the road to serve  
16 a single consumer who required three phase service. OREMC has  
17 a three phase line on the east side of the road which has been  
18 in place since 1969.  
19

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



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

5  
6 The Utsey Road area, located in northwest Duval County and  
7 shown on Exhibit \_\_ (RD-2) has duplicated facilities. OREMC  
8 has been in this area since 1955. JEA constructed more than  
9 one mile of single phase line to this road in order to serve  
10 approximately five customers. Based on the pole brands, JEA  
11 built this line in 1979.

12  
13 Cisco Garden Subdivision, also shown on Exhibit \_\_ (RD-2), is  
14 served by both utilities. It appears that the services are  
15 equally divided between JEA and OREMC and that they both  
16 constructed within the subdivision in the early 1970s.

17  
18 A unique example of duplication in Duval County is the Carver  
19 Manor Subdivision located south of I-295 off of U.S. 1. OREMC  
20 provided service to this subdivision by constructing a three  
21 phase line to the area in 1969. However, the surrounding area  
22 has been served by JEA since the mid-1950s.

23  
24 Finally, the service constructed by JEA to serve the Holiday  
25 Inn in 1991 uneconomically duplicated OREMC's facilities which

1           were in place since before 1968.

2

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

6

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

15

16       Operational Problems Associated With Duplication of Facilities

17

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

20

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

23

1)    Availability of right-of-way.

24

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



- 1           3)    Coordination of construction between the utilities.
- 2           4)    Trouble shooting outages.
- 3           5)    Increased line losses.
- 4

5       Q       COULD YOU PLEASE ELABORATE ON EACH OF THESE ITEMS AS THEY  
6               PERTAIN TO THE EXISTING FACILITIES IN DUVAL COUNTY?  
7

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

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

4  
5 It is typical of electric utilities, including OREMC, to set  
6 their primary overcurrent protection devices on non-automatic  
7 reclose when working on or in close proximity to an energized  
8 primary line. This is done to prevent injury to the personnel  
9 working the line in the event of an accident. However, it is  
10 my understanding that the two utilities do not routinely  
11 provide this non-automatic setting to each other. Also,  
12 during road widening, as with the recently completed road work  
13 on Starrett Road, the two electric utilities must work closely  
14 to insure the timely relocation of their lines.

15  
16 In my opinion, trouble shooting of outages in these areas of  
17 duplication can be more time consuming and more dangerous than  
18 in other areas where there is no duplication. For example, in  
19 two different areas of the system, Cisco Gardens Subdivision  
20 and the area between Bird Road and Bernard Road, the  
21 intermingling of the two utilities is so extensive that even  
22 driving slowly through these neighborhoods on a sunny day, I  
23 had difficulty determining which utility served which house.

24  
25 Furthermore, if a car hits a pole and causes an outage, it may

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

3  
4 Duplication of facilities creates more primary line loss, more  
5 transformer loss and more kilowatt hour loss in the services  
6 than non-duplicative facilities.

7  
8 I encountered many instances where each supplier had their own  
9 transformer, their own primary and their own service wire  
10 serving a residential consumer across the street from one  
11 another. With efficient planning, a utility should be able to  
12 serve four or more consumers off of one transformer with one  
13 set of primary wires, thus reducing system losses as a whole.  
14 Duplication of facilities leads to increased energy losses  
15 which appears to be inconsistent with the conservation goals  
16 in the Florida Law.

17  
18 Q DID YOU OBSERVE ANY LOCATIONS WHICH, IN YOUR OPINION, VIOLATED  
19 THE NESC?

20  
21 A Yes, a number of apparent NESC violations by JEA were  
22 observed. However, I must point out that when each line is  
23 built it must meet only the requirements of the latest Code in  
24 effect at that time and not necessarily the Code as it exists  
25 today. So where I may have observed apparent violations to

1 the 1990 Code, they may not be applicable to the line if it  
2 were built before 1990.  
3

4 Q WHEN CONSIDERING DUPLICATION OF ELECTRIC FACILITIES, WHICH  
5 UTILITY HAS THE RESPONSIBILITY TO MAINTAIN THE NESC  
6 CLEARANCES?  
7

8 A The utility which builds into an area last must design and  
9 construct their line in such a way that they maintain the  
10 proper clearances to all obstructions, including other  
11 electric utility plant as defined in the latest revision of  
12 the Code. The first utility would not be responsible for  
13 clearances to electric facilities which were not in place at  
14 the time their lines were constructed since they would have no  
15 indication or idea how the second utility would place or  
16 construct their lines.  
17

18 Q BASED ON YOUR OBSERVATIONS, WHICH UTILITY HAD THEIR LINES IN  
19 PLACE FIRST IN MOST AREAS OF CONFLICT?  
20

21 A Okefenoke.  
22

23 Q PLEASE DESCRIBE A FEW OF THE LOCATIONS WHERE THE NESC WAS  
24 APPARENTLY VIOLATED.  
25

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

4  
5           At Yellow Bluff Road and Eagle Bend, JEA has a pole set  
6           adjacent to OREMC's three phase line. The pole is so close  
7           that JEA installed a horizontal insulator to attach one of  
8           OREMC's primary lines to the pole. However, the other two  
9           phases and the neutral are not attached and are within five  
10          feet, horizontally, of the pole.

11  
12          At Lannie Road and Younis Road, JEA's single phase line  
13          crosses over OREMC's three phase line with only a foot and  
14          half of clearance. JEA's neutral has a splice at this  
15          crossing and OREMC's line has a rubber insulating hose  
16          installed to try to avoid further contact.

17  
18          At 8251 Plummer Road, JEA installed a single phase line over  
19          OREMC's single phase line with a pole located three feet,  
20          horizontally, from OREMC's lines.

21

22

Holiday Inn

23

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



1 DID HOLIDAY INN BECOME A MEMBER OF OREMC?

2

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

4

5 Q DOES OREMC HAVE ANY OTHER SERVICES AT THIS LOCATION?

6

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

12

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

15

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

25

1 The trench ends at the Holiday Inn's electric switch yard.  
2 This switch yard had to be expanded into the parking lot to  
3 accommodate JEA's two padmounted transformers, which consist  
4 of one 1000 KVA and one 1500 KVA transformer. On my first  
5 visit to this site, I observed the 600 volt cables feeding out  
6 of JEA's transformers lying on the ground (not buried) and  
7 tied into the bus of the backup generator. This was done in  
8 my opinion to re-route the feed into the Holiday Inn without  
9 disconnecting OREMC's transformers. During a subsequent  
10 inspection, I observed that OREMC's transformers were  
11 physically removed from their location in the switch yard. In  
12 their place now stands a new 600 volt switch yard and bus  
13 arrangement fed permanently from JEA's transformers. I  
14 observed OREMC's three phase underground stubbed out of its  
15 original location and cut off near the ground with no  
16 protection installed. The removal of OREMC's transformers and  
17 cutting of their cable was not performed by OREMC's staff or  
18 its contractors.  
19

20 Q DID JEA ALSO INSTALL FACILITIES TO SERVE THE SEWER TREATMENT  
21 PLANT OR THE SIGN OWNED BY THE HOLIDAY INN?  
22

23 A No.  
24

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



1 TREATMENT FACILITY IS?

2

3 A Yes, based on OREMC's records, last year's bill was about  
4 \$24,000.

5

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

8

9 A Two padmounted transformers, including 1-1000 KVA and 1-1500  
10 KVA, 2 CT metering packages, 1-30 underground primary cable  
11 from the riser pole to the switch yard, two pieces of switch  
12 gear and other associated accessories including grounds,  
13 elbows, connectors and concrete pads.

14

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

18

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

22

23 A Not to my knowledge.

24

25 Q WHY NOT?

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

8

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

11

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

23

24

Planning and Operational Considerations

25

1 Q MR. DEW, WOULD YOU BRIEFLY EXPLAIN THE DISTRIBUTION  
2 COOPERATIVE PLANNING PROCESS USED BY OREMC.  
3

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

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

11  
12 OREMC has developed such a two-year work plan, which allows it  
13 to constantly upgrade its facilities. OREMC also has  
14 developed or is developing a ten-year and a twenty year work  
15 plan allowing OREMC to project expected future system  
16 expansion and upgrades. Such system enhancements are  
17 implemented over time in accordance with such projections to  
18 meet future system and customer demand.

19  
20 Q WOULD YOU BRIEFLY EXPLAIN WHY THE ENCROACHMENT UPON UTILITY  
21 TERRITORY VIA PROGRESSIVE DUPLICATION LEADING TO THE ULTIMATE  
22 LOSS OF SERVICE AREA AFFECTS THIS PLANNING.

23  
24 A The electric utility industry is one of the most capital  
25 intensive of industries in the country. Therefore, electric

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

15  
16 When a utility loses either its existing customers or part of  
17 an area that it had been planning to serve, its long-range  
18 planning is thwarted and a portion of its investment may be  
19 rendered totally or partially useless.

20  
21 Furthermore, the Long Range Plan identifies potential  
22 substation locations, potential transmission line routes, and  
23 backbone feeder locations. The potential substations are  
24 generally located as close to the load center(s) as possible.  
25 The backbone feeders generally tie the substations together by



1 the time the long-range load levels are reached or before.  
2 The planned transmission lines are routed over existing  
3 rights-of-way or easily obtainable rights-of-way if possible.  
4

5 Consequently, if an electric utility loses part of its  
6 service area due to encroachment via progressive duplication,  
7 then it is very probable that this electric utility will be  
8 left with an electric system that is over-built and under  
9 utilized. Existing substations will probably be in the wrong  
10 locations since the remaining load center has shifted.  
11 Existing and planned transmission lines will probably be in  
12 some other electric utility's service area. Additionally, if  
13 significant loss of territory through encroachment via  
14 progressive duplication occurs, then the electric utility must  
15 commence the planning process over again, but this time system  
16 planning will be performed in the remaining service area. If  
17 the service area erodes, then the planning process becomes  
18 more and more costly and less and less effective.  
19

20 Q BASED ON YOUR INSPECTION AND ANALYSIS OF OKEFENOKE'S ELECTRIC  
21 UTILITY SYSTEM AND YOUR KNOWLEDGE OF ITS SHORT- AND LONG-RANGE  
22 PLANNING, PLEASE EXPLAIN THE DETRIMENTAL EFFECT TO OKEFENOKE  
23 IF FOR SOME REASON IT IS NOT ALLOWED TO CONTINUE TO SERVE THE  
24 DISPUTED TERRITORY IN DUVAL COUNTY.  
25



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

17  
18    Q     IS THE LOSS OF TERRITORY AND FACILITIES BY AN ELECTRIC UTILITY  
19    IN THE PUBLIC INTEREST?

20  
21    A     No.

22  
23    Q     EXPLAIN WHY NOT?

24  
25    A     If a utility service area is encroached upon by a city or town

1 and the utility serving the city or town is allowed to provide  
2 electrical service to the encroached upon area, or in any  
3 other manner, the territory is lost in most instances there is  
4 duplication of facilities, and waste of material and resources  
5 resulting in inefficient electric service to the public.  
6 Duplication of facilities causes added cost which is certainly  
7 not in the best interest of the public. Additionally, when  
8 encroachment results in loss of territory in a checkerboard  
9 fashion, then the affected utility could be forced to maintain  
10 express feeder lines through some other utility's territory  
11 simply to back feed or connect substations to provide reliable  
12 electric service to the consumers that the utility continues  
13 to service.  
14

15 Q DO YOU HAVE AN OPINION AS TO HOW THIS ENCROACHMENT WITH THE  
16 ULTIMATE LOSS OF SERVICE AREA COULD ADVERSELY AFFECT THE  
17 OPERATIONS OF A COOPERATIVE?  
18

19 A Yes, I do.  
20

21 Q WHAT IS YOUR OPINION?  
22

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

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

15  
16 Another problem is that the encroaching utility may have to  
17 build substantial amounts of distribution line from a distant  
18 substation to serve the area. If the previous supplier has to  
19 keep backbone feeder distribution lines in the area to connect  
20 substations and provide service to the remaining customers,  
21 then the acquiring utility will have to build duplicate  
22 facilities. These duplicate facilities could be over-built or  
23 under-built on the existing facilities of the previous  
24 supplier. However, the existing poles are generally not tall  
25 enough to allow over-building or under-building so a

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

9  
10  
11 Q WOULD YOU PLEASE EXPLAIN THE BENEFITS AND SIGNIFICANCE OF  
12 TERRITORIAL INTEGRITY?

13  
14 A In my opinion, territorial integrity is of paramount  
15 importance. Without an identifiable territorial service area  
16 it is very difficult to plan and efficiently operate a complex  
17 electrical system. Facilities that are planned and  
18 constructed may become under utilized or not necessary at all  
19 due to territorial changes and subsequent loss of territory.  
20 Utilities, therefore, must have identifiable service areas on  
21 which to make their financial, engineering and operations  
22 decisions. It is very difficult, if not impossible, to serve  
23 an area which is absolutely unpredictable. Territorial  
24 integrity enables electric utilities to engage in better  
25 planning, to stop the unnecessary duplication of electrical

1 utility facilities, and prevent the waste of materials and  
2 resources, which promotes economical, efficient, adequate and  
3 reliable electric service to the public.  
4

5 In summary, OREMC has sufficient substation capacity and  
6 distribution facilities in close proximity to the disputed  
7 areas. OREMC is providing adequate and reliable service to  
8 these areas and has been doing so for quite some time.  
9

10 Suggestions For Resolution  
11

12 Q ARE YOU FAMILIAR WITH FLORIDA STATUTE 366.04(2)(e).  
13

14 A Yes, I am.  
15

16 Q DO YOU HAVE AN OPINION ON WHICH FACTORS THE COMMISSION SHOULD  
17 CONSIDER WHEN RESOLVING TERRITORIAL DISPUTES?  
18

19 A Section 366.04(2)(e) of the statute says the Commission can  
20 resolve a territorial dispute and MAY consider, but not be  
21 limited to consideration of a number of factors including  
22 nature of the area served, population, degree of urbanization,  
23 proximity to other urban areas, etc. I think that in addition  
24 to these items that there are many other things to consider,  
25 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,



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

2 5) Form of ownership of the competing utility.

3

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

6

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

15

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

18

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

24

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

1 DETERMINANT OF TERRITORIAL ASSIGNMENT?  
2

3 A Demographic factors are irrelevant because population density  
4 varies considerably with the area in question and throughout  
5 the country. Cooperatives, investor-owned utilities and  
6 municipals serve all manners of different population densities  
7 throughout the country and in Florida.  
8

9 Q SHOULD OTHER UTILITY REQUIREMENTS SUCH AS A NEED FOR WATER AND  
10 SEWER, CATV, NATURAL GAS, TELEPHONE, FIRE PROTECTION, GARBAGE  
11 PICKUP, AND OTHER SERVICES BE A DETERMINANT IN TERRITORIAL  
12 ASSIGNMENT?  
13

14 A No. There are many instances in Florida and throughout the  
15 United States that utility services shown above are provided  
16 by many different companies operating in the same geographic  
17 area. Why then should the need for other utility services  
18 determine which utility will provide electricity? For  
19 instance, at my home in Stone Mountain, Georgia, I am served  
20 by five (5) different utility companies and coincidentally not  
21 one of them is provided by a municipal system.  
22

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

1            throughout the country.

2

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

5

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

14

15

#### Recommendations

16

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

19

20        A        There are a number of facts that I believe to be relevant to  
21            the resolution of this conflict. They are as follows:  
22            1)    Okefenoke has facilities in most parts of the disputed  
23                  area and have had since the late 1940s and early 1950s.  
24            2)    Okefenoke has been planning to serve Duval County through  
25                  both short- and long-term planning for sometime.

- 1           3) Okefenoke established service in much of the area in  
2           dispute because JEA either wouldn't or couldn't serve  
3           them for whatever reason.
- 4           4) Okefenoke had to remove several miles of line for the  
5           actual airport run ways to be constructed.
- 6           5) The Holiday Inn has been a member of OREMC since 1968.
- 7           6) JEA's mode of service to the Holiday Inn commencing in  
8           November 1991 is an example of uneconomic duplication of  
9           facilities at its worst.
- 10          7) Okefenoke has the ability, manpower and financial  
11          resources to serve existing load and future loads in the  
12          disputed areas.
- 13          8) Okefenoke has been providing economical, efficient and  
14          adequate electric service to this area for over 40 years.
- 15

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

18

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

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

5  
6 Q BASED UPON YOUR INVESTIGATION, WHAT ARE YOUR RECOMMENDATIONS  
7 FOR RESOLVING THIS TERRITORIAL DISPUTE?

8  
9 A First, the Holiday Inn service should be returned to Okefenoke  
10 and all gross revenues derived from this service by JEA be  
11 returned to Okefenoke.

12  
13 Second, the Commission should supervise the preparation of a  
14 territorial agreement between JEA and Okefenoke that is not  
15 burdensome to Okefenoke members. This territorial agreement  
16 would contain identifiable boundaries within Duval County and  
17 would probably involve the exchange of facilities with the  
18 public interest being the most important factor.

19  
20 A good place to start in the resolution of this territorial  
21 dispute would be for the Commission to re-examine the  
22 territorial boundaries as shown by the "magic line" that was  
23 developed in the 1978 Distribution Operations Guidelines  
24 between JEA and Okefenoke. The Commission should encourage  
25 Okefenoke and JEA to negotiate the territorial boundary and

1 allow for the exchange facilities to establish this  
2 territorial boundary over a reasonable period of time.  
3

4 Finally, if the JEA and OREMC are not able to agree within a  
5 reasonable period of time, the Commission should draw a  
6 territorial line based upon good utility practice and Florida  
7 Law and should make both parties abide by its decision.  
8

9 Q MR. DEW, DOES THIS CONCLUDE YOUR TESTIMONY?  
10

11 A Yes, it does.  
12



1 BY MR. THOMPSON:

2 Q. Mr. Dew, attached to your testimony were there  
3 exhibits identified as RD-1 through RD-9?

4 A. That's correct.

5 Q. Are these the exhibits that were previously  
6 identified in this hearing as Composite Exhibit 5?

7 A. Yes.

8 Q. Was Exhibit 5 prepared by you or under your  
9 direction and supervision?

10 A. Yes.

11 Q. Do you have any corrections or changes to these  
12 exhibits?

13 A. I'm not aware of any.

14 Q. Would you please summarize your testimony?

15 A. Okay. As stated in my prefiled testimony, I'm a  
16 registered electrical engineer in the State of Florida. I  
17 have over 20 years of experience in the electric utility  
18 industry. I have negotiated territory or helped settle  
19 territorial disputes in approximately nine states. In this  
20 particular case, I have personally conducted an on-site  
21 inspection of portions of both utility systems and have  
22 discovered an enormous amount of duplication of facilities.

23 The purposes of my testimony are shown on Page 9,  
24 and I'll just read over them briefly, are to: Comment on  
25 Okefenoke's system in the disputed area; comment on

1 Okefenoke's historical commitment to serve these areas; to  
2 describe some of the existing duplication of facilities  
3 within the disputed areas; describe operational problems  
4 associated with duplication of service; describe the  
5 duplication of facilities at Holiday Inn; describe relevant  
6 system planning and operational considerations; and finally,  
7 present suggestions for resolution of this conflict.

8           Some of those are contained on Page 41 and Page  
9 42, and I'll again go over them. First, the Holiday Inn  
10 should be returned, Holiday Inn service should be returned  
11 to Okefenoke, and all gross revenues derived from the  
12 service by JEA be returned to Okefenoke. Second, the  
13 Commission should supervise the preparation of a territorial  
14 agreement between JEA and Okefenoke that is not burdensome  
15 to Okefenoke members. This territorial agreement would  
16 contain identifiable boundaries within Duval County and  
17 would probably involve the exchange of facilities, with the  
18 public interest being the most important factor.

19           And a good place to start would be to re-examine  
20 the magic line that was developed in 1978. The Commission  
21 should encourage Okefenoke and JEA to negotiate this  
22 boundary and to allow for the exchange of facilities to  
23 establish this boundary over a reasonable period of time.  
24 If, however, JEA and Okefenoke are not able to agree within  
25 a reasonable period of time, then the Commission should draw

1 a territorial line based upon good utility practice and  
2 Florida Law and make both parties abide by its decision to  
3 eliminate future duplication, therefore eliminate future  
4 higher costs. That's basically my summary.

5 MR. WAHLEN: With that summary, we would tender  
6 Mr. Dew for cross examination.

7 CROSS EXAMINATION

8 BY MR. PAGE:

9 Q. Mr. Dew, let me direct your attention to pages 39  
10 and 40 of your prefiled testimony.

11 A. Okay.

12 Q. In response to the question: What observations --  
13 I'm reading from Line 17 on Page 39, it says: "What  
14 observations concerning pertinent facts do you have for  
15 resolving this territory dispute?" And you follow that by  
16 making an answer which includes several recommendations for  
17 resolving this case. Did you arrive at these  
18 recommendations based on a study, analysis and discussions  
19 with Okefenoke's employees?

20 A. We've had many discussions, but a lot of this is  
21 based on my prior experience in other states, but it's also  
22 a recommendation based on the facts in this case. I've  
23 examined everything that I could possibly examine to come up  
24 with a recommendation to resolve this.

25 Q. I believe in your deposition you said you had

1 examined several plans that the Co-op has, future plans for  
2 construction and so forth?

3 A. I've taken a look at their long range plan. I've  
4 looked at their work plan. I've looked at the facilities in  
5 the field. I've looked at your facilities in the field.

6 Q. With regard to recommendation numbered one, it  
7 says, "Okefenoke has facilities in most parts of the  
8 disputed area and have had since the late 1940s and early  
9 1950s." Isn't it true that that statement -- one of your  
10 listed pertinent facts -- that statement would be equally  
11 true if the word "Okefenoke" were replaced by "Jacksonville  
12 Electric Authority"?

13 A. No, sir, I don't think so.

14 Q. You do not think that Jacksonville Electric  
15 Authority has facilities in most parts of the disputed area?

16 A. Not at all.

17 Q. Which areas does Jacksonville Electric Authority  
18 not have facilities in?

19 A. In the late '40s and '50s, is that what you mean,  
20 or now?

21 Q. No, I'm talking about currently.

22 A. Currently they have facilities in a lot of the  
23 areas. I don't know whether I'd go as far as to say most.

24 Q. Did we have facilities in the area of the Holiday  
25 Inn when the Holiday Inn began its service with Okefenoke?

1           A.    I don't think so.

2           Q.    No. 2, it says: "Okefenoke has been planning to  
3 serve Duval County through both short- and long-term  
4 planning for sometime." Would that not be equally true if  
5 if you substituted Jacksonville Electric Authority for  
6 Okefenoke?

7           A.    The only real plans that I've looked at that you  
8 have is just from response to interrogatories, and I've  
9 looked at most everything the Cooperative has. So I really  
10 don't know all of your short- and long-term plans.

