



Matthew R. Bernier
Senior Counsel

November 9, 2016

VIA ELECTRONIC FILING

Ms. Carlotta Stauffer, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: *Joint petition to approve territorial agreement in Columbia, Lafayette, Suwannee, and Hamilton Counties by Suwannee Valley Electric Cooperative and Duke Energy Florida, LLC; Docket No. 160211-EU*

Dear Ms. Stauffer:

Please find enclosed for electronic filing, Suwannee Valley Electric Cooperative and Duke Energy Florida, LLC's Joint Response to Staff's First Data Request.

Thank you for your assistance in this matter. Please feel free to call me at (850) 521-1428 should you have any questions concerning this filing.

Respectfully,

s/ Matthew R. Bernier
Matthew R. Bernier

MRB/mw

Enclosures

cc: Walter Trierweiler (wtrierwe@psc.state.fl.us)
Joshua D. Crapps (gatorcrapps@yahoo.com)
Michael S. McWaters (mmcwaters@svec-coop.com)

**SUWANNEE VALLEY ELECTRIC COOPERATIVE
AND DUKE ENERGY FLORIDA, LLC'S JOINT RESPONSE TO
STAFF'S FIRST DATA REQUEST REGARDING THE
JOINT PETITION OF SUWANNEE VALLEY ELECTRIC COOPERATIVE
AND DUKE ENERGY FLORIDA, LLC FOR APPROVAL
OF A TERRITORIAL AGREEMENT IN COLUMBIA, LAFAYETTE,
SUWANNEE AND HAMILTON COUNTIES
DOCKET NO. 160211-EU**

- 1. Please describe any differences between the prior agreement which expired on March 14, 2015, and the proposed agreement, and the parties' rationale for the changes.**

Response:

The territorial boundaries in the proposed Agreement have been modified in comparison to those as set forth in the prior Suwannee Valley Electric Cooperative ("SVEC") and Duke Energy Florida ("DEF") territorial agreement approved by the Commission on August 6, 1990, by Order No. 23310 in Docket No.890780-EU for Hamilton county, and on March 14, 1995, by Order No. PSC-95-0351-FOF-EU in Docket No. 940331-EU for Columbia, Lafayette, Madison and Suwannee counties.

The territorial boundary maps were modified in several areas as shown on Attachment 1. During the mapping geospatial analysis process, DEF and SVEC discovered that select parcels were divided by the prior territorial boundary lines. The territorial boundaries were modified to eliminate the split parcels and to create a more uniform boundary using roadways, waterways and parcel lines where possible.

Additionally, the territorial boundary maps in the proposed Agreement have been updated to a GIS format and demonstrate the territorial boundary lines in much greater detail. A written description is included in the proposed agreement as required pursuant to Rule 25-6.0440(1)(a), F.A.C.

Like the prior agreements, the proposed Agreement has been negotiated for a term of 20 years; however, after the expiration of the 20-year term, the proposed Agreement shall remain in effect until and unless either Party provides written notice of termination at least 12 months prior to termination.

- 2. Paragraph 4 of the joint petition states that "the modified territorial boundaries are depicted in the Territorial Boundary maps attached in Exhibit A." Please provide a**

higher quality single map clearly depicting the old territorial boundaries and the modified territorial boundaries.

Response:

A map showing the territorial boundaries in the prior territorial agreement and the proposed modified territorial boundaries is attached as Attachment 1.

- 3. Please provide a single map that clearly displays the 68 customers being transferred from SVEC to DEF and the 131 customers being transferred from DEF to SVEC.**

Response:

A map showing the extra-territorial customers before and after the transfer is attached as Attachment 1.

- 4. Are the parties abiding by the terms of the prior agreement for the period of time between its expiration and the Commission's decision on the new agreement? If not, please explain.**

Response:

Yes, the parties have been abiding by the terms of the prior agreement and have worked together collaboratively to construct the proposed Agreement.

- 5. Is it the intent of DEF and SVEC to exchange any facilities or purchase any facilities from the transfer utility? If so, please provide an estimate of the exchange and/or purchase price.**

Response:

As set forth in Section 3.3: Transfer of