11          Q.    Would you suppose that JEA has plans to serve in  
12 what we call the City of Jacksonville?

13          A.    I would hope, but I don't know that for a fact.

14          Q.    No. 3 on the next page, starting at Line 1 on page  
15 40, says: "Okefenoke established service in much of the  
16 area in dispute because JEA either wouldn't or couldn't  
17 serve them for whatever reason." Wouldn't that be equally  
18 true if you substituted JEA for Okefenoke and Okefenoke for  
19 JEA?

20          A.    I don't know of any areas that Okefenoke hasn't  
21 tried to serve, that have refused service to anyone that's  
22 asked.

23          Q.    What did you mean in No. 4 where you say the Co-op  
24 had to remove several miles of line for the actual airport  
25 runways to be constructed?



1       A.    It's my information, based on old maps, that the  
2 Cooperative had, I believe, a single phase line that cut  
3 diagonally across the area where the airport was constructed  
4 in the mid sixties and they had to remove the line for  
5 construction of the actual runways. That's my information.

6       Q.    Isn't it true that that was taken through  
7 condemnation and they were compensated for their loss?

8       A.    I do not know.

9       Q.    Would it be equally true if JEA had lines to that  
10 same area where the airport now sits, that the JEA had to  
11 give up their lines in that area too?

12       A.    If they had any in the area, they may have had to  
13 move them. I do not know.

14       Q.    In No. 6, you say: "JEA's mode of service to the  
15 Holiday Inn commencing in November 1991 is an example of  
16 uneconomic duplication of facilities at its worst." Isn't  
17 it true that both JEA and Okefenoke served customers in that  
18 immediate area?

19       A.    Yes, but you had to build -- JEA had to build four  
20 spans of new line with concrete poles, riser, et cetera to  
21 serve something that's already being served. And I believe  
22 the documents show that you spent \$53,000 to provide  
23 facilities to something that was already being served by  
24 Okefenoke. I think that's duplication at its worst. You  
25 have a pole within -- I believe your riser pole is within 20



1 feet, subject to check, of Okefenoke's riser pole.

2 Q. So your definition of duplication then is building  
3 the line to the facility and has nothing to do with the fact  
4 that the surrounding area is served by, in some cases, both  
5 utilities?

6 A. I think if you have to extend facilities to serve  
7 something that's already being served, I think that's at  
8 least one definition of duplication.

9 Q. But duplication is not the fact that next door  
10 there's another motel served by JEA and next door there's  
11 another motel and a service station and a restaurant  
12 contiguous to the Holiday Inn and they're served by JEA;  
13 that's not duplication of facilities?

14 A. Mr. Page, I believe the Co-op was there in 1968  
15 and there was nothing else there to my information. And I  
16 believe if you had allowed the Cooperative to serve those  
17 hotels, the new hotels, they could have served them just as  
18 well as JEA.

19 Q. But my point, or my question, sir, is: The  
20 duplication of effort as defined -- or the duplication of  
21 facilities as defined by you has simply been that the JEA  
22 built the feeder line into the Holiday Inn and has nothing  
23 to do with the fact that the surrounding area is served by  
24 JEA?

25 A. Not all the surrounding area is served by JEA.

1 There's several things on Airport Road that are served by  
2 Okefenoke.

3 Q. Let me show you something that was submitted by  
4 you, and it's identified in Robert Dew Exhibit No., and it's  
5 (RD-10), and ask you if you've seen this before. I'd like  
6 to have it marked as the next subsequent exhibit.

7 MR. WAHLEN: Commissioner, that is Mr. Dew's  
8 rebuttal exhibit. If you would like we could identify  
9 it now.

10 COMMISSIONER DEASON: Part of his prefiled  
11 rebuttal, attached to his rebuttal testimony?

12 MR. WAHLEN: That's correct.

13 COMMISSIONER DEASON: We'll go ahead and identify  
14 the exhibits attached to his prefiled rebuttal as  
15 Exhibit No. 8.

16 (Composite Exhibit No. 8 marked for  
17 identification.)

18 BY MR. PAGE:

19 Q. When you first saw this exhibit it was presented  
20 to you without all this blue and yellow marking on it, was  
21 it not?

22 A. I don't remember when I first saw it. I think we  
23 developed something similar to it, but this is the first  
24 time I've seen a colored one, yes.

25 Q. Isn't it true that you were responsible for adding

1 the line and the words Admiral Benbow Inn for security  
2 lights, the two security lights, the Summit Oil sign, with  
3 the asterisks and that dashed line that comes down from the  
4 north, that is shown on these documents as a yellow? Did  
5 you supervise the adding of that information to this  
6 document?

7 A. Yes, I did.

8 Q. And to the best of your knowledge and  
9 understanding, isn't it true that all of the areas  
10 highlighted in blue, the several motels, gas stations,  
11 restaurants, trade port, residences, a few signs and so  
12 forth, are all served by the lines highlighted in blue,  
13 which is the JEA?

14 A. That's correct.

15 Q. Number --

16 COMMISSIONER DEASON: Let me interrupt just a  
17 second and ask a question while we're looking at this.  
18 Mr. Dew, do you have information which states when  
19 these various lines were constructed, as to which lines  
20 were there before and which came later?

21 WITNESS DEW: I believe the yellow line serving  
22 the Holiday Inn was constructed in 1968, and most, if  
23 not all, the lines serving the blue area were built  
24 after 1968.

25 COMMISSIONER DEASON: So it's your belief, then,

1       that in those decisions where the blue and yellow lines  
2       intersect, that it was the blue line that came after  
3       the yellow line?

4               WITNESS DEW: I believe that's correct in most, if  
5       not all, cases.

6               COMMISSIONER DEASON: Thank you.

7 BY MR. PAGE:

8       Q. Back on Page 40 of your prefiled testimony at Line  
9       10, No. 7 says, "Okefenoke has the ability, manpower and  
10      financial resources to serve existing load and future loads  
11      in the disputed areas." Is that also not true of JEA?

12      A. I would assume so.

13      Q. No. 8 says that, "Okefenoke has been providing  
14      economical, efficient and adequate electric service to this  
15      area for over 40 years." Is that also not true of JEA?

16      A. I don't think so. I think Okefenoke has been  
17      providing service to a lot more of the area a lot longer  
18      than JEA has.

19      Q. You're not aware of the service to Main Street,  
20      which is a few blocks east of this area, or the Pecan Park  
21      Road, which is a few blocks west of this area, which was  
22      served by JEA?

23      A. When was it served?

24      Q. I'm just asking you if you're familiar with it,  
25      sir.

1           A.    If you'll point it out to me on the map, we can  
2 maybe talk about it.

3           Q.    So you don't know?

4           A.    I didn't say I don't know. I don't recall  
5 exactly. If you'll show me on the map, we can talk about  
6 it. I've got the dates of it, so we can take a look at it.

7           Q.    When the JEA began to serve this far north of  
8 town?

9           A.    I have pole dates is about all I have.

10          Q.    Okay. On Pages 31 and 32 of your prefiled, you  
11 begin at the bottom of that page, 31, explaining why the  
12 loss of this territory by the Co-op is not in the public  
13 interest, and I believe on Page 32 you come up with four  
14 reasons: Duplication, waste, inefficiency and added costs  
15 to customers. Wouldn't the purchase of the existing  
16 facilities that are there today by the JEA eliminate all of  
17 those problems?

18          A.    I don't believe they would. I think we may have  
19 another set of problems.

20          Q.    Would there be additional duplication?

21          A.    There may have to be. We may have to keep stuff  
22 to serve through the territory to serve whatever is kept.

23          Q.    Do you have any service south of this line shown  
24 on this map?

25          A.    Not at the present.



1           Q.    So you wouldn't have to go through this area?  
2   There's nothing south of this area that you serve now?

3           A.    Someone may want us to serve them.

4           Q.    So you're speculating about future?

5           A.    I think we're all in the long run business and  
6   we're all speculating on future growth is one of the main  
7   reasons we're here.

8           Q.    So your answer to my question that would the JEA's  
9   purchase of the existing facilities eliminate duplication,  
10   waste, inefficiency and added costs -- what was your answer  
11   to that question?

12          A.    I don't believe the answer to that question is  
13   quite that easy. You've got to look at the impact on the  
14   remaining ratepayers, rate members and members in general of  
15   Okefenoke in Florida and in Georgia. I don't believe  
16   there's such a simple answer as that, just sell out and that  
17   will eliminate all the problems. I think you'll have  
18   another set of problems, not the least of which are original  
19   members of Okefenoke that do not want to be sold like  
20   cattle.

21          Q.    Beginning on Page 30 with the question at the  
22   bottom of that page, "Based on your inspection and  
23   analysis," it says, "please explain the detrimental effect  
24   to Okefenoke if for some reason it is not allowed to  
25   continue to serve the disputed territory." Your answer

1 beginning at the top of Page 39 talks about -- you make the  
2 conclusion in that answer, if I'm not mistaken, that this  
3 would cause higher rates to the other Okefenoke customers.  
4 On what did you base that conclusion?

5 A. We have looked at it from an economic standpoint  
6 of sorts, but it really doesn't take much looking at it to  
7 think about if you have 20,000 consumers thereabouts, and  
8 you lose 2500 or so of your best consumers and your fixed  
9 costs remain virtually the same, then your remaining retail  
10 rates are going to go up. Now it would take a good study to  
11 quantify how much, but just in simplistic terms, the 2500  
12 consumers is a large portion of Okefenoke's revenue base,  
13 and if it is lost, then the rates for the remaining  
14 consumers would have to go up. How much is a matter of  
15 doing a cost of service and a retail rate study and impact  
16 study.

17 Q. So is it fair to say that your answer is based on  
18 a general principal and not a study of this particular  
19 system?

20 A. Well, we have done a study. We have an impact  
21 study that we have performed back in, I believe, '89 or  
22 '90. And it has a lot of assumptions in it, but it is,  
23 nevertheless, an impact study.

24 Q. Now you've referred to the planning from  
25 Okefenoke. Have you looked at their plans in any detail at

1 all?

2 A. Some detail.

3 Q. Do their future plans show that they plan to serve  
4 this area as currently -- the services are commingled, or do  
5 their plans show that they have an exclusive area, or what  
6 do those plans shows show?

7 A. I believe under the current situation we'd have to  
8 continue to serve it being commingled. I believe that's  
9 what the plans show.

10 Q. So regardless of what happens here, the plans will  
11 have to be changed, unless the situation stays status quo?

12 A. Well, I don't know that this situation, this  
13 hearing will cause the plans to be changed, but Okefenoke is  
14 in the continual state of planning. They have a two-year  
15 construction work plan, every two years. They have a long  
16 range plan that is about due to be redone. But anytime you  
17 have a -- what is perceived a major change in your system or  
18 a -- something that affects your system, it's prudent to do  
19 planning to see how that affects your system. So they may  
20 decide to revise their long range plan or do a new work  
21 plan.

22 Q. But the fact of the matter is, sir, that right now  
23 they have no plans to exist other than in the commingled  
24 state they currently are?

25 A. They have plans to serve the area in north Duval

1 County and most of it is commingled, yes.

2 Q. So as far as your insight or information based on  
3 their plans, they didn't really plan to change anything,  
4 they just planned to continue in their current situation?

5 A. They planned to serve the growth in northern Duval  
6 County. If that's what you're defining as the status quo,  
7 that's what they plan to serve.

8 Q. On Page 36 of your testimony at Line 11, paragraph  
9 No. 8, you say that, "Respective cost to serve the area by  
10 each competing utility must be evaluated." And I believe  
11 this is in response to the question what factors the  
12 Commission should consider when resolving territorial  
13 disputes. Is it your belief today that the -- that this  
14 information must be evaluated?

15 A. The cost to serve the area?

16 Q. Yes, sir.

17 A. Yes, I think so. The great example is the air  
18 mail postal facilities that JEA has to build a mile of line  
19 to that the Cooperative is within few feet of. I think a  
20 serious economic study looking at both sides of the fence  
21 there would conclude that Okefenoke is the one to serve  
22 that, based on the economics.

23 Q. But you have not made that study, have you?

24 A. Well, yeah, I can do it right now. It takes about  
25 \$30,000 a mile of line, that's what you've got to build, and

1 the Co-op is right there, and the rest of it is the exact  
2 same, the transformers and the underground and the service.  
3 So it's going to cost you about \$30,000 more to serve that  
4 facility in distribution facilities than it's going to cost  
5 Okefenoke. That's just one example.

6 Q. Have you provided such a study in any of your  
7 testimony or any of the exhibits prepared for this hearing?

8 A. No, I have not. That would be the gist of the  
9 study.

10 Q. So to your knowledge, although you can quote  
11 excerpts from a potential study, you haven't made such a  
12 study?

13 A. I do distribution planning for a lot of clients,  
14 and I'm familiar with what it costs to build a mile of line,  
15 and that's all the difference there is in this example.

16 Q. So a cost study is not required in this case?

17 A. I just laid out for you the key points of it, and  
18 no, I have not done one, but I'll be glad to file one if you  
19 want me to.

20 Q. Do you know that the PSC rules recommend such a  
21 cost analysis to be provided in disputes such as this?

22 A. For a dispute such as what?

23 Q. This, this, territorial disputes.

24 A. I think we've provided what the Commission has  
25 asked us for.



1           Q.    Your recommendation on Page 41 and 42 is that  
2 there be a line drawn, is that true?

3           A.    I'm sorry, I didn't hear you.

4           Q.    Pages 41 and 42, when you talk about your  
5 recommendations, you recommend that a line be drawn. Is  
6 that your recommendation for the proper resolution?

7           A.    Well, no, not exactly. I think that the very  
8 first thing is that JEA and Okefenoke try to work out this  
9 territorial problem and try to come up with their own line,  
10 their own boundary and their own resolution of it, and then  
11 absent that, I'm recommending to the Commission that they  
12 draw such a line and come up with a boundary.

13          Q.    You're an expert in this area. Have you drawn  
14 such a line? Are you able to recommend to the Commission  
15 right now where the line ought to be?

16          A.    Not right now, sir, but I have done it many times.

17          Q.    Once that line is drawn, is it possible that the  
18 line could be drawn such that only Okefenoke customers are  
19 currently on one side and JEA customers are on the other  
20 side?

21          A.    I doubt that you would be able to do that since we  
22 have basically a scrambled egg situation at the present  
23 time, so what you could do is draw a line similar to the '78  
24 line where there are 5- or 600 consumers south of the line  
25 and 5- or 600 north of the line and allow -- through

1 attrition, allow those consumers to continue to receive  
2 service from their present utility until they've moved out  
3 out of the house or whatever, then allow the utility serving  
4 the north part of the line to hook them up, and the same  
5 thing on the south side. You could do this through  
6 attrition over a number of years with minimum disruption to  
7 the existing consumers, I think. It would take some time,  
8 it would take some cooperation, it would take some effort,  
9 but it can be done and has been done.

10 Q. Would an exchange such as this involve the  
11 exchange of facilities, customers and money?

12 A. It could. It could involve all three or none of  
13 those. It could, like I say, draw a line and say, this  
14 house is on JEA until the man moves out, and then we're  
15 going -- Okefenoke is going to serve it. And by the same  
16 token, on the south side of the line, this house is served  
17 by Okefenoke, and as long as this person lives here, he can  
18 be served by Okefenoke, since he's a member, but when the  
19 house is sold, then you let JEA serve that house. And  
20 through attrition, you can resolve this dispute. And  
21 neither utility would need to duplicate anymore -- JEA would  
22 not need to duplicate anymore on the north side, Okefenoke  
23 would not need to duplicate anymore on the south side, and  
24 through that process, over a number of years, you could work  
25 this out without us standing up here trying to shoot each

1 other. I mean it could be worked out. This is nothing new,  
2 it's been done in other states, but it does take some  
3 cooperation and some effort and some hand-wringing and all  
4 that sort of thing, and some good maps. So it could be  
5 done.

6 Q. Is it likely to involve the exchange of money?

7 A. Well, if you do it -- if you do it over attrition,  
8 it might. It may not. You know, we take this service, you  
9 take that service, at the end of the year we settle up. It  
10 may or it may not.

11 Q. Is the exchange of money one possible way to  
12 resolve this problem?

13 A. It could be, but you have to have a willing buyer  
14 and a willing seller. And I'm not qualified to tell you  
15 that because I can't speak for the board of directors of  
16 Okefenoke, just for them to sell out of north Duval County.  
17 I believe Mr. Page has indicated that he doesn't want to do  
18 that. His board doesn't want to do that, and some of his  
19 members have indicated that they don't want to do that  
20 either. So given that, what is another alternative?

21 Q. If I may have a moment. (Pause).

22 If this were approached only from the approach  
23 that you suggest where customers are grandfathered in,  
24 wouldn't that leave facilities stranded unless there were  
25 some purchases?

1       A.   Well, it would leave some on both sides, but like  
2 I say, you keep a running ledger total, and at the end of  
3 the year you may have to settle up. It probably would leave  
4 stranded facilities on both sides. So, you know, you would  
5 have to settle up probably at the end of the year. You  
6 wouldn't want to do it every day or every two days.

7       Q.   Let's see if I fairly characterize your answer to  
8 my previous question when I asked you if it were not  
9 possible to solve this whole matter equitably based on an  
10 exchange of money, and you said that the Okefenoke board, to  
11 the best of your understanding, would not do that. If the  
12 Okefenoke board were willing to do that, could it equitably  
13 be decided with the exchange of money for facilities?

14       A.   If the board were willing to do that, but, again,  
15 you raise another set of problems in that you are literally  
16 -- what the board would have to decide at that point in  
17 time is to sell off original members, maybe the original  
18 members' sons and daughters, et cetera, like cattle, and  
19 that may not be palatable to some of the original members  
20 and the subsequent generation. They are members of the  
21 Cooperative. They are just not ratepayers. They own, they  
22 elect the directors, et cetera. So there is somewhat a  
23 difference here.

24               But what I say, there's another aspect of this.  
25 And I think in the Clay/JEA current agreement, I think the



1 public has raised its ugly head about getting traded back  
2 and forth. (Pause)

3 Q. Once again -- and I apologize for continuing to  
4 ask this question in several different ways, but given the  
5 attrition way of solving the problem, which you propose --

6 A. That's one method.

7 Q. And you reject the buyout method?

8 A. Suppose Okefenoke wanted to buy out JEA.

9 Q. I'm not asking you to suppose. I'm just asking  
10 you a question. Did you reject the buyout method as being  
11 an equitable, feasible way to solve the problem, from an  
12 engineering point of view?

13 A. It's not purely an engineering matter because  
14 there's a price on everything. I don't believe it's purely  
15 an engineering or a rate matter. You're dealing with  
16 original members here, people that took service from that  
17 army generator that Mr. Middleton and them hooked up in the  
18 40's, and you just can't do that.

19 COMMISSIONER DEASON: Mr. Dew, may I suggest that  
20 you answer the question yes or no and then expand?

21 WITNESS DEW: Be glad to.

22 MR. THOMPSON: Could I have a clarification,  
23 Commissioner? I don't understand either whether  
24 Mr. Page is asking that from either perspective. Is he  
25 asking if each had the opportunity to buy out, would



1       that be an equitable settlement? Is that what you're  
2       asking, Mr. Page?

3               MR. PAGE: I did not ask about JEA. That was  
4       offered by way of an answer.

5               COMMISSIONER DEASON: I suggest that you either  
6       clarify the question or let's move on to a different  
7       subject.

8               MR. PAGE: I'm not going to ask this question  
9       anymore times.

10   BY MR. PAGE:

11       Q.   Returning the Holiday Inn to Okefenoke's service  
12   will do nothing to avoid duplication, will it?

13       A.   It's already been duplicated. JEA would have to  
14   take its facilities down, or in the alternative, the Co-op  
15   could take their facilities down. The facilities are  
16   already duplicated. They're there. You can ride up the  
17   interstate and look at them.

18               MR. PAGE: No further questions.

19               COMMISSIONER DEASON: Staff?

20                               CROSS EXAMINATION

21   BY MS. BROWN:

22       Q.   Mr. Dew, you mentioned the Postal Service issue  
23   that's come up here in this hearing?

24       A.   Yes.

25       Q.   Do you know where that Postal Service is going to

1 be built?

2 A. I can show you on the map. I don't know the exact  
3 address. I think it's Pecan Park Road, northwest, northeast  
4 of the airport.

5 Q. 14200 Pecan Park Road?

6 A. That sounds about right.

7 Q. Can you get up and identify that, or at least  
8 somewhat that area on your map?

9 A. It's on the -- possibly the best is RD-4, the  
10 enlargement -- can everyone hear me? -- the enlargement  
11 around the airport, and it's basically right here, and I am  
12 pointing to kind of the west side of Pecan Park Road at the  
13 -- about -- the scale of this map is one inch equals a  
14 thousand, so it's about 4,000 feet off the end of the runway  
15 at the Jacksonville Airport.

16 Q. Okay, thank you. Is it your testimony that the  
17 areas that Okefenoke serves in Duval County are changing  
18 quite a bit and that it is hard to distinguish between rural  
19 areas, urban areas or suburban areas?

20 A. That's correct. I think in any growth situation  
21 rural becomes urban/suburban and you don't have to go too  
22 far before it goes back the other way.

23 Q. Are there areas within the corporate limits of  
24 Jacksonville that you would still characterize as rural?

25 A. There are a lot of areas in north Duval County

1 that I would classify as rural.

2 Q. Are those primarily the areas that Okefenoke  
3 serves at the moment?

4 A. Well, here again, it's pretty hard. You have a  
5 subdivision, and on one side of it is a forest and on the  
6 other side of it is a river. So what is that? Is that  
7 rural? Is that urban? Is that suburban? I mean there's  
8 really quite a mix up there. And there's really some -- I  
9 think in my deposition I actually said boondocks, and I  
10 would kind of say, yes, that there are some of those kind of  
11 areas up there as well. It's all sorts of mix up there.  
12 It's not black and white.

13 Q. Thank you. Would you refer to your map, not the  
14 small one that you just put on top of the other one, but the  
15 one underneath, RD-1?

16 A. Okay.

17 Q. In Composite Exhibit 5. I'm sorry, Mr. Dew, you  
18 need to go to the map behind you, that Staff has introduced  
19 into evidence as Exhibit 4.

20 A. I think they're -- okay. This one is 3.

21 COMMISSIONER DEASON: It's been identified for  
22 this proceeding as Exhibit 4.

23 MS. BROWN: Four, yes, but that's the map I would  
24 like you to look at it.

25 WITNESS DEW: It's production of documents 1-A,

1 1-F, 1-B, 1-C, 1-D is the --

2 MS. BROWN: We only have one copy of that map,  
3 Commissioner.

4 Could you give it to the Commissioner?

5 BY MS. BROWN:

6 Q. Can you find Lem Turner Road on that map?

7 A. Which map do you want me to look at?

8 Q. I want you to look at Staff's wrinkled map. That  
9 one.

10 A. Okay. Yes, I've got it.

11 Q. Can you find it? Can you look at Okefenoke's  
12 distribution lines along Lem Turner Road and tell me what  
13 year those lines were constructed?

14 A. I believe they were constructed in -- this is a  
15 color map and we've color coded the dates as best we can  
16 from pole dates, and Lem Turner Road runs diagonally, and  
17 basically it's 1951. And Lannie Road, which joins on to  
18 that, is basically 1951 as well.

19 Q. What about Yellow Bluff Road?

20 A. Yellow Bluff Road, which runs diagonally as well  
21 in the other part from 17, is 1951, I believe. It's red-  
22 lined, so it's 1951 as well.

23 Q. And Starrett Road?

24 A. I've forgotten where that's it. Okay, it's off  
25 Lem Turner, and it's here, and it's red-lined as well, and

1 it's -- so it would be 1951 as well.

2 Q. Thank you. Do you have an estimate of what  
3 percentage of Okefenoke's distribution lines in Duval County  
4 have been duplicated by JEA's facilities?

5 A. I haven't done a mile-by-mile estimate. I would  
6 guess 50, 60 percent, just a wild guess. Just look at the  
7 color map and you can kind of guess at it. I'd like to  
8 measure and find out, but I haven't done that.

9 Q. On Page 6 of your direct testimony, beginning on  
10 Line 17, you state that you have studied the territorial  
11 laws in about nine states and the real world implications of  
12 those territorial laws, is that correct?

13 A. Yes.

14 Q. Would you describe some of the formulas that you  
15 testified to with respect to those territorial laws?

16 COMMISSIONER CLARK: What page?

17 MS. BROWN: We're on Page 6.

18 WITNESS DEW: Do you want some of the formulas for  
19 compensation of lost territory facilities; is that what  
20 you're --

21 BY MS. BROWN:

22 Q. Yes, yes, yes.

23 A. One of the recurrent themes is reproduction costs  
24 new, less depreciation, plus severance damage, plus  
25 reintegration costs, plus two and a half times annual



1 revenue. And some of the formulas, notably the Tennessee  
2 formula, uses the two and a half times, spread out over ten  
3 years, and they give -- it would be .25, a quarter of that  
4 each year, for ten years to take care of the growth. Some  
5 formulas are when you trade it, right then you get two and a  
6 half times your annual revenue, plus all the other things  
7 I've talked about, the facilities, the reintegration costs.  
8 I guess that's basically the gist of it, though, the  
9 facilities and how to put the system back together when  
10 you've sold off a piece of it.

11 Q. Would a formula for compensation for lost  
12 consumers, facilities and territories that included the fair  
13 replacement value, minus accumulated depreciation, plus an  
14 amount equal to the most recent one year's worth of revenues  
15 received from that lost territory be an adequate way to  
16 determine compensation in a situation like this?

17 A. If you're talking a buyout situation where you  
18 sell the facilities, you don't get anything back in trade, I  
19 think that is a very bad formula. I would not agree with  
20 it. I know that's probably the formula in the Clay/JEA  
21 thing, but I certainly do not agree with it except that  
22 that's a trade as opposed to a buyout. Once you sell the  
23 farm, you're out of the farming business, to quote James  
24 Harold.

25 MS. BROWN: I have no further questions. Thank

1           you.

2           COMMISSIONER DEASON: Mr. Dew, do you know when  
3           the service was first initiated to the Holiday Inn  
4           that's in question?

5           WITNESS DEW: When was it first initiated?

6           COMMISSIONER DEASON: Yes.

7           THE WITNESS: The Co-op served the general  
8           contractor that built the Holiday Inn and I think that  
9           was either late '67 or early '68, somewhere along in  
10          there. I mean there's a document in the record, I  
11          believe, that tells that, but the Co-op provided  
12          service to the general contractor and then to the  
13          Holiday Inn when they took the possession of the  
14          building.

15          COMMISSIONER DEASON: When was the agreement which  
16          established the so-called magic line entered into?

17          WITNESS DEW: I believe in 1978.

18          COMMISSIONER DEASON: Okay. And the Holiday Inn  
19          is south of that line, is it not?

20          WITNESS DEW: Yes, it is.

21          COMMISSIONER DEASON: Was there any provision in  
22          that agreement which addressed the situation where  
23          there was an existing customer of Okefenoke that was  
24          south of the so-called magic line?

25          WITNESS DEW: I think the agreement was that the

1 Co-op takes the consumers north of the line and JEA  
2 takes the ones south of the line. Of course you  
3 already had the Holiday Inn there, so you just have to  
4 leave it alone. I think that's the way it was supposed  
5 to work. I don't know.

6 COMMISSIONER DEASON: Was there any understanding  
7 in the agreement which addressed attrition of customers  
8 above and below the line which you've suggested is  
9 perhaps a remedy we could utilize now.

10 THE WITNESS: I don't remember if there was.

11 COMMISSIONER DEASON: Commissioner Clark? Redirect?

12 MR. WAHLEN: We have no redirect and would like to  
13 move Exhibits 5 and 8.

14 COMMISSIONER DEASON: Without objection, Exhibits  
15 5 and 8 will be entered into the record.

16 (Exhibit Nos. 5 and 8 received into evidence.)

17 COMMISSIONER DEASON: Please call your next  
18 witness. Mr. Dew, you're excused.

19 (Witness Dew excused.)

20 MR. WAHLEN: Co-op calls Mr. Glen Wrightson.

21 Whereupon,

22 GLENN STEVEN WRIGHTSON  
23 was called as a witness, having previously been duly sworn  
24 to speak the truth, the whole truth, and nothing but the  
25 truth, was examined and testified as follows:

## 1 DIRECT EXAMINATION

2 BY MR. WAHLEN:

3 Q. Mr. Wrightson, would you please state your full  
4 name?

5 A. My name is Glenn Steven Wrightson.

6 Q. What is your business or occupation?

7 A. I am a partner with Southern Engineering Company  
8 and I work as a rate and financial utility consultant.9 Q. Did you previously prepare direct testimony that  
10 was submitted on February 7, 1992 consisting of 21 pages?

11 A. Yes, I did.

12 Q. Are there any corrections or changes to your  
13 testimony?14 A. I would like to make a correction to a word on  
15 Page 15, Line 21, the word is "expect" and it should be  
16 "expected".

17 Q. Do you have any additional changes?

18 A. No, I do not.

19 Q. With that change, if I were to ask you the same  
20 questions today, would your answers be the same?

21 A. Yes.

22 MR. WAHLEN: We would request Mr. Wrightson's  
23 prefiled testimony be entered into the record as though  
24 read.

25 COMMISSIONER DEASON: It will be so entered.

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

1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2                   PREPARED DIRECT TESTIMONY

3                   OF

4                   GLENN S. WRIGHTSON

5  
6       Q       STATE YOUR NAME AND ADDRESS.

7  
8       A       My name is Glenn Steven Wrightson. My business address is  
9               1800 Peachtree Street, N.W., Atlanta, Georgia 30326.

10

11      Q       BY WHOM ARE YOU EMPLOYED?

12

13      A       I am employed by Southern Engineering Company.

14

15      Q       WHAT IS YOUR EDUCATIONAL BACKGROUND?

16

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

20

21      Q       WHAT IS YOUR EXPERIENCE IN THE UTILITY BUSINESS?

22

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



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

6  
7 I have submitted testimony and exhibits before the Florida  
8 Public Service Commission and the Public Utility Commission  
9 of Texas. I testified before the FPSC on behalf of the  
10 Florida Cooperatives on the issue of the Cost Effectiveness  
11 of Undergrounding Electric Utility Lines in Docket No.  
12 890833-EU. I have prepared and presented a detailed  
13 analysis of alternative loan repayment schedules to the  
14 Administrator of the REA and the Officers of the Bank for  
15 Cooperatives. My expertise is in analyzing information and  
16 determining the relative impacts of alternative economic  
17 decisions on utility companies and utility companies'  
18 ratepayers.

19  
20 Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?  
21

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

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

8  
9 Effect of Loss of Holiday Inn

10  
11 Q HOW WOULD THE LOSS OF SALES BY OREMC TO THE HOLIDAY INN  
12 IMPACT OREMC?

13  
14 A The loss in electric sales by OREMC to the Holiday Inn  
15 results in an accompanying reduction in revenue to  
16 OREMC and to a lesser degree, a reduction in wholesale  
17 purchased power cost to OREMC from Seminole Electric  
18 Cooperative, Inc. (Seminole).

19  
20 OREMC's total revenues from the Holiday Inn for the eighteen  
21 (18) month period from June 1990 through November 1991 is  
22 approximately \$516,200. The wholesale purchased power cost  
23 from Seminole attributable to the Holiday Inn, assuming the  
24 Holiday Inn's contribution to OREMC's demand billed by  
25 Seminole was 85% of the Holiday Inn's peak demand, was

1 approximately \$430,200.

2  
3 Thus, the direct and immediate impact of the loss of  
4 electric sales to the Holiday Inn totals approximately  
5 \$4,800 per month. If the Corporation is to maintain the  
6 same overall financial performance in a subsequent like 18-  
7 month period, it would require a revenue increase from the  
8 remaining members of approximately \$86,000. On an annual  
9 basis, the increase required would be approximately \$57,300.  
10

11 Q IS THIS A CONSERVATIVE ESTIMATE?  
12

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

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

3

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

7

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

16

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

19

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

23

24      Q     HAS OREMC PAID CAPITAL CREDITS TO THE HOLIDAY INN?

25

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

4  
5     Q     DOES THE TERMINATION OF SALES BY OREMC TO A MEMBER IN ANY  
6           WAY REDUCE OR ELIMINATE THE NEED TO REFUND PREVIOUSLY  
7           ASSIGNED CAPITAL CREDITS TO THAT MEMBER?

8  
9     A     No. In future years, the Corporation would pay the  
10          previously assigned capital credits to a former customer  
11          even if the individual and/or business entity is no longer  
12          receiving electric service from the Corporation.  
13          Cooperatives operate on the assumption that once a location  
14          is served, service will always be provided at that location.  
15          As a cooperative experiences a loss of sales at a particular  
16          location, as in the present case with the Holiday Inn, the  
17          future source of margins to pay previously assigned capital  
18          credits is eliminated and the future potential equity of the  
19          remaining members is reduced.

20  
21    Q     HOW ELSE WOULD THE LOSS OF THE HOLIDAY INN IMPACT OREMC AND  
22           ITS MEMBERS?

23  
24    A     The loss of future sales to the Holiday Inn will adversely  
25           effect OREMC and its members. The Holiday Inn was the



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

6  
7 Additionally, unless the Holiday Inn is re-established as a  
8 customer of OREMC, the annual loss of Holiday Inn revenue  
9 will recur, so a \$50,000 or \$60,000 loss in one year will  
10 total \$500,000 to \$600,000 in only ten years.

11  
12 With regard to the facilities that were dedicated to serve  
13 the Holiday Inn, someone is going to have to pay for the  
14 carrying charges of those facilities in the future. Just  
15 because the facilities are not participating in producing  
16 revenue doesn't mean that depreciation, the interest, and a  
17 margin requirement stops as well. These costs continue in  
18 future years.

19  
20 Q IN TERMS OF ELECTRIC LOAD, HOW MANY TYPICAL RESIDENTIAL  
21 ACCOUNTS DOES THE HOLIDAY INN REPRESENT?

22  
23 A The average usage of an OREMC residential consumer in 1991  
24 was 1,036 KWH per month. The average monthly usage of the  
25 Holiday Inn for ten months in 1991 was 419,640 KWH. Thus,

1 using these 1991 averages, the Holiday Inn represents the  
2 equivalent of 420 residential members. In terms of the  
3 number of residential accounts and volume of kWh sales, the  
4 loss of the Holiday Inn equates to a loss of approximately  
5 2.0% of the residential class of the total system.  
6

7 Other Disputed Areas  
8

9 Q IS OREMC UNCERTAIN OF ITS ABILITY TO CONTINUE SERVING ITS  
10 EXISTING MEMBERS AND POTENTIAL NEW MEMBERS IN THE AREAS OF  
11 DUVAL COUNTY WHERE IT HAS HISTORICALLY SERVED?  
12

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

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

3

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

6

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

11

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

16

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

23

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

1 Duval County for each year from 1982 through 1991. Also, I  
2 projected future revenue and future expenses for service by  
3 OREMC to members in Duval County for the years 1992 through  
4 1999 using varying growth rates in KWH sales for the Duval  
5 County sales portion and the total OREMC sales less the  
6 Duval County sales portion. The analysis compared actual  
7 revenue derived from total OREMC sales and OREMC sales in  
8 Duval County to total system expenses and allocated Duval  
9 County expenses to determine margin production by year for  
10 the total OREMC system and the Duval County system portion  
11 separately.  
12

13 Q WHAT DOES THIS ANALYSIS REVEAL?  
14

15 A The analysis shows that OREMC's profitability in Duval  
16 County in recent years has been below the OREMC system  
17 average. However, for the projected period from 1992  
18 through 1999, the analysis shows that the margins, and thus  
19 the profitability, in OREMC's Duval County service area will  
20 increase.  
21

22 Q WHAT IS THE SIGNIFICANCE OF THESE FINDINGS?  
23

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

1 continues to construct additional distribution facilities  
2 into areas of Duval County historically served by OREMC.  
3

4 Q WHY DO YOU BELIEVE THAT OREMC'S PROFITABILITY IN DUVAL  
5 COUNTY HAS BEEN LOWER THAN THE SYSTEM AVERAGE?  
6

7 A A number of factors could contribute to this condition.  
8 Included in these factors is the fact that JEA has  
9 historically prevented OREMC from serving certain new  
10 customers in Duval County when it was "economical and  
11 practical" for JEA to provide such service. This is  
12 discussed later in my testimony.  
13

14 Q WHY DO YOU BELIEVE OREMC'S DUVAL COUNTY SERVICE AREA WILL  
15 PRODUCE IMPROVED MARGINS IN THE FORESEEABLE FUTURE?  
16

17 A The Duval County sales by OREMC will provide a profit margin  
18 closer to the OREMC system average in the foreseeable future  
19 because it is anticipated the unit cost of wholesale power  
20 from Seminole will be lower than the unit cost of OPC sales  
21 to OREMC beginning in 1992 and will remain lower through  
22 1999. In addition, OREMC expects system demand in the areas  
23 where it has historically served in Duval County to continue  
24 to grow.  
25



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

6  
7 A As Mr. Robert Page discusses in his prepared direct  
8 testimony, OREMC purchases its power needs for service in  
9 Georgia from Oglethorpe Power Corporation (OPC) and  
10 purchases its power needs for service in Florida from  
11 Seminole. With the present OREMC retail rate design, all  
12 OREMC customer/members are charged the same price for the  
13 same quantity of electricity whether they take service in  
14 Florida or Georgia. As the unit cost of wholesale purchased  
15 power from Seminole is greater than the unit cost of  
16 wholesale purchased power from OPC, gross margins, or the  
17 difference between revenue and associated purchased power  
18 cost, of sales in Florida are less than gross margins of  
19 equal sales in Georgia.

20  
21 As the result of the comparison of the unit cost of  
22 wholesale purchased power cost between Seminole and OPC is  
23 reversed, the relationship between the production of gross  
24 margins production in Florida and Georgia reverses as well.  
25 From information obtained from OREMC, OPC, and Seminole, I

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

4  
5 The comparison shows that through 1991 for every year since  
6 1970, the unit cost of the wholesale power purchased by  
7 OREMC to be sold in Florida exceeded the unit cost of the  
8 wholesale power purchased by OREMC to be sold in Georgia.  
9 However, according to cost estimates available, that  
10 relationship changes in 1992 and gross margin production of  
11 OREMC's sales in Florida will begin to exceed the gross  
12 margin production of OREMC's sales in Georgia for like  
13 quantity power sales.

14  
15 Q DOES THIS MEAN OREMC'S DUVAL COUNTY SALES ARE EXPECTED TO BE  
16 MORE VALUABLE IN THE FUTURE THAN THEY HAVE BEEN IN THE PAST?

17  
18 A Yes. The gross margins, i.e., revenue in excess of  
19 wholesale power cost, will be greater from the Duval County  
20 sales as the unit cost of wholesale power cost from Seminole  
21 is now expected to be below the unit cost of wholesale power  
22 cost from OPC.

23  
24 Q DOES OREMC EXPECT NEW GROWTH TO INCREASE IN THE AREAS IT HAS  
25 HISTORICALLY SERVED IN DUVAL COUNTY?

1     A     Yes. On average OREMC expects new member growth to increase  
2           in the areas it has historically served in Duval County. In  
3           particular, OREMC expects that the recent construction of  
4           the Dames Point Bridge over the Trout River will stimulate  
5           growth in the areas OREMC has historically served. With  
6           this growth, OREMC and its members will be able to take  
7           advantage of economies of scale which will result when new  
8           members connect to OREMC's distribution facilities.  
9

10    Q     IF JEA CONTINUES TO EXPAND ITS SYSTEM, AND OREMC IS NOT  
11           PERMITTED TO CONTINUE SERVING AND EXPANDING IN THE AREAS IT  
12           HAS HISTORICALLY SERVED, WILL OREMC'S OVERALL LEVEL OF NON-  
13           PURCHASED POWER EXPENSES DECREASE SIGNIFICANTLY?  
14

15    A     No. Consumer accounting, meter reading, and billing costs  
16           of OREMC would be reduced slightly. Postage expense for  
17           customer invoices, of course, would be eliminated.  
18           Operations and maintenance expense now associated with the  
19           Duval County service area would likely shift to another area  
20           of the system to clear right-of-way, undertake construction  
21           projects, or perform maintenance of a special nature. Meter  
22           readers would be reassigned elsewhere as meter reading  
23           territories are reassigned over time as normal growth  
24           occurs.  
25

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

5  
6 Specifically, I estimate that excluding power purchased for  
7 resale in Duval County, the level of expenses would be  
8 reduced only about \$60,000.

9  
10 Q GIVEN THIS ESTIMATE, WHAT THEN WOULD HAVE BEEN THE LOST NET  
11 REVENUE TO OREMC IN 1990 AND 1991 IF ALL OREMC'S CUSTOMERS  
12 HAD BEEN LOST AT OR NEAR THE END OF 1989?

13  
14 A The revenue shortfall to produce the same year-end results  
15 in 1990 would have been approximately \$790,000. The revenue  
16 shortfall to produce the same year-end results in 1991 would  
17 have been approximately \$870,000. All other things being  
18 equal, these revenue short-falls would need to be recovered  
19 from OREMC's remaining customers.

20  
21 Q DO THESE AMOUNTS REFLECT <sup>expected</sup> ~~EXPECT~~ POTENTIAL GROWTH IN THE  
22 AREAS WHERE OREMC HAS HISTORICALLY SERVED IN DUVAL COUNTY?

23  
24 A No. These amounts are based on actual sales to OREMC's  
25 members in Duval County.

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

5  
6 A OREMC has been serving portions of north Duval County for  
7 over forty-five years. If for some reason OREMC is not  
8 allowed to continue providing service to existing and new  
9 members in the areas it has historically served in Duval  
10 County, OREMC may lose as much as \$1 Million in net revenue  
11 per year in the foreseeable future as north Duval County  
12 develops.

13  
14 Economic Impact Of JEA's  
15 "Economic and Practical" Policy  
16

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

21  
22 A Yes. As Mr. Robert Dew has testified, there are numerous  
23 "new" electric service sites that could have easily been  
24 served by OREMC but instead, JEA constructed facilities,  
25 provided capacity and selected to serve these "new" loads. I



1 have been advised both by Cooperative personnel and by  
2 Robert Dew that JEA has selected and now serves  
3 approximately 1,000 customers in Duval County that could  
4 have easily been economically served by OREMC with  
5 distribution facilities that OREMC was positioned to and  
6 capable of serving at the time.  
7

8 Q HOW MUCH ADDITIONAL INVESTMENT WOULD HAVE BEEN REQUIRED TO  
9 CONNECT THESE ADDITIONAL 1,000 CONSUMERS?  
10

11 A As Robert Dew has stated in his prepared direct testimony,  
12 the estimated additional investment which would have been  
13 needed to have connected the additional 1,000 customers is  
14 approximately \$500,000.  
15

16 Q WHAT IS THE ECONOMIC IMPACT OF THIS PRACTICE ON OREMC AND  
17 ITS MEMBERS?  
18

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

1 remaining customers must absorb the costs that would have  
2 otherwise partially been offset with the revenues from the  
3 new customers.  
4

5 Q WHAT WOULD HAVE BEEN THE EFFECT ON OREMC AND ITS MEMBERS IF  
6 OREMC HAD BEEN ALLOWED TO SERVE THE NEW CUSTOMERS?  
7

8 A All other things being equal, OREMC's rates would have been  
9 lower if OREMC had been allowed to service these customers.  
10 Generally, there would have been more members over which to  
11 spread the fixed costs of the corporation. When fixed costs  
12 are spread over a larger base of members, it is possible,  
13 all other things being equal, to reduce the rates OREMC  
14 charges to its members.  
15

16 Q HAVE YOU DETERMINED HOW MUCH ADDITIONAL REVENUE THE OREMC  
17 MEMBERS ARE REQUIRED TO PAY ANNUALLY AS A RESULT OF OREMC  
18 NOT SERVING THE NEW LOADS FOR WHICH IT WAS ORIGINALLY  
19 POSITIONED AND CAPABLE OF SERVING?  
20

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

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

4  
5 Assuming OREMC had approximately \$5,000,000 invested in  
6 Duval County to serve approximately 2,270 consumers, and,  
7 based on the estimated additional investment required, OREMC  
8 would have increased its investment to approximately  
9 \$5,500,000 to serve approximately 3,270 consumers. This  
10 would have reduced the OREMC investment per consumer from  
11 approximately \$2,200 per consumer in Duval County to  
12 approximately \$1,680 per consumer. It should be noted that  
13 the investment amounts stated herein are estimates developed  
14 from property tax records. What is important is how  
15 additional consumers served with essentially the same  
16 investment significantly lowers the average investment per  
17 consumer to an amount one would expect in this type of  
18 service area.

19  
20 Since the OREMC members are responsible for paying the fixed  
21 carrying costs for a portion of its members at an investment  
22 rate of approximately \$2,200 per consumer instead of \$1,680  
23 per customer, the rates are higher than they would otherwise  
24 be. With the additional 1,000 members, the Corporation  
25 would have had and will have had a greater number of

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

3  
4       Based on my analysis of OREMC's revenues and costs for 1989  
5       for OREMC's service in Duval County, revenues in excess of  
6       wholesale power cost in the Duval County service area were  
7       approximately \$860,000 with annual sales of 38,075,388 KWH  
8       shared by 2,134 members. With these values, revenue in  
9       excess of wholesale power cost equalled approximately \$403  
10      per consumer per year. Had OREMC served the 1,000 customers  
11      it was originally positioned to serve, additional revenue in  
12      excess of additional wholesale power cost would have been  
13      approximately \$403,000 per year (\$403 per consumer times  
14      1,000 consumers). Of course, a portion of the additional  
15      \$403,000 would be required to off-set the carrying charges  
16      on the additional investment required of approximately  
17      \$500,000. However, even with carrying charges and  
18      maintenance expense totalling 15% of the investment amount,  
19      the OREMC would have realized additional operating margins  
20      of approximately \$328,000 in just one year. OREMC could  
21      have reduced the rates to the entire membership by  
22      approximately 1.34% if OREMC had served the new loads it was  
23      originally positioned and capable of serving and still the  
24      Corporation would have generated approximately the same  
25      financial ratios it achieved for that year.

Conclusion

1

2

3

Q PLEASE SUMMARIZE YOUR TESTIMONY.

4

5

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.

20

21

Q DOES THIS CONCLUDE YOUR TESTIMONY?

22

23

A Yes, it does.



1 BY MR. WAHLEN:

2 Q. Mr. Wrightson, would you please summarize your  
3 testimony?

4 A. My testimony can be summarized best by saying that  
5 losing the Holiday Inn has had a detrimental effect on  
6 Okefenokee Rural Electric Co-op. The Holiday Inn represented  
7 the equivalent of approximately 420 residential accounts.  
8 Furthermore, if for some reason the Cooperative cannot serve  
9 new accounts or slowly loses existing accounts because of  
10 JEA's practices, then the Cooperative's ratepayers can  
11 expect higher and more frequent rate increases.

12 Q. Does that conclude your summary?

13 A. No, I wanted to mention that the Dames Point  
14 Bridge has been constructed and that there's a territory  
15 north of the -- of one side of the Dames Point Bridge that  
16 is expected to be a high growth territory, and that's an  
17 area that the Cooperative has served for many years, and the  
18 Cooperative anticipates growth in that area in the future  
19 because of the construction of the Dames Point Bridge and is  
20 prepared to serve that area in the future.

21 Q. Does that conclude your summary?

22 A. Yes.

23 Q. With that summary, we would tender Mr. Wrightson  
24 for cross examination.

25 COMMISSIONER DEASON: Before we begin cross

1 examination, we're going to take a ten-minute break.

2 (Recess).

3 COMMISSIONER DEASON: Go back on the record. I  
4 believe the witness has been tendered for cross  
5 examination.

6 CROSS EXAMINATION

7 BY MR. PAGE:

8 Q. Mr. Wrightson, you mentioned the Dames Point  
9 Bridge recently completed in that part of town, did you not?

10 A. Yes, I did.

11 Q. Did Okefenoke Rural Electric Authority make any  
12 contribution to the \$50 million cost of that bridge?

13 A. I'm not familiar with any contribution. I don't  
14 know the origin of the construction costs.

15 MR. PAGE: No further questions.

16 COMMISSIONER DEASON: Staff?

17 CROSS EXAMINATION

18 BY MS. BROWN:

19 Q. Mr. Wrightson, what were Okefenoke's total  
20 revenues for 1991 associated with provision of electric  
21 service in Duval County?

22 A. The revenues to Okefenoke for service in Duval  
23 County in 1991 were \$3,343,987 and include only 11 months of  
24 revenue from the Holiday Inn because the Holiday Inn  
25 disconnected and is now served by JEA. So there's 11 months

1 of the Holiday Inn service and the figure is 3,343,987.

2 MS. BROWN: Thank you. I have no further  
3 questions.

4 COMMISSIONER DEASON: Redirect?

5 MR. WAHLEN: We have no redirect, Commissioner  
6 Deason.

7 COMMISSIONER DEASON: Mr. Wrightson, you may be  
8 excused.

9 (Witness Wrightson excused.)

10 COMMISSIONER DEASON: I believe that concludes  
11 Okefenoke's direct case, does it not?

12 MR. THOMPSON: Yes, it does.

13 COMMISSIONER DEASON: Mr. Hoffman, please call  
14 your witness.

15 MR. HOFFMAN: Commissioner, before I do that, in  
16 my opening statement I made some reference and entered  
17 into some discussion about our position that the  
18 petitioner, Okefenoke, has presented direct testimony  
19 and exhibits which fail to satisfy the Commission's  
20 mandates under its rules to establish a prima facie  
21 case for relief. Again, let me remind you that what I  
22 was talking about was your rural requirement that each  
23 utility provide a description of the existing and  
24 planned load to be served in the area of dispute and a  
25 description of the type, additional cost and

1 reliability of electrical facilities and other utility  
2 services to be provided within the disputed area. That  
3 information is not part of this record. They have  
4 concluded their case.

5 Their own expert says that according to his  
6 testimony that the respective costs to serve the area  
7 must be evaluated. That is also in your rule. It is  
8 not also not part of Okefenoke's case.

9 From a procedural standpoint, I think would be the  
10 proper point for us to make a formal motion to dismiss  
11 their case, and we make that motion.

12 COMMISSIONER DEASON: Mr. Thompson?

13 MR. THOMPSON: Commissioners, the requirements  
14 that he's speaking of, number one, we feel are covered  
15 adequately in the documentation of the case, and of  
16 course a portion of that has been the Staff's  
17 interrogatories and requests for production to us, and  
18 we've provided everything that was available. And  
19 also, we think that your rule is such that you have the  
20 opportunity to ask us for anything further that you  
21 might need for any kind of decision that you might want  
22 to make, and we certainly will respond in the  
23 affirmative. So we think that all of the requirements  
24 have been met for our burden of proof in this  
25 proceeding.

1 COMMISSIONER DEASON: Ms. Brown?

2 MS. BROWN: Commissioners, Staff recommends that  
3 this motion to dismiss be denied. It's our position  
4 that Okefenoke has stated a prima facie case on which  
5 relief can be granted. We believe, as Mr. Hoffman  
6 pointed out earlier, that this case is somewhat unique  
7 in its scope. It seems to me that the provisions of  
8 our rule were specifically directed toward particular  
9 instances of dispute over new customers in a new  
10 subdivision or a new school. Here clearly we have a  
11 dispute of much larger significance. And I can  
12 certainly understand that providing responses with  
13 respect to the load, and the other things that  
14 Mr. Hoffman mentioned, would be a fairly elaborate  
15 process. If you feel you need that information, I  
16 think we could request it of Okefenoke. I'm not sure  
17 that it's necessary in this particular case.

18 COMMISSIONER DEASON: Any -- Mr. Hoffman, do you  
19 have anything to add?

20 MR. HOFFMAN: Commissioner, I think the rules and  
21 the principles of law are very clear. When one is a  
22 petitioner before an administrative agency, including  
23 this commission, when he files that petition, he bears  
24 the burden of proof. Ms. Brown stated that the  
25 petition states a cause of action, and that is exactly

1 right, but that is not the point of this motion.

2 The point of this motion is once it's a given,  
3 that Okefenoke has stated a cause of action for  
4 territorial relief, have they met their factual burden  
5 of proof by coming forth and producing what your rules  
6 say are required to be produced in a territorial  
7 dispute? They have not done that. By their own expert  
8 witness's admission they have not done that. Maybe  
9 they can come back some day with another petition and  
10 do that, but they have not done that in this case. And  
11 I think their petition should be dismissed.

12 COMMISSIONER DEASON: Mr. Pruitt, do you have any  
13 advice?

14 MR. PRUITT: If Staff feels that there's been  
15 substantial compliance with the rule sufficient enough  
16 for the processing of the case, I don't find any fault.

17 COMMISSIONER DEASON: Let me ask a question,  
18 Mr. Hoffman. Is it your are position that -- just for  
19 the sake of argument -- that if the petitioner did not  
20 fully meet the requirements of the rule, that that  
21 means that they have not made a prima facie case and  
22 that this -- they should be dismissed from the  
23 remainder of this proceeding and this proceeding should  
24 be terminated?

25 MR. HOFFMAN: Yes.



1           COMMISSIONER DEASON: Now, is that position one  
2           that the Commission has discretion about or is that  
3           something that as a matter of law we're obligated to  
4           do?

5           MR. HOFFMAN: Commissioner, I think it's a matter  
6           of law. I think it's a matter of procedural rule.  
7           It's a matter from a substantive standpoint, it's a  
8           matter of Commission rule, and it's a matter of  
9           numerous Florida appellate court decisions which  
10          address the principle of a motion for a directed  
11          verdict. And in this case -- let me give you an  
12          analogy, if an applicant comes in on a rate case and  
13          requests a rate increase, the applicant is required to  
14          meet the minimum filing requirements and possibly in  
15          some cases provide testimony justifying some rate base  
16          items, some operating expense items, before the  
17          Commission will entertain the case, before that  
18          applicant would be entitled to rate relief. There's a  
19          threshold burden of proof requirement the applicant  
20          must meet.

21          So here with a petition for territorial relief,  
22          your rules state not only what should be provided, but  
23          what must be provided, and that information has not  
24          been provided and I think -- I don't think there's any  
25          choice in the matter that the application -- that the

1 petition must be dismissed.

2 COMMISSIONER DEASON: But you're making that  
3 argument and assuming that they are not in substantial  
4 compliance with the requirements of the rule, that's  
5 your position?

6 MR. HOFFMAN: Right. My position -- I think my  
7 position, Commissioner Deason, is that they are not in  
8 compliance. I don't think they're in substantial  
9 compliance, Commissioner Deason, I guess I should make  
10 that clear, because the rule says that they shall,  
11 shall, provide a description of the existing and  
12 planned load. There's no substantial compliance  
13 there. There are no figures on this, to be served in  
14 the area of dispute. Well, we've decided that's  
15 basically all of northern Duval County. There's no  
16 information on this. A description of the type of  
17 facilities. We have some maps, so we have some  
18 compliance there. Additional costs, we have nothing.  
19 We have no figures in this record as to what additional  
20 costs would be incurred by the Co-op to serve the  
21 remainder of northern Duval County, or whatever line it  
22 is you might draw, so I think it needs to be made clear  
23 that in my opinion there is not substantial compliance  
24 with this requirement in your rule.

25 MS. BROWN: Commissioner, may I just say one more

1        thing that I think is important for you all to know?

2                COMMISSIONER DEASON:    Sure.

3                MS. BROWN:    Staff has a standard set of  
4        interrogatories that it sends out to all parties to  
5        territorial disputes.    It sent that set of  
6        interrogatories to Okefenoke and to JEA in this case.  
7        And it received back in response to its third request  
8        for production of documents, substantially all of the  
9        information that Mr. Hoffman is saying is not -- was  
10       not provided by Okefenoke.    Okefenoke did provide it to  
11       Staff.    Staff did not feel that the issues of the case  
12       required that it be introduced into evidence, but it  
13       has been provided to the Commission and the Commission  
14       Staff.

15               COMMISSIONER CLARK:    Mr. Chairman --

16               MR. THOMPSON:    Commissioner, that's what the rule  
17       requires.    It does not require it to be moved into the  
18       record.    Now, you know, I respect Mr. Hoffman very  
19       much, but all they've done is file motions to dismiss  
20       since we filed the petition.    They don't want to hear  
21       the case.    The reason they don't want to hear the case  
22       is they spent \$53,000 to give somebody something they  
23       were already getting.    And we've done everything that's  
24       been requested of us in every situation, and we think  
25       we have a right to be heard.

1           COMMISSIONER DEASON: Commissioner, do you have  
2 any thoughts?

3           COMMISSIONER CLARK: Yeah, I -- it troubles me  
4 that we are -- we operate in a mode that's very similar  
5 to judicial forum, but the fact of the matter is we  
6 just don't perform a judicial function here, and it  
7 seems to me that we have an obligation, independent of  
8 the parties and what the parties may prove, to gather  
9 evidence that satisfies ourselves that we are  
10 fulfilling our statutory obligation.

11           And it seems to me the parties could -- even if  
12 the party failed in its burden of proof, I think there  
13 is substantial evidence that we have continuing ongoing  
14 problems with the uneconomic duplication of  
15 facilities. And I, for myself, feel it would be  
16 negligence on my part as a member of the Public Service  
17 Commission not to look at that and take action to  
18 prevent it. You may be legally, technically correct if  
19 you were in a court of law, but I just don't feel that  
20 at this point we can ignore what's going on there and  
21 not try and take all the evidence we can and fashion  
22 some remedy to what is going on out there.

23           COMMISSIONER DEASON: Let me add a comment. I'm  
24 somewhat troubled from the -- what I consider to be the  
25 practical side of this argument, and that is, even

1        assuming for the sake of argument, that the precise  
2        requirements to the rule have not been met, which at  
3        this point I'm not willing to accept. But just for the  
4        sake of argument assuming that, what we would find  
5        ourselves, if we were to grant this motion, we'd find  
6        ourselves with Okefenoke having to delay this and their  
7        going and probably hiring a consultant, spending more  
8        ratepayer funds to do some type of a study and refiling  
9        their petition and us going through much of the same  
10       things we've already been through before.

11       I think along with what you've said is the  
12       question is before us, I don't think we can ignore it,  
13       and I think the most expeditious thing for us to do is  
14       move forward. So if you'd care to make a motion.

15       COMMISSIONER CLARK: I move at this time we deny  
16       the motion to dismiss.

17       COMMISSIONER DEASON: The motion is denied.

18       MR. HOFFMAN: Thank you, Commissioners.

19       COMMISSIONER DEASON: Thank you.

20       MR. PAGE: Jacksonville Electric Authority's first  
21       and only witness is Mr. Shel Ferdman. I believe he's  
22       been sworn.

23       WITNESS FERDMAN: Yes, I have been sworn in.

24       Whereupon,

25                                SHELDON FERDMAN

1 was called as a witness, having previously been duly sworn  
2 to speak the truth, the whole truth, and nothing but the  
3 truth, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. PAGE:

6 Q. Would you state your full name please, sir?

7 A. My name is Sheldon Ferdman. I work at 21 West  
8 Church Street, Jacksonville Electric Authority.

9 Q. Did you prepare, sponsor and submit some prefiled  
10 testimony, approximately ten pages of testimony, on behalf  
11 of the JEA in connection with this hearing?

12 A. Yes, I did.

13 Q. Have you had a chance to review the document that  
14 you prepared?

15 A. Yes, I have.

16 Q. Are the answers given true and accurate?

17 A. Yes, they are.

18 Q. Are there any changes or additions to that  
19 testimony?

20 A. No, there are not.

21 Q. Do you adopt that prehearing -- prefiled testimony  
22 as your testimony today?

23 A. Yes, it is.

24 Q. Did you submit in conjunction with that testimony  
25 four exhibits marked 1 through 4, I believe? One or two of



1 those are composite exhibits.

2 A. Yes, I did.

3 Q. Did you prepare or assemble those exhibits?

4 A. Yes, I did.

5 Q. And are they accurate as presented?

6 A. Yes, they are.

7 MR. PAGE: Commissioners, I request that the  
8 testimony be entered into the record as though read.

9 COMMISSIONER DEASON: It will be so entered.

10

11

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JACKSONVILLE ELECTRIC AUTHORITY  
DOCKET NO. 911141-EU  
FEBRUARY 28, 1992

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY OF

SHELDON R. FERDMAN

Q: Please state your name and business address.

A: My name is Sheldon Ferdman and my business address is  
21 West Church Street, Jacksonville, Florida 32202.

Q: Who is your employer and please describe your  
professional and educational background and  
experience?

A: I am employed by the Jacksonville Electric Authority  
("JEA") and serve as Director of Utility System  
Contracts, a position I have held since October 1,  
1989. As Director of Utility System Contracts, I am  
responsible for development of JEA's contractual  
arrangements related to interchange service, power  
purchases, transmission service, franchise  
agreements, and territorial agreements for submission  
to the JEA Board. For the period April 1, 1980,  
through October 1, 1989 (9-1/2 years), I served JEA  
as its Director of System Engineering having  
responsibility for all engineering activities  
associated with JEA's Transmission, Substation, and

1     Distribution systems and improvements. For ten years  
2     prior to that time, I served in various capacities in  
3     the designing, system protection, and supervision of  
4     JEA's Distribution System. I am a 1970 graduate of  
5     the University of Florida with a Bachelor of Science  
6     degree in Electrical Engineering and in 1984, I  
7     received a Masters in Business Administration degree  
8     from the University of North Florida. I am also a  
9     registered Professional Engineer in the State of  
10    Florida.

11 Q: On whose behalf are you sponsoring this testimony?

12 A: My testimony is on behalf of my employer,  
13     Jacksonville Electric Authority.

14 Q: What are the purposes of your testimony?

15 A: The purposes of my testimony are (1) describe the  
16     Jacksonville Electric Authority, (2) discuss JEA's  
17     basis for its rights to serve all retail customers in  
18     the City of Jacksonville, and (3) discuss the  
19     circumstances leading to JEA's service to the Holiday  
20     Inn-Airport Road.

21 Q: Please describe the Jacksonville Electric Authority.

22 A: The Jacksonville Electric Authority is the eighth  
23     largest municipally owned electric utility in the  
24     United States. JEA's predecessor, the City of  
25     Jacksonville department of electric utilities, first

1 began meeting the needs of the citizens of  
2 Jacksonville in 1895 lighting the streets of downtown  
3 Jacksonville. Today, JEA serves in excess of 300,000  
4 retail customers in Duval, Clay, and St. Johns  
5 Counties and two wholesale customers in Duval and  
6 Nassau Counties. Attached is a map (Exhibit 9,  
7 SRF-1) which identifies JEA's present service  
8 territory on file with the Florida Public Service  
9 Commission.

10 The Consolidated City of Jacksonville and the  
11 Jacksonville Electric Authority were established on  
12 October 1, 1968, by Special act of the Florida  
13 Legislature. The legislatively enacted City of  
14 Jacksonville Charter establishes the Jacksonville  
15 Electric Authority in Article 21, relevant sections  
16 of which are attached as Exhibit 9, SRF-2. The  
17 JEA is governed by a seven member board and appointed  
18 for a four year term by the Mayor of Jacksonville and  
19 approved by the City Council.

20 Q: By what authority does JEA provide electric service  
21 in the City of Jacksonville?

22 A: Under the Consolidated City of Jacksonville Charter,  
23 Section 21.04, Powers, subsection (3), the JEA has  
24 the powers:

25

1       To furnish electricity to private persons,  
2       firms and corporations, the city and any  
3       other public or private body, organization or  
4       unit, in any part of the city or in any  
5       adjacent county and for said purposes shall  
6       have the right to construct and maintain  
7       electric lines in and along all public  
8       highways and streets throughout the city and  
9       said adjacent counties.

10      The Charter states in Article 1, Section 1.01(b) that  
11      The consolidated government has and shall  
12      have jurisdiction as a chartered county  
13      government and extend territorially  
14      throughout Duval County and has and shall  
15      have jurisdiction as a municipality  
16      throughout Duval County except in the cities  
17      of Jacksonville Beach, Atlantic Beach and  
18      Neptune Beach and the town of Baldwin.

19      The Charter also states in Article 2, Section 2.04  
20      that

21      Throughout the entire general services  
22      district (defined as the entire county) the  
23      consolidated government shall furnish the  
24      following governmental services, . . .  
25      electricity, . . .



1 Q: Are there Charter or Ordinance provisions addressing  
2 other electric utilities' rights to serve customers  
3 in the City of Jacksonville?

4 A: Yes. The Ordinance Code says this:

5 § 718.102. Clay Electric Co-operative, Inc.  
6 and Okefenoke Rural Electric Membership  
7 Corporation. Until such time as the  
8 Jacksonville Electric Authority acquires the  
9 electric system facilities and properties of  
10 Clay Electric Co-operative, Inc. and  
11 Okefenoke Rural Electric Membership  
12 Corporation which are located within the  
13 City, neither the Clay Electric Co-operative,  
14 Inc. nor the Okefenoke Rural Electric  
15 Membership Corporation shall furnish electric  
16 service to any additional premises or extend  
17 its lines into or within any areas within the  
18 city unless it is or shall be authorized to  
19 do so by the Council; but the licensing and  
20 taxation by the city of the existing business  
21 and properties of the corporation within the  
22 city shall not be deemed to constitute this  
23 authority.

24 § 718.103. Delegation to Jacksonville  
25 Electric Authority. The Jacksonville



1       Electric Authority, or its authorized agent,  
2       is delegated the authority to grant  
3       permission to other electric utility  
4       companies to furnish electric service to  
5       additional premises and to extend their lines  
6       when it is not practical or economical for  
7       the Authority to furnish this service.

8 Q: Are there any territorial agreements between JEA and  
9       other utilities regarding service in the City of  
10      Jacksonville?

11 A: There are two.   Currently on file with the Florida  
12      Public Service Commission is a territorial agreement  
13      between JEA and Florida Power & Light which was  
14      executed prior to consolidation on March 19, 1963,  
15      approved by the FPSC on April 28, 1965 (Docket No.  
16      7421-EU) and reaffirmed on April 13, 1979 (Docket No.  
17      790886-EU).

18      The second territorial agreement involving territory  
19      within the municipal corporate limits of Jacksonville  
20      is between JEA and Clay Electric Co-op. Both parties  
21      have adopted the agreement and it is now being  
22      submitted for FPSC approval. The essence of the  
23      JEA/Clay agreement is that JEA will serve customers  
24      in the City of Jacksonville presently served by Clay  
25      and Clay will serve customers in the unincorporated

1 portions of Clay County presently served by JEA.  
2 Through a transition period JEA will purchase all of  
3 Clay's facilities and customers in the City. There  
4 is no territorial agreement between JEA and OREMC.

5 Q: Is the new JEA/Clay territorial agreement consistent  
6 with the Jacksonville Charter and the Jacksonville  
7 Ordinance Code?

8 A: Yes. It achieves the Charter's goal of JEA service  
9 to Jacksonville citizens. I also believe that the  
10 JEA/Clay agreement is consistent with the legislative  
11 goal of avoiding duplication of facilities.

12 Q: Has JEA attempted to reach an agreement with OREMC?

13 A: Yes. During the past two years, while negotiating  
14 the territorial agreement with Clay, OREMC has  
15 refused all of JEA's attempts to negotiate a similar  
16 result with them.

17 Q: Why have your attempts failed?

18 A: OREMC insists that any agreement grant them a  
19 continuing right to serve some customers and  
20 territory within the incorporated boundary of  
21 Jacksonville. The JEA does not have the authority to  
22 make such a concession in any agreement.

23 Q: Are you familiar with the circumstances leading to  
24 the JEA's providing retail electric service to the  
25 Holiday Inn-Airport Road?

1 A: Yes.

2 Q: Would you please elaborate?

3 A: In the first quarter of 1991, I was called by Mr.  
4 Claude Collins, manager of the Holiday Inn. Mr.  
5 Collins asked if JEA could perform a rate comparison  
6 of his previous twelve months electric service  
7 consumption between his present supplier and JEA.  
8 Mr. Collins indicated that he was concerned that his  
9 charges were significantly higher than his competitor  
10 hotels along Airport Road, all of which are served by  
11 JEA. Lastly, Mr. Collins indicated that if the  
12 Holiday Inn was to remain competitive with the other  
13 area hotels, it was desirable that it be served by  
14 JEA. I indicated that if he could make arrangements  
15 to have his electric service disconnected from OREMC,  
16 JEA would serve the Holiday Inn. In June 1991,  
17 Holiday Inn gave OREMC written notice of their intent  
18 to transfer to JEA. Holiday Inn hired independent  
19 electrical contractors to install the equipment  
20 necessary to effect the change over and to disconnect  
21 from OREMC. Holiday Inn became a customer of JEA on  
22 November 25, 1991.

23 Q: Was this the first time that Holiday Inn inquired  
24 into transferring its electric service requirements  
25 to JEA?

1 A: No. JEA has correspondence in its files since 1973  
2 regarding Holiday Inn's interest in transferring to  
3 JEA. I have attached copies (Exhibit 9, SRF-3)  
4 of significant documents from both Holiday Inn and  
5 OREMC on the proposed transfers. In fact, in  
6 February 1979, OREMC completed an analysis of the  
7 costs to Holiday Inn for transfer to JEA at  
8 \$29,584.80. The letter of February 21, 1979, from  
9 OREMC to Holiday Inn suggests that OREMC was then  
10 willing to allow Holiday Inn to transfer to JEA.

11 Q: In OREMC's petition, they request that Holiday Inn be  
12 returned to OREMC. Will this action serve to  
13 eliminate duplication as their petition would imply?

14 A No, in fact return of the Holiday Inn to OREMC would  
15 perpetuate duplication of facilities.

16 As shown on the attached map, Exhibit 9, SRF-4, JEA  
17 serves all other hotels along Airport Road and all  
18 other establishments except for a sewer treatment  
19 facility and the Holiday Inn sign.

20 Q: Would you please summarize your testimony.

21 A: The Jacksonville Electric Authority provides electric  
22 service within the City of Jacksonville consistent  
23 with, and in concurrence with Jacksonville's Charter  
24 and Jacksonville's Ordinance Code. JEA has the  
25 exclusive right to provide retail electric service

1 within the City of Jacksonville except as otherwise  
2 provided for in JEA's territorial agreement with  
3 Florida Power & Light Company, and the Ordinance  
4 Code. No territorial agreement exists between JEA  
5 and OREMC, and OREMC has not been granted a franchise  
6 or other permission by the Jacksonville City Council  
7 to serve additional customers in the City. JEA has  
8 attempted to negotiate a territorial agreement with  
9 OREMC without success. The JEA does not have the  
10 authority to grant OREMC the right to serve any  
11 territory within the City of Jacksonville. JEA  
12 commenced retail electric service to the Holiday Inn-  
13 Airport Road on November 25, 1991, upon request of  
14 the Holiday Inn.

15 If the FPSC granted OREMC's petition to allow OREMC  
16 to serve the Holiday Inn, duplication of electric  
17 facilities would be perpetuated instead of  
18 eliminated.

19 Q: Does that conclude your testimony?

20 A: Yes.

21

22

23

24

25



1 BY MR. PAGE:

2 Q. Would you please summarize your testimony,  
3 Mr. Ferdman?

4 A. Thank you. The Jacksonville Electric Authority  
5 provides electric service within the City of Jacksonville  
6 consistent with and in concurrence with Jacksonville's  
7 Charter and the Jacksonville Ordinance Code. JEA has the  
8 exclusive right to provide retail electric service within  
9 the City of Jacksonville, except as provided in JEA's  
10 territorial boundary agreement between Florida Power & Light  
11 and JEA, and in accordance with the Ordinance Code.

12 There is no territorial agreement which exists  
13 between JEA and Okefenoke, and Okefenoke has not been  
14 granted a franchise or permission to serve by the City of  
15 Jacksonville any additional customers within the City  
16 limits. JEA has attempted to negotiate a territorial  
17 agreement with Okefenoke, but without success.

18 JEA commenced service to the Holiday Inn on  
19 November 25th, 1991 upon request of the Holiday Inn. If the  
20 Florida Public Service Commission grants Okefenoke's  
21 petition and allows Okefenoke to continue to serve Holiday  
22 Inn, duplication of electric facilities would be  
23 perpetuated. That concludes my summary.

24 MR. PAGE: I would ask that the four exhibits be  
25 marked.



1           COMMISSIONER DEASON: The composite exhibit  
2 attached to the prefiled testimony will be identified  
3 as Exhibit No. 9.

4           (Composite Exhibit No. 9 marked for  
5 identification.)

6           MR. PAGE: At this time we would tender this  
7 witness for cross examination.

8                           CROSS EXAMINATION

9 BY MR. THOMPSON:

10          Q. Mr. Ferdman, my name is James Harold Thompson  
11 representing the Co-op, and we've talked before. Matter of  
12 fact, I think you gave a deposition over in Jacksonville a  
13 while back in this proceeding, didn't you?

14          A. Yes, I did.

15          Q. You just said in summary that JEA had attempted to  
16 negotiate a territorial agreement with the Co-op, is that  
17 correct?

18          A. Yes, it is.

19          Q. And you've not been successful?

20          A. That is correct.

21          Q. Were you speaking of the 1977 proposed agreement?

22          A. No, I was not.

23          Q. What agreement -- proposed agreement were you  
24 speaking of?

25          A. We have, since 1990, of most recent days,

1 indicated to Okefenoke in writing that we had an interest in  
2 buying their facilities in Duval County and establishing a  
3 territorial line at the Duval County line between Duval and  
4 Nassau County. That is what I'm speaking of.

5 Q. You've never indicated to them you would negotiate  
6 any kind of agreement that would give them any presence in  
7 Duval County, have you?

8 A. I have not, that's correct.

9 Q. Have you ever indicated to them that you were  
10 willing to sell any of your facilities in Duval County?

11 A. To Okefenoke?

12 Q. Yes.

13 A. The answer is no, I have not offered to sell any  
14 any to Okefenoke.

15 Q. Do you think that the sale of Okefenoke's  
16 facilities and service area in Duval County to JEA is an  
17 equitable solution for all parties?

18 A. Yes, I do.

19 Q. Do you think that the sale of JEA's facilities in  
20 the northern part of Duval County to Okefenoke is an  
21 equitable solution for all parties?

22 A. Well, that would be inconsistent with the City  
23 Ordinance Code, and JEA is without authority to grant any  
24 form of territory to Okefenoke in north Duval County.

25 Q. But going back to my question, I asked you, I

1 think, if you thought that would be a possible equitable  
2 solution for all parties.

3 A. Yes, I do.

4 Q. Pardon me?

5 A. Yes.

6 Q. You think it could be an equitable solution?

7 A. Certainly.

8 Q. And the reason that you have not offered that is  
9 political primarily; is that what you're saying?

10 A. Well, what I've said is that the JEA, again, is  
11 without authority to enter into a territorial agreement that  
12 would allow another utility to have a permanent territory in  
13 the City of Jacksonville city limits, that only the City  
14 Council can grant that authority.

15 Q. Would you be willing to recommend to the City  
16 Council that there be some sale of facilities of JEA to the  
17 Co-op as part of a solution?

18 A. I've not seen anything that would indicate or  
19 demonstrate to JEA that that is something that it would or  
20 should recommend.

21 Q. If you did see that that was an equitable way to  
22 resolve this territorial dispute, would you be willing to  
23 make that recommendation?

24 A. Again, JEA's obligation is to provide service to  
25 all the customers in the City of Jacksonville. The question

1 becomes, and it's the same as Okefenoke has mentioned in the  
2 past, they have their members. We have our citizens. And  
3 the question is, would JEA recommend that citizens in the  
4 City of Jacksonville be required to take service from an REA  
5 that is located in Georgia? I don't know at this point that  
6 we would be in a position to make that recommendation.

7 Q. But JEA right now does defer certain people who  
8 live in Duval County to service by that Co-op, don't they?

9 A. Yes, we do.

10 Q. Are there people who have -- in that county that  
11 have been served by that Co-op since it has been a  
12 consolidated government?

13 A. Yes -- excuse me, did you ask if we have released  
14 customers to Okefenoke since consolidation?

15 Q. Yes.

16 A. The answer is yes.

17 Q. And how long has that been?

18 A. Since October 1st, 1968.

19 Q. You also said in your summary that you thought it  
20 would be duplication of facilities and service for the Co-op  
21 to be reinstated to serve the Holiday Inn, is that correct?

22 A. I said it would further perpetuate the duplication  
23 of facilities.

24 Q. What was the first step in the duplication of  
25 facilities?

1           A.    What was the first step in duplication of  
2 facilities?

3           Q.    To the Holiday Inn, yes.

4           A.    The JEA installation of the line.

5           Q.    And how much did that cost JEA?

6           A.    \$53,000, roughly.

7           Q.    Do you have any idea what it cost the Holiday Inn?

8           A.    My understanding in talking with their management,  
9 it was about \$50,000.

10          Q.    In this proceeding, have you been the person from  
11 JEA that's been responsible for preparing the responses to  
12 interrogatories and other discovery?

13          A.    Yes, I have.

14          Q.    Did you prepare the responses to Jacksonville  
15 Electric -- excuse me, to the Staff's first request for  
16 production of documents, Nos. 1 through 5?

17          A.    Yes, I did.

18          Q.    Do you have a copy of those available to you?

19          A.    No, I do not.

20          Q.    I'll be happy to show you my copy. Well let me  
21 just read it to you. Request No. 2-C of Staff's first  
22 request for production of documents -- and I'm reading now  
23 from Jacksonville Electric Authority's response to that  
24 first request -- "Request the production of a plat layout  
25 and a one-line engineering diagram which identifies the



1 additions and improvements to primary and secondary  
2 distribution facilities necessary to provide service to each  
3 customer within the disputed area for the next five years,  
4 with the in-service date, mileages, number of phases,  
5 voltages and steady state and emergency kVA and kW ratings  
6 of the new or improved facility specified, including such  
7 specifications for separately identified overhead and  
8 underground distribution transformers, as well as the number  
9 of each customers served by each transformer." And then  
10 your answer: "JEA has no plans for major additions and  
11 improvements in the disputed area at this time. It has been  
12 JEA's intention to purchase Okefenoke's facilities in the  
13 disputed area and utilize these facilities to provide  
14 service to each customer. To date Okefenoke has indicated  
15 their unwillingness to sell their facilities in the City of  
16 Jacksonville to JEA." Is that a correct reading of the  
17 request for production and your response?

18 A. Yes, it is.

19 Q. And you're responsible for that response?

20 A. Yes, I am.

21 Q. Is that response accurate today?

22 A. Yes, I believe it is.

23 Q. So your plan, JEA's only plan to serve in the  
24 northern part of Duval County in the areas where the Co-op  
25 is, is to buy them out, is that correct?



1           A.    Yes.  Can I qualify that answer?

2           Q.    Sure.

3           A.    Thank you.  As we've indicated, it has been the  
4    desire of the City of Jacksonville and the Jacksonville  
5    Electric Authority to serve all the constituents in Duval  
6    County.  The only logical way to serve the area would be for  
7    us to purchase the facilities that exist, as opposed to  
8    building duplicate facilities.  I mean the whole intent of  
9    the working agreement was to try to minimize that  
10   duplication of facilities.

11                As I've heard earlier, even since this has been  
12   filed in November, we have continued to release customers  
13   because it was not practical or economical for JEA to  
14   serve.  Though we believe we have the exclusive rights to  
15   serve in the area, we are not, with reckless abandon, out  
16   there duplicating lines.  So to the extent we believe it's  
17   our territory, it's our intent to eliminate and minimize and  
18   ultimately eliminate duplication of facilities.

19                When we talk about how would we serve the area, we  
20   believe the most practical way to is to purchase those  
21   facilities from Okefenoke and utilize those facilities to  
22   serve the customers.  So when I say here that it is our  
23   intent to purchase Okenfenoke's facilities, it's simply  
24   because, as you put in your claim and as I saw in  
25   Okefenoke's testimony, every -- the area of dispute by your

1 definition is every customer of Okefenoke's in Duval County,  
2 and therefore your lines go where every customer in Duval  
3 County is. And if we are to in fact resolve this issue of  
4 duplication of facilities to become consistent in  
5 conformance with the Ordinance Code and the JEA Charter, I  
6 believe the only practical method is for us is to buy the  
7 facilities and utilize those to serve the area.

8 Q. With that qualification then, your response to  
9 this request for production is accurate?

10 A. Yes, it is.

11 Q. In the first sentence in your response you mention  
12 the disputed area. What did you mean by that?

13 A. Absent any specific boundaries or drawings, as I  
14 saw as the disputed area, in my statements in this  
15 production of documents, I used the filed testimony of  
16 Okefenoke which indicated that all of their customers in  
17 Duval County, they believed to be in dispute, and so I've  
18 used those areas where their lines existed in Duval County.

19 Q. So you're saying in this response that the area in  
20 dispute is everywhere that the Co-op serves in Duval County?

21 A. Again, in responding to their complaint, that was  
22 all I could do.

23 Q. Do you have a -- do you have any correspondence  
24 that indicates that you have tried to buy the Co-op  
25 facilities and service rights in the county?

1           A.    Yes, I do.

2           Q.    How far back does that date?

3           A.    Well, I have personally been involved in it since  
4 1990. So I have documentation since 1990. I am unaware of  
5 any other earlier documentation other than in your  
6 production of documents you -- in looking for previous  
7 offers or verbal or communications, there were references  
8 to, and documents in 1983 where Emory Middleton and I had  
9 had some meetings and it had been discussed, but other than  
10 that written documentation in '83, I'm unaware of any  
11 other. Mr. Gibson, I believe, indicated that he had  
12 received some from Mr. Winnard in '69, but I'm unaware of  
13 those documents.

14          Q.    So to your knowledge the JEA has only been  
15 interested in purchasing the facilities since 1973?

16          A.    No, that isn't my understanding. That's the only  
17 documents that I have. In every meeting that I have ever  
18 been with, with Okefenoke, as it pertains, for example, in  
19 the 1987 or '88 power agreement where we're now providing  
20 them service to about a third of their customers, in each  
21 and every one of those discussions, it was always discussed  
22 that JEA has an interest in buying their system out at an  
23 equitable price and retaining our rights to continue to  
24 serve all of Duval County. Very few have been documented.

25          Q.    In the same set of interrogatories -- excuse me,

1 request for production of documents, on Page 1, do you have  
2 those before you now?

3 A. Yes.

4 Q. On Page 1, question one, the question -- the  
5 request is: Please provide a map or maps with range and  
6 township coordinates which contain the following details:  
7 1(a) The location and boundaries of the disputed area. And  
8 the answer is: "Attached is JEA's transmission system map  
9 revised 2-12-92, attachment 1. JEA believes this map best  
10 demonstrates information about JEA's entire system and will  
11 be referred to frequently. Superimposed upon this map as  
12 shown with diamond-shaped lines are all of Okefenoke's lines  
13 known to JEA at this time. It is these lines that JEA  
14 believes to be the area of dispute. Also shown certain JEA  
15 lines represented by dotted lines which are immediately  
16 parallel or adjacent to Okefenoke's lines. Details of JEA's  
17 lines in this area are shown on JEA's circuit maps discussed  
18 in 1-C below." Is that an accurate reading of the request  
19 and your answer?

20 A. Yes, it is.

21 Q. And you're responsible for that answer?

22 A. Yes, I am.

23 Q. And is that answer accurate -- as accurate today  
24 as it was when you wrote it?

25 A. Yes. As I indicated, based upon the information

1 provided to me in Okefenoke's prefiled testimony, I believed  
2 those lines to be what they categorize and therefore would  
3 be the area to be in dispute.

4 Q. So you believe then that Okefenoke had made  
5 allegations -- you were reacting to allegations that  
6 Okefenoke had made in pleadings that led you to believe that  
7 the areas were in dispute that are referenced here?

8 A. That is correct.

9 Q. Now, you gave a deposition previously, I think,  
10 and I think I asked you -- and we'll go back and read it if  
11 we need to, but I think we can both remember it -- but I  
12 asked you how the decision was made as to whether or not JEA  
13 will serve a proposed customer or the Co-op will? And your  
14 answer was that JEA exercises absolute discretion, I believe  
15 was your term, is that right?

16 A. That's correct.

17 Q. And that in doing so, JEA considers the practical  
18 and economic aspects, is that correct?

19 A. That's correct.

20 Q. And when I asked you whether or not JEA considered  
21 the practical and economic aspects to anyone other than JEA,  
22 you said no, is that correct?

23 A. That is correct.

24 Q. So -- and that would be your testimony today if  
25 you were asked those same questions, I assume?

1       A.   That's correct.

2       Q.   And you certainly do not consider the practical or  
3 economic aspects to members of the Co-op, do you?

4       A.   No.  As I indicated in the deposition, this is a  
5 requirement of the JEA.  I've heard people talk like it is a  
6 policy of the JEA.  It is -- and it's within my testimony,  
7 Section 718.103 is an ordinance in the City of Jacksonville,  
8 and in that ordinance it says that JEA is delegated the  
9 authority on a case -- excuse me, it doesn't say on a case  
10 -- it says we're delegated the authority to determine that  
11 when service to additional premises are not economical or  
12 practical, that we may then release that customer to another  
13 utility.  So we are merely following the requirements of the  
14 local ordinance code.

15       Q.   Is it your interpretation of that delegation of  
16 authority that JEA does not have the power to release  
17 customers for definite periods of time to other providers?

18       A.   My understanding of that is that each individual  
19 customer is released and that that customer becomes a -- I  
20 mean that individual becomes a customer of the utility it's  
21 served by until it's no longer served by that utility.

22       Q.   You mean once you release a customer to the Co-op,  
23 it's released forever?

24       A.   Until that customer is no longer served by the  
25 Co-op.



1           Q.    So you don't feel you have the authority once you  
2 release that customer to go back and require that the  
3 customer transfer to you?

4           A.    Short of condemnation, that the JEA may have the  
5 right that it may have to condemn and take the customers.  
6 Short of that, I don't believe that JEA has the right to  
7 disconnect Okefenoke's lines from a given customer and serve  
8 that customer.

9           Q.    Do you believe that JEA has the authority to  
10 condemn the facilities and/or service rights of the Co-op in  
11 Duval County?

12          A.    I am not an attorney, so I'll qualify it, but I  
13 understand that we do have that right.

14          Q.    Why haven't you exercised it?

15          A.    It has been the advice of our attorneys that we  
16 try to negotiate a reasonable purchase, try to establish a  
17 willing buyer, willing seller environment, and basically  
18 that it's a much less costly acquisition for both parties,  
19 and let the parties share those monies, as opposed to a  
20 rather costly and lengthy condemnation proceeding. So we  
21 have attempted in good faith to purchase the facilities and  
22 allow those monies, or the benefits, to be -- to remain with  
23 the parties.

24          Q.    You believe that condemnation is an alternative?

25          A.    My understanding is that is correct, yes.

1 Q. Negotiation is an alternative?

2 A. Definitely is.

3 Q. And duplication is an alternative that you've  
4 pursued also?

5 A. I'm sorry, I don't understand your question there.

6 Q. Well, your goal -- is your goal to provide service  
7 to everyone within Duval County?

8 A. I believe that's true, yes.

9 Q. And you think you have the obligation to do that?

10 A. We definitely do, yes.

11 Q. And you think you have the right to do that?

12 A. Yes, we do.

13 Q. And you know that the Co-op differs with that  
14 opinion?

15 A. I understand that.

16 Q. So in pursuing your goal, I'm asking you if you  
17 have pursued the alternative of condemnation, and you say  
18 you have not?

19 A. That's correct.

20 Q. I've asked you if you've pursued the alternative  
21 of negotiation and you say that you have?

22 A. Yes, we have.

23 Q. And I've asked you whether or not you've pursued  
24 the alternative of duplicating their facilities, and that's  
25 what I'd like an answer to.

1       A.    Yes, we have duplicated facilities when, again, it  
2 was either economical or practical for JEA to do so.

3           COMMISSIONER CLARK:  I would like to -- are you  
4 going to move to another subject?

5           MR. THOMPSON:  Yes, I was.

6           COMMISSIONER CLARK:  I'd like to ask a question  
7 with regard to your releasing of customers.  Is it your  
8 position that the ordinance allows you to release  
9 individual customers in perpetuity?

10          WITNESS FERDMAN:  I think the answer to that is  
11 yes.

12          COMMISSIONER CLARK:  Okay, so you can do it on a  
13 customer-by-customer basis?

14          WITNESS FERDMAN:  Yes.

15          COMMISSIONER CLARK:  But when those customers add  
16 up to a total territory, you can't do it?

17          WITNESS FERDMAN:  Well, that's been the key issue  
18 in discussions of could JEA in fact enter into a  
19 territorial agreement with Okefenoke in Duval County.  
20 And as we look at the Ordinance Code, and we live under  
21 the Ordinance Code, the first reference that's in my  
22 testimony is that until such time as JEA acquires or  
23 transfers the facilities and customers of Okefenoke,  
24 they cannot expand or add any new customers unless  
25 authorized by the council to do so.  Then there's a

1 delegation of authority to JEA that says -- and this  
2 was put in place in order to expedite -- to not burden  
3 the individuals who need service in Duval County, that  
4 where JEA didn't have lines and Okefenoke did, that  
5 Okefenoke -- that Okefenoke would not have to go to the  
6 City Council and petition every time to get each and  
7 every customer. So they delegated to JEA the authority  
8 to make the determination as to when it was practical  
9 or economical for us to serve that additional premise,  
10 and if we did so, we thought it was economical and  
11 practical, we would serve it. If we felt like it was  
12 in the best interests and more economic and practical  
13 for us not -- not economical and practical to serve, we  
14 could then release that to Okefenoke, but we don't  
15 believe we've been given the authority to take an  
16 entire territory or area and say, now, it is not now  
17 nor will it ever be economical or practical for JEA to  
18 serve that territory. We don't believe we have that  
19 authority to do that.

20 COMMISSIONER CLARK: You can waive the territorial  
21 requirement on an individual customer basis, but you  
22 can't waive it when you have, in effect, the whole  
23 territory occupied by customer for which you've waived  
24 the right to serve them?

25 WITNESS FERDMAN: That's correct.

1           COMMISSIONER CLARK: Have you -- you said the  
2 ordinance doesn't allow you to do that. Have you ever  
3 gone back to the council and said, look, you know, we  
4 have these territories that we -- at one point in time  
5 we found it was impractical, not economic for us to  
6 serve them, and at this point we have Okefenoke  
7 occupying the territory; in the interest of us planning  
8 for our future development and Okefenoke, we think it  
9 would be wise for you to enter into an agreement or  
10 authorize us to enter into an agreement, a territorial  
11 agreement, acknowledging that they are serving it and  
12 should be obligated and have the right to serve it?

13           WITNESS FERDMAN: I'm unaware of any such action  
14 by the JEA to the council recommending that. At this  
15 time, based upon my knowledge of Jacksonville and Duval  
16 County, I am unaware of the circumstances that would  
17 make me want to make that recommendation. In other  
18 words, I know of nothing that I'm aware of in northern  
19 Duval County that would make me want to make a  
20 recommendation to the City Council that it's not  
21 practical for JEA to serve the area, because in fact we  
22 believe it is.

23           COMMISSIONER CLARK: It has become practical?

24           WITNESS FERDMAN: Yes, it has.

25           COMMISSIONER CLARK: Let me ask you another

1 question. Did you at anytime consider instead of  
2 releasing the customer -- well, let me back up. You  
3 said that you currently serve some of Okefenoke's  
4 customers, you provide power to them, are you providing  
5 wholesale to them?

6 WITNESS FERDMAN: We sell -- Okefenoke, in  
7 Florida, purchases all of their bulk power, their  
8 wholesale power from Seminole Electric Cooperative. We  
9 we have a meter point in Duval County where we provide  
10 service to the Black Hammock Island area and the Yellow  
11 Bluff area on these maps, where they actually purchase  
12 power at wholesale from JEA, but it's sold to Seminole  
13 who is more or less an agent for Okefenoke.

14 COMMISSIONER CLARK: So you're not providing  
15 retail service to those customers --

16 WITNESS FERDMAN: That's correct.

17 COMMISSIONER CLARK: -- that are really  
18 Okefenoke's customers? It seems to me one way that  
19 we've been dealing with territorial agreements is to  
20 allow one entity to provide the facilities, but in fact  
21 those customers are customers of the utility in whose  
22 territory they reside. Instead of releasing these  
23 customers, have you ever thought of contracting with  
24 Okefenoke to provide that service?

25 WITNESS FERDMAN: Well, there's two issues there.



1 Certainly JEA would not be opposed to what the Staff  
2 has categorized as the attrition method that said all  
3 of the facilities and territory belongs to JEA.  
4 However, the customers who belong to Okefenoke can  
5 remain with Okefenoke until such time as they move away  
6 or whatever. This is something that we would be  
7 willing to talk about. But to actually -- I mean from  
8 a practical standpoint, Mr. Page made the point  
9 earlier, Robert Page, that because of the way the  
10 system was built in, into a sparse area, general cost  
11 of service is higher, it's just the nature of the REA  
12 business, and they have members that have been there  
13 and want to stay with them. For us to contract with  
14 Okefenoke to provide retail service in that area, which  
15 is essentially the City of Jacksonville providing them  
16 a franchise, I don't believe that Okefenoke could  
17 charge the rates for the Duval County residents  
18 differently than they charge the rest of their general  
19 body of customers. So what you would be doing is  
20 saying to those residents in Jacksonville, that you  
21 must take your service from an REA whose currently  
22 rates are much higher, they may be lower in the future,  
23 we don't know. But essentially, in other words I don't  
24 know how I can contract for those people and protect  
25 them if I'm a city councilman.

1           COMMISSIONER CLARK: What about future customers?

2           WITNESS FERDMAN: Well, again, our intent would be  
3           that all future customers would be JEA's customers, and  
4           we would obviously like to purchase their lines to  
5           avoid duplication to accomplish that.

6           COMMISSIONER CLARK: Thank you.

7 BY MR. THOMPSON:

8           Q. Mr. Ferdman, who makes the decision for JEA as to  
9           whether or not JEA is going to serve as specific customer?  
10          You've shown us a series of letters that have been sent to  
11          the Co-op releasing certain customers to their service  
12          system. Who makes that decision physically?

13          A. The letter is signed by the division manager for  
14          distribution engineering. The physical inspection is done  
15          by the field engineer for that area. He makes the  
16          inspection, brings it back to his supervisor, who then  
17          prepares a letter for the division manager's signature  
18          authorizing the release of the customer.

19          Q. I just have one other question, and that is, could  
20          you go ahead and give us the perpetual right to serve the  
21          post office? You don't have to answer that.

22          COMMISSIONER CLARK: I'd like to ask a question  
23          before Staff begins. You indicated that you spent  
24          \$53,000 to serve the Holiday Inn.

25          WITNESS FERDMAN: Yes, we did.

1           COMMISSIONER CLARK: How was that to be  
2 recovered?

3           WITNESS FERDMAN: It will, of course, be recovered  
4 through the revenues that we'll derive from that  
5 customer. Holiday Inn, on JEA rates, are projected to  
6 be about \$400,000 in gross, I believe. It doesn't  
7 really matter how much it was with Okefenoke from our  
8 perspective. We'll have about a \$400,000-a-year gross  
9 revenue customer for a \$50,000 investment, and from  
10 JEA's perspective, purely, that's practical and  
11 economical, obviously.

12           COMMISSIONER CLARK: And likewise, Okefenoke will  
13 lose those revenues?

14           WITNESS FERDMAN: Okefenoke will definitely lose  
15 the revenues. It was certainly our intent never to  
16 harm Okefenoke; in other words we did not solicit  
17 Holiday Inn. They approached us, as they have since  
18 1973. They have shown an interest in transferring. We  
19 have always told them consistently that they needed to  
20 be disconnected from Okefenoke. In 1991 they finally  
21 did it. They requested it, and to my knowledge --  
22 requested it and Okefenoke refused to do it, and to my  
23 knowledge they -- their personnel or contractors  
24 actually, physically removed the equipment.

25           COMMISSIONER CLARK: So in this area we have a

1 situation where customers can choose the utility from  
2 which they desire service?

3 WITNESS FERDMAN: Well, I don't believe that they  
4 can choose in that -- again, I believe we were  
5 following our requirements under law in that it is our  
6 exclusive rights for the territory. I would suggest  
7 that a citizen of Duval County who insists on being  
8 served by JEA, that we have the obligation to serve  
9 them. If that same customer tomorrow said, I think I'd  
10 like to go back to Okefenoke, I don't believe that they  
11 have that right, nor would we release that customer.  
12 So they can't elect, except in one direction, at this  
13 point.

14 COMMISSIONER CLARK: So any customer currently of  
15 Okefenoke that lives in Duval can elect to stay with  
16 Okefenoke or they can elect to demand service from  
17 you?

18 WITNESS FERDMAN: I believe that's correct.

19 COMMISSIONER DEASON: Let me ask a question at  
20 this point. Mr. Ferdman, I certainly don't intend to  
21 put words in your mouth, but I'm going to tell you what  
22 I hear that you're saying, and you tell me if I'm  
23 wrong. What I hear that you're saying is that if  
24 there's a customer who provides enough revenue to make  
25 it worth your while, being JEA, you'll take that

1 customer; and if there's a customer out there who is  
2 not worth your while, well then through your  
3 benevolence you'll release that customer to the Co-op.  
4 Is that right or is that wrong?

5 WITNESS FERDMAN: Yes, can I also though expand on  
6 that?

7 COMMISSIONER DEASON: Sure.

8 WITNESS FERDMAN: First of all, we believe we have  
9 the absolute obligation to provide service to that  
10 customer; that --

11 COMMISSIONER DEASON: Let me interrupt you just a  
12 second. If a customer that you're willing to release  
13 says, no, I want service from JEA, do you provide  
14 service?

15 WITNESS FERDMAN: JEA will serve that customer  
16 definitely.

17 COMMISSIONER DEASON: Regardless of location and  
18 regardless of revenue stream?

19 WITNESS FERDMAN: Exactly. The point being is  
20 JEA, like every other utility -- I assume Okefenoke has  
21 a contribution in aid of construction policy. The  
22 Commission, in fact, requires that of all of the  
23 investor-owned, that you not pay -- have exorbitant  
24 expenditures out that would not recoup the revenues.  
25 So our policy, which was in discovery, we provided a

1 copy of that, is two and a half times the nonfuel  
2 revenues over a period of time. So if there were a  
3 customer that JEA could serve economically, obviously  
4 we would. If it was going to be uneconomic for JEA and  
5 it looked like Okefenoke was better postured to serve  
6 that customer, those are the ones we normally release.  
7 If, on the other hand, the customer insisted on service  
8 from JEA, we would go ahead and extend our line and  
9 service them. They may have to pay a contribution in  
10 aid of construction. We would not burden the remaining  
11 ratepayers for an uneconomic customer.

12 COMMISSIONER DEASON: So you're saying that you  
13 have the obligation to serve, but that to meet that  
14 obligation, that in some cases the cost to the  
15 individual customer would be so great that it's in that  
16 customer's best interest to be served by the Co-op?

17 WITNESS FERDMAN: That's correct. But he  
18 ultimately has that right.

19 COMMISSIONER DEASON: You're an employee of JEA?

20 WITNESS FERDMAN: Yes, I am.

21 COMMISSIONER DEASON: And that is an entity which  
22 is part of the consolidated government of the City of  
23 Jacksonville?

24 WITNESS FERDMAN: That's correct.

25 COMMISSIONER DEASON: And that consolidated



1 government has responsibility to all the citizens of  
2 Duval County, is that correct?

3 WITNESS FERDMAN: That's correct.

4 COMMISSIONER DEASON: But you say that one of the  
5 alternatives which you pursued is duplication when it's  
6 in the best economic interests of JEA?

7 WITNESS FERDMAN: That's correct.

8 COMMISSIONER DEASON: Now if it's in the best  
9 economic interest of JEA customers to duplicate  
10 Okefenoke facilities, isn't -- doesn't that mean that  
11 that is to an economic detriment of the -- of the  
12 members of the Co-op?

13 WITNESS FERDMAN: Yes, it would be.

14 COMMISSIONER DEASON: And aren't the members of  
15 the Co-op also citizens of Duval County?

16 WITNESS FERDMAN: Yes, they are.

17 COMMISSIONER DEASON: Don't you think that the  
18 consolidated government, the City of Jacksonville, has  
19 a policy where it discriminates against some of its own  
20 citizens?

21 WITNESS FERDMAN: I don't know if I can answer  
22 that question.

23 COMMISSIONER DEASON: I think the answer speaks  
24 for itself. Thank you.

25 MS. BIRCHFIELD: Commissioner Deason, if we could

1 have a couple minutes, I think we could eliminate some  
2 questions.

3 COMMISSIONER DEASON: That sounds great.

4 COMMISSIONER CLARK: I had a question I wanted to  
5 ask. I thought I had a question, but I can't remember  
6 it.

7 MS. BIRCHFIELD: Do you have a question,  
8 Commissioner? (Pause)

9 COMMISSIONER CLARK: Mr. Ferdman, let me ask you  
10 about your agreement with Clay Cooperative.

11 WITNESS FERDMAN: Yes.

12 COMMISSIONER CLARK: As I understand it, they were  
13 apparently also serving in Duval County?

14 WITNESS FERDMAN: Yes, they were.

15 COMMISSIONER CLARK: Under the same type of  
16 arrangement, you would release them and Clay would come  
17 in and serve?

18 WITNESS FERDMAN: Exactly.

19 COMMISSIONER CLARK: But you also happened to be  
20 serving in --

21 WITNESS FERDMAN: Clay County.

22 COMMISSIONER CLARK: Clay County. So what you've  
23 done, essentially, is just -- under your charter you  
24 don't have to serve Clay County?

25 WITNESS FERDMAN: That's correct.

1           COMMISSIONER CLARK: So it's a good swap?

2           WITNESS FERDMAN: In fact it's just the opposite.  
3       The legislator for the Clay County area, back in 1979,  
4       Frank Williams, introduced a bill that gave Clay  
5       Cooperative first rights to all customers in Clay  
6       County. So the -- in fact the exact same reciprocal  
7       arrangement exists, Clay Co-op has first right of  
8       refusal for all customers in Clay County. We have  
9       first right of refusal for all customers in Duval, and  
10      there there was an equitable arrangement that didn't  
11      involve just money. We were able to provide them  
12      territory and customers. They gave us territory and  
13      customers. Our net territory is all of Duval County as  
14      it pertains to the Clay Co-op. The territorial line is  
15      the Duval County Line.

16          COMMISSIONER CLARK: When did that law pass, did  
17      you say?

18          WITNESS FERDMAN: It was passed in 1979 or 1980.  
19      But it's -- the -- Ms. Canzano is the Staff attorney on  
20      that, and that's one of the documents -- she has that  
21      document. But it was either '79 or '80.

22          COMMISSIONER CLARK: Do you know if it is a local  
23      bill?

24          WITNESS FERDMAN: Yes, it's definitely a local  
25      bill. (Pause).

1 COMMISSIONER DEASON: We'll take a ten-minute  
2 break at this time.

3 (Recess)

4 COMMISSIONER DEASON: Back on the record.

5 MS. BIRCHFIELD: Thank you, Commissioner Deason.  
6 We were able to cut some out.

7 COMMISSIONER DEASON: Great.

8 CROSS EXAMINATION

9 BY MS. BIRCHFIELD:

10 Q. Good afternoon, Mr. Ferdman.

11 A. Good afternoon.

12 Q. Would you agree that Okefenoke has historically  
13 served northern Duval County?

14 A. They have historically served in portions of  
15 northern Duval County, yes.

16 Q. And isn't it correct that JEA's distribution lines  
17 along Lem Turner, Lannie, Yellow Bluff and Starrett Roads  
18 were built after 1951?

19 A. Yes, I believe that's correct.

20 Q. I took that information from your Deposition  
21 Exhibit SRF-3D?

22 A. Right, that's correct.

23 Q. And don't you agree that JEA's distribution lines  
24 along those four streets duplicate Okefenoke's existing  
25 lines?

1           A.    Yes, they do.

2           Q.    And at the time that JEA built these lines, or  
3 excuse me, Okefenoke built these lines, wasn't that part of  
4 northern Duval County considered a rural part of the county?

5           A.    Assuming they built them before 1968, that's  
6 correct.

7           Q.    Would you agree that there are still parts of  
8 northern Duval County or northern Jacksonville that are  
9 still considered rural today?

10          A.    Yes.

11          Q.    And the four streets that we've been talking  
12 about, would you agree that those lines along those streets  
13 were constructed before the consolidation of the City of  
14 Jacksonville in Duval County?

15          A.    That the streets were constructed?

16          Q.    That the distribution lines along those streets?

17          A.    Whose distribution lines?

18          Q.    Okefenoke's.

19          A.    Yes, I will take their word for that. In other  
20 words, I don't know that to be true, but I will take their  
21 word for it.

22          Q.    And now if we could turn to Airport Road, isn't it  
23 correct that JEA built its distribution line along Airport  
24 Road in 1969?

25          A.    That's correct.

1           Q.   And I believe that we've discussed today that JEA  
2 does not serve all the customers along airport road, is that  
3 correct?

4           A.   That's correct.

5           Q.   You made a statement in your deposition -- I think  
6 Ms. Brown was the Staff counsel that was deposing you when  
7 we went to Jacksonville, I guess about a month ago -- that  
8 the lines of JEA and Okefenoke around Airport Road are  
9 terribly commingled, I believe those were the words that you  
10 used, "terribly commingled." Would you still say that today  
11 that those lines are still "terribly commingled"?

12          A.   I don't recall having said that for Airport Road.  
13 If I did, I don't today believe they're commingled in that  
14 area. They intersect in that area. There are certainly  
15 areas, though, I will make the comment, in northern Duval  
16 County that they are terribly commingled.

17          Q.   If there are two electric lines owned by different  
18 utilities in an area and both utilities are serving  
19 customers in the area and only one line would be needed to  
20 serve all the customers, wouldn't you agree that this is  
21 uneconomical duplication of facilities?

22          A.   Yes, I would.

23          Q.   On Page 36 of your deposition transcript, on Line  
24 18 through 20, you made a statement, "Globally, in the world  
25 of power facilities, I would say that anytime there are



1 extra facilities and lines present in a given right of way,  
2 that that's wasteful duplication." Is that still your  
3 testimony today?

4 A. Yes, it is.

5 Q. Isn't it true that duplication causes safety  
6 risks?

7 A. I would agree with that, yes.

8 Q. You've talked today about the fact that when a  
9 customer or potential customer comes in and requests service  
10 of you, you go out and -- when I say you, I mean JEA, you go  
11 out and look at that point where service would be received  
12 and decide if it would be practical or economical for JEA to  
13 serve that particular customer. Does JEA also consider  
14 safety risks when it makes decisions to serve customers?

15 A. Yes, it does.

16 Q. I believe that you stated in your deposition that  
17 most of the duplication in northern Duval County occurred  
18 before 1978, is that correct?

19 A. I believe that to be true, yes.

20 Q. And isn't it true that operating guidelines were  
21 developed in 1978?

22 A. Yes, they were.

23 Q. And don't these guidelines state that, "The best  
24 interests of JEA and Okefenoke and of the public would be  
25 served by the parties establishing good faith determinations

1 of each as relates to the minimizing of the duplication of  
2 facilities"?

3 A. That's correct.

4 Q. Then it appears that the operating guidelines have  
5 had some effect in limiting further duplication of  
6 facilities in Duval County, is that correct?

7 A. Yes, the operating agreement essentially  
8 established a good vehicle for expediting the review as to  
9 which areas would be most logical for JEA to release to  
10 Okefenoke, that's correct.

11 Q. What significance does JEA place on the 1978  
12 guideline?

13 A. Just that, that it serves as a working agreement,  
14 it serves as a guideline to determine what areas would be  
15 potential candidates for release, practical and economical.  
16 However each and every customer is still reviewed by JEA  
17 before it's released.

18 Q. So I believe we've established here today that  
19 Okefenoke continues to serve new customers in Duval County,  
20 is that correct?

21 A. We have released them, yes.

22 Q. If I could go to, I guess, one of those release  
23 letters that we've been talking about, they were a part of  
24 Exhibit 2.

25 A. I don't have one of those.

1           Q.    You don't have one of those? Ms. Brown is  
2 bringing you one. I believe that most of the letters in  
3 there are -- have the same language?

4           A.    Yes, they do.

5           Q.    And they refer to our understanding and agreement  
6 not to inconvenience the need for customer requesting  
7 service. What is that understanding and agreement?

8           A.    Essentially when it is not economical or practical  
9 for JEA to serve the customer, that we will release it to  
10 Okefenoke.

11          Q.    And then that would be an understanding and  
12 agreement between JEA and Okefenoke?

13          A.    Effectively, yes.

14          Q.    I believe that Mr. Thompson asked you who made the  
15 decision as to whether the customer would be released to  
16 Okefenoke, and you talked about a field engineer going out  
17 and coming back to his supervisor or her supervisor, but I  
18 don't know, or you may have said this but I didn't hear it,  
19 who specifically makes that decision as far as whether a  
20 customer will be released to Okefenoke?

21          A.    It's the division manager for distribution  
22 engineering.

23          Q.    Would you agree, subject to check, that JEA has  
24 requested Okefenoke to serve 1,087 new services since 1978?

25          A.    Subject to check, I would agree with that, yes.

1       Q.    You've talked about in your testimony today that  
2 if it's not practical or economical for JEA to serve a given  
3 customer, then JEA would release that customer to  
4 Okefenoke. Doesn't that presume that there are areas in  
5 northern Duval County where Okefenoke can provide new  
6 services more economically at present than JEA can?

7       A.    That's correct, at least from the utility  
8 construction perspective.

9       Q.    Which other perspective would you look at it from?

10      A.    Of course from the customer's perspective as to  
11 what's more economical for them may be the cost of service.

12      Q.    Would JEA be in favor of an agreement that would  
13 provide Okefenoke gradually move out of Duval County?

14      A.    Yes, we would.

15      Q.    In your opinion, should the Commission require  
16 Okefenoke and JEA to develop a joint plan concerning the  
17 best way to serve northern Duval County?

18      A.    Could you restate the question?

19      Q.    Sure. Should the Commission require Okefenoke and  
20 JEA to come up with some kind of a joint plan that would  
21 focus on what would be the best way that northern Duval  
22 County could be served?

23      A.    In my opinion, no.

24      Q.    Do you believe the Commission's decision in this  
25 case should consider what is economical and practical for

1 JEA, for Okefenoke or for the general body of ratepayers in  
2 Duval County?

3 A. I believe they should look at the overall benefit  
4 or impact to the general body of ratepayers for both  
5 utilities, including all of the customers in Duval County.

6 Q. And do you agree that if JEA has a lawful right to  
7 serve in Duval County, it should exercise that right in a  
8 lawful manner?

9 A. Yes.

10 MS. BIRCHFIELD: Staff has no further questions.

11 COMMISSIONER DEASON: Commissioner, do you have  
12 any questions?

13 COMMISSIONER CLARK: No.

14 COMMISSIONER DEASON: Mr. Ferdman, I have just a  
15 few questions. First of all, I want to compliment you  
16 on being a very direct and forthright witness. I think  
17 you've answered the questions very directly and that's  
18 sometimes a rarity around the Commission.

19 WITNESS FERDMAN: Thank you.

20 COMMISSIONER DEASON: I was looking at your  
21 prefiled testimony. You're a registered engineer, is  
22 that correct?

23 WITNESS FERDMAN: Yes, I am.

24 COMMISSIONER DEASON: You also have an M.B.A.  
25 degree, is that correct?



1           WITNESS FERDMAN: Yes, I do.

2           COMMISSIONER DEASON: And you have a lot of  
3 experience with actual planning of electrical systems,  
4 is that correct?

5           WITNESS FERDMAN: Yes, I do.

6           COMMISSIONER DEASON: I'm going to ask you to --  
7 assuming your attorney doesn't object, ask you to take  
8 your JEA hat off for just a minute, and I want to ask  
9 you a question as to what you believe is best for all  
10 of the citizens of Duval County, because I believe you  
11 earlier answered a question from Staff counsel that you  
12 believe that whatever decision is made it should be  
13 made based upon what's best for all the citizens. So  
14 I'll just put the question to you. If it were up to  
15 you, and it was your decision to make, and based upon  
16 your experience as an engineer and based upon your  
17 financial background, having an M.B.A. degree, what do  
18 you think is -- would be the best resolution of this  
19 problem for all of the citizens of Duval County?

20           WITNESS FERDMAN: Thank you. I believe that,  
21 first of all, we would back up and say do we believe  
22 that the City Council, who is the senior body for the  
23 community, should control or have some say in the  
24 destiny of the essential services provided within the  
25 community? It was delivered through, as I understand



1 now, communications, as opposed to a direct document,  
2 there's an ordinance from the City Council that was  
3 approved unanimously last Tuesday where they wanted to  
4 make it clear to the Commission that they very much  
5 want the Jacksonville Electric Authority to serve all  
6 of Duval County. And I believe that it states  
7 something to the effect that they request that you deny  
8 Okefenoke's request. But what they're trying to state  
9 is that they believe that they want the citizens -- the  
10 JEA to serve all of Jacksonville.

11 I believe that from a planning standpoint, from an  
12 engineering standpoint, you have an area in northern  
13 Duval County that neither utility can effectively plan  
14 for, and is resulting in duplication of facilities.  
15 And you have two totally opposing positions when we  
16 have talked. Okefenoke believes, because of their  
17 historical presence, they should have a right to some  
18 territory in Duval County. On the other hand there was  
19 by state law in '68 and local ordinances, et cetera,  
20 granting it to JEA, or granting it to the City of  
21 Jacksonville, and prior to the Grid Bill that was the  
22 case. You have the two conflicting attitudes and  
23 positions about the territory.

24 So Okefenoke doesn't want to give up its customers  
25 and abandon its members, and as I heard earlier, have

1       these customers treated like cattle. On the other  
2       hand, the City of Jacksonville believes that its  
3       electric utility should serve it, as we've talked  
4       about. While the ratepayers of Okefenoke and north  
5       Duval are in fact ratepayers and could be harmed by  
6       that, they are also taxpayers and they're paying ad  
7       valorem tax, and they are owners, as citizens of the  
8       JEA, and have rights to have some say and control. In  
9       fact the city councilman, obviously for that area, has  
10      constituents. He represents them in managing or having  
11      oversight of the JEA. So they should have a say  
12      there.

13             I personally believe that the best long term  
14      solution on this is -- it's hard to separate myself  
15      from JEA. I think I am biased in my answer. However,  
16      I'm trying to be consistent with what the council  
17      wants, and that would be that the territorial line be  
18      drawn at the county line, but that Okefenoke be allowed  
19      to continue to serve their customers in Duval County.  
20      So these individuals have a say. Those individuals can  
21      remain with Okefenoke as long as they want and continue  
22      to be ratepayers in that system, and that those who, as  
23      Jacksonville taxpayers, elect to go on to the JEA  
24      system, that they can be transferred, and that  
25      Okefenoke be compensated for the loss of the business

1 presence of those individual customers because they  
2 have built lines and have contracted for bulk power in  
3 anticipation of serving that.

4 So I think that, unfortunately, not like the Clay  
5 Co-op arrangement where we can trade customers and  
6 territory, when we get to -- JEA has no customers in  
7 Nassau County. We have no retail service territory in  
8 that area. And so we can't trade facilities and  
9 customers, that we should trade -- all we can trade is  
10 money, but that we not literally take Okefenoke's  
11 customers away, but give them the opportunity to  
12 continue to serve those that have been dedicated and  
13 faithful to Okefenoke, and over time, on a phased-out  
14 basis, those individual customers will be purchased by  
15 JEA by some agreed-upon formula. I believe in a  
16 Tallahassee/Talquin territorial agreement there's  
17 something like that, where it talks about customers in  
18 a given territory remain with their host utility until  
19 such time as there's a change in character of service  
20 where they're requested to be transferred, and I think  
21 it even says, and the utility won't go out and solicit  
22 the transfers.

23 But my thoughts on solving the problem would be  
24 for JEA and Okefenoke to sit down and agree on an  
25 equitable fee that they would be paid for the lost

1 business presence for those individual customers; that  
2 the lines be sold to JEA at an agreeable price and  
3 phased over a period of time so as not to be harmful to  
4 either utility; and that over ten years, 20 years, 40  
5 years, whenever the last REA customer decides that he  
6 wants to either leave the REA or sells his home, those  
7 will be transferred to JEA at that time. But the  
8 customer then is not treated like cattle. He is given  
9 his opportunity to remain a member.

10 Many of them -- what Robert Page said was  
11 absolutely correct. There's a strong allegiance among  
12 the REA customers that they are members of their  
13 utility, they have a say and have members on their  
14 board and feel strongly toward and that and the rate  
15 differential doesn't mean anything to them. They would  
16 rather be served by their utility. So I think that  
17 they should be given the opportunity to remain with  
18 them, and that -- but that ultimately the territory be  
19 Jacksonville's; that as the area is expanded, we have  
20 the new customers, but the duplication of facilities is  
21 eliminated. It goes away because the facilities will  
22 be either piecemeal or bulk, but we would buy their  
23 facilities out. And we would own and operate them, and  
24 be providing service, delivery services to their  
25 customers.

1           COMMISSIONER DEASON: Well, under that scenario,  
2 when a new customer requests service, who would provide  
3 that service?

4           WITNESS FERDMAN: JEA, all new customers. It  
5 would be no different than it is today. Earlier there  
6 was some discussion, how does it process really work?  
7 Typically an individual has an electrical contractor,  
8 takes out a permit to build a home, install a trailer,  
9 whatever, that permit is delivered to JEA in a  
10 preliminary mode, and we then do the evaluation on  
11 what's effective. If the lines through this attrition  
12 concept were owned by JEA, there wouldn't be any  
13 decision of whether to release it or not, this is a JEA  
14 customer, served on that single line. It is owned and  
15 operated by JEA, even though it may be next door to  
16 customers of Okefenoke.

17           COMMISSIONER DEASON: But to provide that service,  
18 you'd have to utilize facilities which as of today are  
19 owned by Okefenoke?

20           WITNESS FERDMAN: Right.

21           COMMISSIONER DEASON: How did you plan to  
22 compensate them for that?

23           WITNESS FERDMAN: We should buy their facilities.  
24 When Mr. Thompson asked me the question of what are  
25 your plans in this area, how could you really serve



1       it? Well, the only way to serve it short of buying  
2       their facilities would be for us to totally duplicate  
3       the entire northern part the county, every place they  
4       had a line, we'd have to build a new line, their line  
5       would have to be disassembled, and we don't believe  
6       that's practical or in the best interests.

7               COMMISSIONER DEASON: That's not in the best  
8       interests of all of the citizens.

9               WITNESS FERDMAN: Right. There would be one  
10      utility operating and owning -- all of the lines would  
11      be owned by one utility. What you'd have is individual  
12      customers. And this concept has been, my  
13      understanding, heavily endorsed by the Commission  
14      Staff, is what was suggested, that we consider in the  
15      Clay Co-op territorial agreement, that the customers  
16      not be treated like cattle.

17              COMMISSIONER DEASON: Has the City Council  
18      approved other territorial agreements in other parts of  
19      Duval County.

20              WITNESS FERDMAN: The only existing territorial  
21      agreement within Duval -- make just a couple -- the  
22      answer is yes, and it's Florida Power & Light. The  
23      Florida Power & Light territorial agreement was in  
24      place prior to consolidation. It dates back to 1963,  
25      and the City commissioners, County commissioners



1 entered into that agreement in 1963. When  
2 consolidation came into effect and when they  
3 established the Ordinance Code on other electric  
4 utilities, they identified in there that Clay Co-op was  
5 there and they couldn't expand unless they -- JEA  
6 approved it, and they couldn't -- Clay Co-op couldn't,  
7 and FPL, it said, couldn't expand except for that area  
8 outside of this 1963 agreement that was in place. So  
9 the only territorial agreement in place in Duval County  
10 is that with FPL that was in place prior to  
11 consolidation and was essentially made a part of the  
12 ordinance code in 1968 to accomodate the consolidation  
13 of the City of Jacksonville.

14 COMMISSIONER DEASON: Does the City Council have  
15 the authority to enter into agreements today?

16 WITNESS FERDMAN: I believe they do, yes.

17 COMMISSIONER DEASON: That's within their  
18 discretion if they so chose?

19 WITNESS FERDMAN: I believe if Okefenoke were to  
20 approach the City Council and request a franchise for a  
21 territory, I believe it's within the City Council's  
22 discretion to grant that or not.

23 COMMISSIONER DEASON: We've had a lot of  
24 discussion here today, especially this morning,  
25 concerning the jurisdiction of the Commission, whether

1 the Commission has the authority to require a  
2 territorial agreement, or whether the Commission has  
3 the authority to settle a dispute. We even had  
4 discussion as to whether there really is a dispute.

5 For the sake of this question, and let's just  
6 assume that the Commission does have jurisdiction, does  
7 have authority, and the Commission decides to exercise  
8 that authority, and decides to draw a line, and  
9 basically establish a territorial boundary. Now, would  
10 it be your desire that the parties be given an  
11 opportunity to negotiate where that line should be and  
12 come forward to the Commission and present a plan, or  
13 would you prefer if the Commission is going to do that,  
14 it go ahead and draw that line and the parties would  
15 just have to live with, assuming that the courts agree  
16 that the Commission has the jurisdiction to do that?

17 WITNESS FERDMAN: Well, it would certainly be my  
18 preference that we sit down with Okefenoke and  
19 negotiate the best location for the line.

20 COMMISSIONER DEASON: You feel like the parties  
21 would be in a better position to come up with the most  
22 reasonable and efficient plan to accomplish the goal of  
23 eliminating further duplication, and what's best for  
24 the customers in the area?

25 WITNESS FERDMAN: In all fairness, I have to

1       qualify the answer by saying I do fear, however, we may  
2       have trouble identifying the line when JEA believes  
3       it's under mandate to provide service to all of Duval  
4       County and cannot in fact contract away a portion of  
5       it. So the negotiations may very well fall back to  
6       where they are now.

7               COMMISSIONER DEASON: But you said just a minute  
8       ago that the City Council, the consolidated government,  
9       has of the authority to enter into an agreement if they  
10      see that it's in the best interests of the county to do  
11      that.

12             WITNESS FERDMAN: That is -- okay, I apologize  
13      then. The question then is could JEA and Okefenoke  
14      better establish what the line ought to be and then  
15      collectively present that to the City Council for its  
16      approval to grant them a franchise in some area in  
17      Duval County, as opposed to the Commission saying this  
18      is where the line ought to be and then us take that  
19      line to the council for ratification or approval? I  
20      think the answer is yes, I think the utilities can  
21      better determine the most equitable place for  
22      establishing this kind of an arrangement.

23             COMMISSIONER CLARK: I have a question. I  
24      understand the City of Jacksonville has set a  
25      resolution that says they think they should continue to

1       serve all of Duval County. Do you know if they --  
2       those members have had a presentation or had the  
3       benefit of knowing exactly what's out there in terms of  
4       the duplication in this area, and also knowing that  
5       some of their constituents don't want to be served by  
6       JEA? Are they fully apprised of all those  
7       circumstances? Because I just say it would be my  
8       preference for the council to make some determination  
9       that even though, you know, the -- they would like to  
10      have a policy of serving all Duval County, that  
11      circumstances have dictated, at least in the past and  
12      perhaps through the future, it's not economic for them  
13      to serve, and that having allowed another utility to  
14      come in and serve, there's some customer loyalty, and  
15      that maybe their constituents would be best served if  
16      they do carve out an area to grant a franchise to.

17           WITNESS FERDMAN: I'm unaware as to whether or not  
18      the individuals who live in northern Duval are fully  
19      educated on what's going on. I do know that the  
20      council members do understand the situation and what's  
21      going on. The local councilman for that area in fact  
22      introduced the bill because he had delivered to him,  
23      unsolicited, petitions signed by several hundred  
24      residents in the area. So there are several hundred  
25      residents in the area that would prefer to be served by



1 JEA, just as I'm sure there are some -- and I don't  
2 know what the number is -- that would prefer to remain  
3 with Okefenoke. I don't know that those individuals  
4 know anything of the technical aspects. All they know  
5 is today our rates are lower and I'm sure if our rates  
6 were higher we wouldn't hear this. I understand all of  
7 that.

8 COMMISSIONER DEASON: But rate levels are subject  
9 to change, are they not?

10 WITNESS FERDMAN: Yes, they are.

11 COMMISSIONER DEASON: A year or ten years later it  
12 could be the reverse?

13 WITNESS FERDMAN: I do not disagree. I believe  
14 ten years ago our rates were higher than Okefenoke's.

15 COMMISSIONER CLARK: You made a statement that  
16 from an engineering standpoint we have an area in  
17 northern Duval County that neither can adequately plan  
18 to serve.

19 WITNESS FERDMAN: I believe that's --

20 COMMISSIONER CLARK: Why can neither of you  
21 adequately plan to serve?

22 WITNESS FERDMAN: Well, maybe that's poor way of  
23 putting it. Based upon the operating practices of the  
24 two utilities, that is whether or not Okefenoke  
25 honestly in its heart believes JEA has the right to

1 determine who serves who, the practice has been that  
2 they only serve those that they receive a letter  
3 authorizing us. So from their perspective, I would  
4 think that they would find it very difficult to plan on  
5 how to build tie lines and extensions and whatever, not  
6 knowing what customer -- I understand -- I did not come  
7 -- surprised to hear discussion about this post office  
8 today. I don't know the details of it, but I  
9 understand it's a very large service and it's doubtful  
10 that any of their planning anticipated that and that  
11 their lines could serve that customer today, but that's  
12 not say if they had adequate knowledge and could plan  
13 on that and it were their territory, they may have very  
14 well have planned to do that. So I think they're at  
15 the bigger disadvantage of the two.

16 COMMISSIONER CLARK: Would you agree with me the  
17 fact that there is no certainty as to who has the  
18 obligation and right to serve is what's causing the  
19 difficulty and inability to plan?

20 WITNESS FERDMAN: I want to say there is no  
21 confusion on JEA's part, and when I say -- so when I  
22 say it's more difficult for us to plan -- I don't know  
23 that it's of the same magnitude. I think their  
24 uncertainty is great. I think our uncertainty is less  
25 in that based upon our ultimate right to make the



1 decision -- in other words we don't believe there is  
2 any confusion as to who has the ultimate right to serve  
3 in the City of Jacksonville -- that we can plan a  
4 little bit better.

5 COMMISSIONER CLARK: But it is a matter of it's  
6 not clearly one utility that has -- that is going to  
7 serve no matter what?

8 WITNESS FERDMAN: That's correct.

9 COMMISSIONER DEASON: Redirect?

10 MR. PAGE: Commissioners, I think you have asked  
11 all the necessary questions. Mr. Ferdman has been  
12 afforded the opportunity to make all the points I was  
13 going to make, so I don't have any further questions.  
14 I would move Composite Exhibit No. 9, which I believe  
15 constitutes four exhibits which were appended to his  
16 direct testimony, be moved into evidence, and I would  
17 also like to have marked and moved into evidence the  
18 July 12th, 1982 letter, portions of which I read to  
19 Mr. Gibson in my cross examination of him. So if we  
20 can get that document marked and moved into evidence.

21 COMMISSIONER DEASON: As far as Exhibit 9 is  
22 concerned, without objection, it will be entered into  
23 the record.

24 (Composite Exhibit No. 9 received into evidence.)

25 MR. PAGE: I apologize for not having the copies

1 available to me. It's the July 12th, 1982 letter from  
2 which I read portions to Mr. Gibson during his is cross  
3 examination. That letter was in fact written by  
4 Mr. Ferdman, and it is part of his deposition, second  
5 exhibit to his deposition, but it's not now in evidence  
6 and like to have it marked and moved into evidence.

7 COMMISSIONER DEASON: Do you have have copies?

8 MR. PAGE: Sorry, I'll have to provide those. I  
9 just have this one.

10 COMMISSIONER DEASON: We need a copy given to the  
11 court reporter.

12 MR. PAGE: She's already made a copy of this.

13 COMMISSIONER DEASON: That would than identified  
14 as Exhibit No. 10, and without objection, that would be  
15 entered into the record. There's no objection, so that  
16 would be admitted into the record. And that letter,  
17 since it is from Mr. Ferdman, I guess that exhibit will  
18 be sponsored by Mr. Ferdman?

19 MR. PAGE: (Nods affirmatively.)

20 (Exhibit No. 10 received into evidence.)

21 COMMISSIONER DEASON: Mr. Thompson? Rebuttal  
22 witness?

23 MR. WAHLEN: We're ready for Mr. Robert Dew on  
24 rebuttal.

25 Whereupon,

1 ROBERT C. DEW, JR.

2 Was called as a rebuttal witness, having previously been  
3 duly sworn to speak the truth, the whole truth, and nothing  
4 but the truth, was examined and testified as follows:

5 DIRECT EXAMINATION

6 BY MR. WAHLEN:

7 Q. Would you please state your full name?

8 A. Robert C. Dew, Jr.

9 Q. Are you the same Robert C. Dew, Jr., who testified  
10 earlier in this proceeding?

11 A. Yes.

12 Q. Did you previously prepare rebuttal testimony that  
13 was submitted on February 7th, 1992 consisting of six pages?

14 A. Yes, I did.

15 Q. Are there any corrections or changes to your  
16 rebuttal testimony?

17 A. I don't believe so.

18 Q. If I were to ask you the same questions today,  
19 would your answers be the same?

20 A. Yes, they would.

21 MR. WAHLEN: The Co-op requests that Mr. Dew's  
22 prefiled rebuttal testimony be inserted into the record  
23 as though read.

24 COMMISSIONER DEASON: It will be so inserted.  
25

OKEFENOKE RURAL ELECTRIC  
MEMBERSHIP CORPORATION  
DOCKET NO. 911141-EU  
SUBMITTED FOR FILING 3/20/92

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED REBUTTAL 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. ARE YOU THE SAME ROBERT C. DEW, JR. WHO PREPARED DIRECT TESTIMONY IN THIS DOCKET WHICH WAS FILED FEBRUARY 7, 1992?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to respond to certain portions of the direct testimony of Sheldon R. Ferdman. Specifically, I would like to address two points covered by Mr. Ferdman in his direct testimony. These points include:

1. The number of members served by OREMC along Airport Road;
- and
2. Duplication of Service in the Airport Road area.



1 Q. MR. FERDMAN STATED IN HIS TESTIMONY THAT JEA SERVES ALL OTHER  
2 HOTELS ALONG AIRPORT ROAD AND ALL OTHER ESTABLISHMENTS EXCEPT  
3 FOR A SEWER TREATMENT FACILITY AND THE HOLIDAY INN SIGN. DO  
4 YOU AGREE WITH THIS STATEMENT?

5  
6 A. No. Based on my physical inspection of the area and review of  
7 OREMC's business records, I disagree with this statement.  
8 OREMC serves two car rental facilities located along Airport  
9 Road. My Exhibit No. \_\_\_\_ (RD-8a), includes a picture of the  
10 street lighting at one of the car rental facilities served by  
11 OREMC on Airport Road.

12  
13 My Exhibit No. 8 (RD-10) shows the OREMC's primary  
14 distribution facilities and consumers near the Holiday Inn on  
15 Airport Road. From this exhibit it is clear that OREMC serves  
16 more than a single sewer treatment facility and one sign in  
17 the Airport Road area. It is also interesting to note that  
18 OREMC is providing street lighting service to the Admiral  
19 Benbow Inn while JEA serves the rest of the motel itself.

20  
21 To summarize, OREMC serves two sewer treatment facilities, the  
22 Holiday Inn, three highway signs, security lights for the  
23 Admiral Benbow Inn and two rental car facilities, all of which  
24 are located on Airport Road.

25

1 Q. WHAT IS THE SOURCE OF YOUR EXHIBIT NO. 8 (RD-10)?

2

3 A. This exhibit was prepared under my direction and supervision  
4 using Mr. Ferdman's Exhibit No. 9 (SRF-4) as a background  
5 since it had JEA's facilities and roads shown together on a  
6 single drawing. The information concerning OREMC's facilities  
7 is based on my field inspections.

8

9 Q. FROM AN ENGINEERING PERSPECTIVE, ARE SECURITY LIGHTS  
10 CONSIDERED "GOOD" LOAD?

11

12 A. No. The fact the JEA serves the buildings and main business  
13 account at the Admiral Benbow Inn, while leaving OREMC to  
14 serve the less desirable "security light" load, appears to be  
15 another example of JEA's practice of "cherry picking" the good  
16 loads. Based on my physical inspection of the Admiral Benbow  
17 Inn site and review of how OREMC's system developed over time,  
18 I believe that OREMC could have provided all of the Admiral  
19 Benbow Inn's electric service needs. For that matter, OREMC  
20 could have efficiently provided service to many of the other  
21 businesses in the Airport Road area.

22

23 Q. MR. FERDMAN HAS IMPLIED THAT ALLOWING JEA TO PROVIDE PERMANENT  
24 SERVICE TO THE HOLIDAY INN WILL ELIMINATE DUPLICATION OF  
25 FACILITIES. DO YOU AGREE?



1     A.   No.   In order to continue providing service to the Holiday  
2           Inn's sign and sewer treatment plant, OREMC will be required  
3           to maintain all of their facilities which are capable to  
4           serving the Holiday Inn. Having both JEA and OREMC with three  
5           phase underground cable running along the east side of the  
6           Holiday Inn is a blatant example of uneconomic duplication of  
7           facilities. Uneconomic duplication of facilities occurs when  
8           a second utility constructs distribution facilities adjacent  
9           to or near the first utility's already existing facilities.  
10          When duplication occurs, an important question becomes which  
11          utility had facilities in place first. The fact that OREMC  
12          was first to install facilities to serve the Holiday Inn, and  
13          the fact that the JEA duplicated OREMC's facilities at the  
14          Holiday Inn, should be considered by the FPSC when resolving  
15          this dispute.

16  
17     Q.   HOW DO YOU KNOW THAT JEA HAS DUPLICATED OREMC'S FACILITIES AT  
18           THE HOLIDAY INN?

19  
20     A.   Based on Mr. Pete J. Gibson's Direct Testimony and Exhibit  
21           No. 6 (PJG-1), OREMC has had a contract for service with  
22           the Holiday Inn since July 3, 1968 and has never terminated  
23           the service contract nor disconnected the Holiday Inn from its  
24           system. Mr. Ferdman's testimony states that the Holiday Inn  
25           became a customer of JEA on October 25, 1991.

1 Q. MR. FERDMAN'S TESTIMONY IMPLIES THAT OREMC HAS DUPLICATED JEA  
2 IN AND AROUND THE AIRPORT ROAD AREA. IS THIS TRUE?  
3

4 A. No. During my inspections of JEA's facilities and the OREMC's  
5 facilities, I observed that the brands (birthmarks) on JEA's  
6 poles east of Ranch Road along Airport Road (see my Exhibit  
7 No. 8 (RD-10)) are dated after 1968 when OREMC had  
8 distribution facilities in the vicinity and available to serve  
9 the Holiday Inn. So, based on my observations, JEA has  
10 duplicated OREMC's facilities at this end of Airport Road, not  
11 the other way around. In my opinion, this duplication of  
12 facilities is not in the public interest and has an adverse  
13 impact on electric consumers both inside and outside Duval  
14 County. These facts should be considered by the FPSC when  
15 resolving this dispute.  
16

17 Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.  
18

19 A. Contrary to the testimony of Mr. Ferdman, the OREMC provides  
20 electric service to more than two businesses in the Airport  
21 Road area. The JEA has systematically duplicated OREMC's  
22 facilities in the Airport Road area by providing electric  
23 service to customers which could have easily been served by  
24 OREMC. This duplication of facilities is not in the interest  
25 of the public, either inside or outside of Duval County.

1 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

2

3 A. Yes, it does.

jjw\pld\dew.rbt

1 BY MR. WAHLEN:

2 Q. Mr. Dew, attached to your prefiled rebuttal  
3 testimony there was an exhibit identified as RD-10, and that  
4 has been identified and moved into the record as Exhibit 8,  
5 is that correct?

6 A. That's correct.

7 Q. Was that exhibit prepared by you or under your  
8 direction and supervision?

9 A. Yes, it was.

10 Q. Do you have corrections or changes to the  
11 exhibit?

12 A. I don't believe so.

13 Q. Would you please summarize your rebuttal testimony  
14 briefly?

15 A. I think we've pretty much already covered it. It  
16 was just a clarification of some of the loads that were left  
17 that Okefenoke still serves now that JEA serves the Holiday  
18 Inn, and some of those loads are Ortega Utilities and Sun  
19 States Oil and the Holiday Inn sign, and some other loads,  
20 security light loads, up and down, I believe, Airport Road.

21 Q. Does that conclude your summary?

22 A. I think that's -- I think that's about it. I'd  
23 like to say I think we've covered most of it already.

24 Q. With that summary we would tender Mr. Dew for  
25 cross examination.

1 MR. HOFFMAN: We have no questions.

2 MS. BROWN: Staff has no questions.

3 COMMISSIONER DEASON: I have no questions and I  
4 assume there will be no redirect?

5 MR. WAHLEN: No, thank you.

6 COMMISSIONER DEASON: You're excused, Mr. Dew.

7 WITNESS DEW: Thank you.

8 (Witness Dew excused.)

9 COMMISSIONER DEASON: Mr. Hoffman, call your  
10 rebuttal witness.

11 MR. HOFFMAN: Call Mr. Shel Ferdman.

12 Whereupon,

13 SHELDON FERDMAN

14 was recalled as a rebuttal witness, having previously been  
15 duly sworn to speak the truth, the whole truth, and nothing  
16 but the truth, was examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. PAGE:

19 Q. Mr. Ferdman, you've testified and been sworn here  
20 before. You're still the same Shel Ferdman and all of  
21 that. Did you prepare some approximately ten pages of  
22 rebuttal testimony?

23 A. Yes, I did.

24 Q. Are there any changes to that testimony?

25 A. No, there are not.

1 Q. Any additions or any changes whatsoever?

2 A. No changes whatsoever.

3 Q. Do you adopt that testimony?

4 A. Yes, I do.

5 Q. Were there exhibits attached to that testimony?

6 A. Yes, there was an exhibit which I called SRF-1R,  
7 which related to some correspondence and communications  
8 between JEA and Okefenoke about purchase of Okefenoke's  
9 facilities.

10 MR. PAGE: I would request that the testimony be  
11 entered into the record as though read.

12 COMMISSIONER DEASON: It will be so inserted.

13 MR. PAGE: Exhibits marked as a composite.

14 COMMISSIONER DEASON: His composite will be  
15 identified as Exhibit No. 11.

16 (Exhibit No. 11 marked for identification.)  
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JACKSONVILLE ELECTRIC AUTHORITY

DOCKET NO. 911141-EU

MARCH 20, 1992

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED REBUTTAL TESTIMONY OF

SHELDON R. FERDMAN

**Q: Please state your name and business address.**

**A:** My name is Sheldon Ferdman and my business address is 21 West Church Street, Jacksonville, Florida 32202.

**Q: Have you previously testified in this Docket?**

**A:** Yes, I have.

**Q: What is the purpose of your rebuttal testimony?**

**A:** The purpose of my rebuttal testimony is to address the direct testimony filed by Mr. Emory Middleton in this Docket.

**Q: Please address the points you would like to rebut in Mr. Middleton's testimony.**

**A:** I will address the Power Sales Agreement ("Agreement") between JEA and Seminole Electric Cooperative, Inc. ("Seminole"), Exhibit - (EM-5).

**Q: What role did you play in the negotiations of this Agreement?**

**A:** I was JEA's lead negotiator on this Agreement.

**Q: What was the purpose of this Agreement?**

1    A:    As Mr. Middleton indicated on page 13 of direct  
2           testimony, OREMC needed a source of energy in the  
3           Cedar Point area to provide for system integrity  
4           and reliability.

5    Q:    What are the circumstances that led to this  
6           Agreement?

7    A:    Upon OREMC's determination that it needed to  
8           improve its service reliability in this area OREMC  
9           proposed two alternatives to JEA for achieving the  
10          necessary reliability improvement. The first  
11          option was for OREMC to build a 138,000 volt  
12          transmission line and a substation into the Cedar  
13          Point area and to have Seminole utilize JEA's  
14          transmission system to deliver power to OREMC at  
15          that point. The second option was for JEA to  
16          provide OREMC, through its supplier Seminole, with  
17          a wholesale delivery point in the same area and  
18          thereby purchase the power from JEA. JEA selected  
19          the second option. As I understand, this was  
20          OREMC's preferred option also since it had the  
21          lower capital cost and could be accomplished much  
22          quicker than the building of a transmission line  
23          and a substation.

24   Q:    If JEA has had an ongoing interest in purchasing  
25          OREMC's customers and facilities in the City, why

1        would JEA find this option preferable and provide  
2        service to OREMC to improve its service  
3        reliability in the City?

4    A:    There are several reasons. First, OREMC's  
5        customers deserve quality service. Second, the  
6        revenues from the sales contributed positively to  
7        JEA's overall revenue requirements. But third,  
8        and most importantly, by JEA selling to OREMC,  
9        OREMC avoided the need to build transmission and a  
10       substation within the City and thereby eliminating  
11       unnecessary duplication of facilities in the area  
12       and further, minimizing OREMC's investment in the  
13       City when JEA finally purchased their system.

14   Q:    Would the purchase of OREMC's customers and  
15        facilities in the City be inconsistent with the  
16        terms of the Agreement?

17   A:    No. There are two significant provisions of the  
18        Agreement that are consistent with JEA's ongoing  
19        interest in providing electric service to all of  
20        the City.

21        The first provision is the term of the Agreement.  
22        JEA's obligation is to provide service for a  
23        period of ten years "...unless terminated by the  
24        Cooperative [Seminole] by giving the Authority not  
25        less than one (1) year advance notice...". In the

1 event JEA and OREMC agree upon a sale to JEA,  
2 transfer would be scheduled to comply with the one  
3 year notice provision.

4 The second provision is the Retention of Rights,  
5 Section 18. This provision states:

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

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

19 This provision was included in the Agreement upon  
20 JEA's request in order to make it clear that  
21 providing OREMC with an option for cost effective  
22 and reliable service in Duval County was not  
23 intended to be a waiver by JEA of its rights to  
24 serve in Duval County.

25 Q: Please summarize your rebuttal testimony.

- 1    A:   JEA has cooperated with OREMC in assisting it in  
2        providing reliable service to their customers in  
3        Duval County.  By providing OREMC with a wholesale  
4        service point in Jacksonville, uneconomic  
5        duplication of facilities was avoided.  By  
6        providing this service, JEA retained all rights to  
7        pursue service to all areas within the City and  
8        provided for early cancellation by OREMC's  
9        wholesale provider, Seminole, in that event.
- 10   Q:   Does that conclude your rebuttal testimony?
- 11   A:   Yes.



1 JACKSONVILLE ELECTRIC AUTHORITY  
2 DOCKET NO. 911141-EU  
3 MARCH 20, 1992  
4 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
5 PREPARED REBUTTAL TESTIMONY OF  
6 SHELDON R. FERDMAN

7 Q: Please state your name and business address.

8 A: My name is Sheldon Ferdman and my business address  
9 is 21 West Church Street, Jacksonville, Florida  
10 32202.

11 Q: Have you previously testified in this Docket?

12 A: Yes, I have.

13 Q: What is the purpose of your rebuttal testimony?

14 A: I will address one point in the direct testimony  
15 of Mr. Pete Gibson

16 Q: Please address that point.

17 A: In Mr. Gibson's testimony he was asked if OREMC  
18 was serving the Holiday Inn on October 1, 1968.  
19 Mr. Gibson's answer was that OREMC had entered  
20 into a contract on July 3, 1968. This statement  
21 did not answer the question posed to Mr. Gibson.  
22 Paragraph 5 of the Contract, Exhibit 6, (RJG-  
23 1), entitled Term states "This agreement shall  
24 become effective on the date service is first  
25 delivered hereunder by the Seller to the

1       Consumer." According to their records, Holiday  
2       Inn did not open for business until February 9,  
3       1969. Therefore assuming a normal construction  
4       period, it does not appear reasonable that OREMC  
5       provided service to the Holiday Inn prior to  
6       October 1, 1968.

7    Q:   Does that conclude your rebuttal testimony?

8    A:   Yes.

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7 Q: Please state your name and business address.

8 A: My name is Sheldon Ferdman and my business address  
9 is 21 West Church Street, Jacksonville, Florida  
10 32202.

11 Q: Have you previously testified in this Docket?

12 A: Yes, I have.

13 Q: What is the purpose of your rebuttal testimony?

14 A: The purpose of my rebuttal testimony is to address  
15 the direct testimony filed by Mr. Robert C. Dew in  
16 this Docket.

17 Q: Please address the points you would like to rebut  
18 in Mr. Dew's testimony.

19 A: I will address two areas. First, I will correct  
20 certain misstatements made by Mr. Dew due to his  
21 limited knowledge about the JEA and its rules for  
22 electric service. Second, I will comment on Mr.  
23 Dew's recommended resolution of this dispute.

24 Q: Please address the areas of misstatements.

25 A: The first misstated area relates to the

1 installation of facilities at the Holiday Inn.  
2 Mr. Dew states that JEA installed a 600 foot  
3 trench, primary conduit, and two manholes on the  
4 Holiday Inn property. This is incorrect. Pursuant  
5 to JEA's underground service rules (See paragraph  
6 4.07 to JEA's Response to Interrogatories,  
7 Attachment 7), Holiday Inn and/or its contractors  
8 performed all construction work on the Holiday Inn  
9 property. Therefore, all construction shown on  
10 Mr. Dew's Exhibit 5, (RD-7) was performed by the  
11 Holiday Inn except the four span overhead  
12 extension (along public right of way and not  
13 parallel to OREMC's lines) and the setting of the  
14 service transformers on Holiday Inn installed  
15 concrete pads. Also for clarification, removal of  
16 OREMC transformers and the cutting of their cable  
17 was not performed by JEA or its contractors.  
18 The second misstated area relates to the process  
19 for deciding which utility can serve new loads.  
20 Here, and in the testimony of others, it is stated  
21 that it is JEA's policy to serve when it is  
22 "practical and economical." Further, Mr. Dew  
23 states that this decision is made by city  
24 electrical inspectors.  
25 As I stated in my direct testimony, JEA and OREMC

1       are bound by the City of Jacksonville Ordinance  
2       Code. Section 718.102 of the Code states that  
3       OREMC cannot serve any new customers or extend its  
4       lines in the City without approval of the City  
5       Council. In Section 718.103, the Council further  
6       delegates to JEA the authority to release  
7       customers to OREMC when JEA determines that it is  
8       neither practical nor economical for JEA to serve  
9       them. Therefore, it is not a policy of JEA to  
10      release such customers, it is a requirement of law  
11      and JEA is carrying out its responsibilities.  
12      Lastly, the recommendation for release is made by  
13      JEA engineers, not city electrical inspectors.

14    **Q: Please comment on Mr. Dew's recommendations for**  
15      **resolution.**

16    **A:** Mr. Dew's recommendation that the FPSC return the  
17      Holiday Inn to OREMC and establish a territorial  
18      boundary within the City is inconsistent with law.  
19      In Mr. Dew's discussion of his interpretation of  
20      Chapter 366 of the Florida Statutes regarding  
21      resolution, he fails to point out that included in  
22      Section 366.04 is the statement:

23                "No provision of this chapter shall be  
24                construed or applied to impede, prevent, or



1           prohibit any municipally owned electric  
2           utility system from distributing at retail  
3           electrical energy within its corporate  
4           limits, as such corporate limits exist on  
5           July 1, 1974; however, existing territorial  
6           agreements shall not be altered or abridged  
7           hereby."

8           Therefore, for a resolution to be consistent with  
9           law, the FPSC should allow JEA to continue serving  
10          the Holiday Inn and order JEA and OREMC to  
11          establish a territorial boundary agreement at, or  
12          outside of, the City of Jacksonville's city  
13          limits.

14   **Q:**   Please summarize your testimony.

15   **A:**   In Mr. Dew's direct testimony, he makes certain  
16          misstatements which I have corrected. He  
17          misstated work performed by the Holiday Inn on  
18          their property indicating that JEA had performed  
19          that work. He also misstates JEA's requirements  
20          to serve when practical and economical as a JEA  
21          policy when, in point of fact, it is a requirement  
22          of law.

23          Lastly, Mr. Dew's recommendations for resolution  
24          are inconsistent with Chapter 366 and recommends  
25          that the FPSC disregard the laws governing the

1 FPSC.

2 Q: Does that conclude your testimony?

3 A: Yes it does.

1 JACKSONVILLE ELECTRIC AUTHORITY  
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6 SHELDON R. FERDMAN

7 Q: Please state your name and business address.

8 A: My name is Sheldon Ferdman and my business address  
9 is 21 West Church Street, Jacksonville, Florida  
10 32202.

11 Q: Have you previously testified in this Docket?

12 A: Yes, I have

13 Q: What is the purpose of your rebuttal testimony?

14 A: The purpose of my rebuttal testimony is to address  
15 the direct testimony filed by Mr. Robert Page in  
16 this Docket.

17 Q: Please address the points you would like to rebut  
18 in Mr. Page's testimony.

19 A: I will clarify two points within Mr. Page's direct  
20 testimony. First, testimony related to OREMC's  
21 first knowledge of Holiday Inn's desire to  
22 disconnect and second, testimony related to  
23 discussion between JEA and OREMC prior to JEA  
24 serving the Holiday Inn.

25 First, Mr. Page states that it was not until June,

1 1991 that OREMC first learned of Holiday Inn's  
2 desire to be served by JEA. As indicated in my  
3 direct testimony, OREMC has received communication  
4 from the Holiday Inn since 1973 regarding their  
5 (Holiday Inn's) interest in transferring to JEA.  
6 It is only this most recent occurrence that was  
7 communicated to OREMC in June, 1991.

8 Second, Mr. Page states that there was no  
9 discussion between JEA and OREMC prior to JEA's  
10 service expansion to the Holiday Inn. This is  
11 clearly not the case. Mr. Page and I had numerous  
12 telephone conversations and one meeting in July,  
13 1991 in which JEA's service to the Holiday Inn was  
14 discussed. Further, JEA has continually pursued  
15 the purchase of OREMC's facilities within the City  
16 which would include OREMC's facilities serving the  
17 Holiday Inn. In fact, it was following a  
18 discussion in September, 1991 with Mr. Page about  
19 the Holiday Inn that he requested that JEA provide  
20 him with an offer to purchase OREMC's facilities  
21 and customers in Duval County, which includes the  
22 Holiday Inn.

23 Copies of the correspondence on this matter are  
24 attached as Exhibit 11 (SRF-1R).

25 Q: Please summarize your testimony.

- 1    A:    In Mr. Page's testimony he indicates that June 17,  
2           1991 was OREMC's first knowledge of Holiday Inn's  
3           desire to be served by JEA.  In point of fact,  
4           Holiday Inn has continually discussed with OREMC  
5           transferring to JEA since 1973.
- 6           Mr. Page also states that he had no prior  
7           discussions with JEA prior to JEA's service  
8           extension to the Holiday Inn.  This statement is  
9           incorrect.  Mr. Page and I had numerous  
10          conversations on this service prior to any  
11          construction by JEA.
- 12   Q:    Does this conclude your testimony?
- 13   A:    Yes.



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7 Q: Please state your name and business address.

8 A: My name is Sheldon Ferdman and my business address  
9 is 21 West Church Street, Jacksonville, Florida  
10 32202.

11 Q: Have you previously testified in this Docket?

12 A: Yes, I have.

13 Q: What is the purpose of your rebuttal testimony?

14 A: The purpose of my rebuttal testimony is to address  
15 the direct testimony filed by Mr. Glenn Wrightson  
16 in this Docket.

17 Q: Please address the points you would like to rebut  
18 in Mr. Wrightson's testimony.

19 A: I will address the issue raised by Mr. Wrightson  
20 that OREMC and its members will be economically  
21 harmed by JEA serving the Holiday Inn and all  
22 other persons in the City, specifically in  
23 northern Duval County and his inference that this  
24 situation was caused by JEA.

25 Q: Do you agree with the dollar amounts indicated by

1       **Mr. Wrightson.**

2       **A:**   It is impossible for JEA to determine the amount  
3           of any impact to OREMC and their members without  
4           having substantially more information about OREMC.  
5           At a minimum, this includes their organizational  
6           structure, all wholesale power arrangements, an  
7           inventory of OREMC's facilities in the City,  
8           demand and energy data on each OREMC member in the  
9           City, demand and energy data and growth rate for  
10          all of OREMC's members, and all other obligations  
11          and commitments OREMC has which relate to their  
12          service in the City.

13      **Q:**   **Did JEA pursue the Holiday Inn as a customer?**

14      **A:**   No.   Holiday Inn contacted JEA in 1991 as they  
15          have since 1973 about being served by JEA.   The  
16          difference between the 1991 request and past  
17          requests is that, this time, Holiday Inn followed  
18          through with effecting a disconnection of service  
19          from OREMC.   As I pointed out in my direct  
20          testimony, OREMC provided Holiday Inn with the  
21          cost associated with transfer in 1979 but at that  
22          time, Holiday Inn chose not to transfer.

23      **Q:**   **Assuming OREMC did sustain a loss due to the loss**  
24          **of the Holiday Inn, could this loss be**  
25          **attributable to actions taken by JEA?**

- 1    A:    No.
- 2    Q:    Is it JEA's intent that OREMC's members sustain an  
3           economic loss due to JEA's rights to serve in the  
4           City.
- 5    A:    No. JEA has pursued negotiations with OREMC for  
6           the purchase of their facilities and customers in  
7           the City. However, OREMC has refused to negotiate  
8           as shown in Exhibit 11 (SRF-1R). On August 15,  
9           1991, OREMC said they refused to sell and, on  
10          November 26, 1991, OREMC rejected JEA's offer and  
11          did not provide JEA with a proposal or even any  
12          data so that JEA could assess a value for such as  
13          a transfer.
- 14   Q:    Please summarize your testimony.
- 15   A:    Mr. Wrightson has illustrated that the loss of  
16          electric customers by a utility without  
17          compensation will normally result in a sunk cost  
18          being absorbed by the remaining customers. OREMC  
19          has rejected all attempts by JEA to sell their  
20          facilities and customers in order to protect their  
21          remaining customers. The economic hardship that  
22          OREMC may have sustained due to the loss of the  
23          Holiday Inn was not due to the actions of JEA.  
24          JEA was complying with the Charter of the City of  
25          Jacksonville.

1 Q: Does this conclude your testimony?

2 A: Yes.

1           COMMISSIONER DEASON: Is your witness tendered for  
2 cross examination?

3           MR. PAGE: Yes, he is.

4           MR. WAHLEN: We have no cross examination.

5           MS. BIRCHFIELD: Staff has no cross examination.

6           MR. PAGE: Just move the exhibit into the  
7 evidence.

8           COMMISSIONER DEASON: Without objection, Exhibit  
9 No. 11 will be entered into the record. Thank you, Mr.  
10 Ferdman.

11           (Exhibit No. 11 received into evidence.)

12           (Witness Ferdman excused.)

13           MS. BIRCHFIELD: Commissioner Deason, I'm not sure  
14 that Exhibit 10 was moved into the record.

15           COMMISSIONER DEASON: I believe it was. If it's  
16 not, without objection, Exhibit 10 will be in the  
17 record.

18           (Exhibit No. 10 received at Page 333.)

19           COMMISSIONER DEASON: I believe the only exhibit  
20 which has been identified which has not been entered  
21 into the record is Exhibit 3, which is a late-filed.

22           MR. WAHLEN: Right, and I guess before we leave we  
23 ought to decide when that is due.

24           COMMISSIONER DEASON: I think we need to go over  
25 the schedule. Perhaps now would be an appropriate time



1 to do that.

2 MS. BROWN: Commissioner, transcripts will be due  
3 June 26th, 1992, briefs are due July 17th, 1992. Staff  
4 recommendation September 3rd, for regular agenda  
5 September 15.

6 MR. WAHLEN: We could have that late-filed exhibit  
7 available by this Friday if there are no objections.

8 MS. BROWN: That would be fine.

9 COMMISSIONER DEASON: That would be fine then. Is  
10 there anything else that needs to come before the  
11 Commission at this time?

12 MS. BROWN: Nothing else at this time.

13 COMMISSIONER DEASON: Anything from any of the  
14 parties? Hearing none, this hearing is adjourned.

15 (Hearing concluded at 4:00 p.m.)  
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25

1  
2 CERTIFICATE

3 State of Florida )  
4 )  
5 County of Leon )

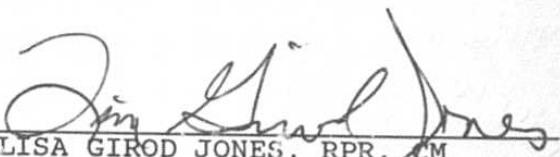
6 I, LISA GIROD JONES, Registered Professional  
7 Reporter, and Notary Public in and for the State of Florida  
8 at Large, at Tallahassee, Florida, do hereby certify as follows:

9 THAT I correctly reported in shorthand the  
10 foregoing proceedings at the time and place stated in the  
11 caption thereof;

12 THAT my shorthand notes were reduced to  
13 typewriting with the use of computer-aided transcription,  
14 and that the foregoing pages, 1 through 364, both inclusive,  
15 contain a full, true and correct transcript of the  
16 proceedings on said occasion;

17 THAT I am not a relative or employee or attorney  
18 or counsel of any of the parties or attorneys connected with  
19 the action, nor am I financially interested in the action.

20 DATED THIS 25th DAY OF June, 1992.

21   
22 LISA GIROD JONES, RPR, CM  
23 Notary Public, State of Florida  
24 at Large.

25 My commission expires: 5-11-93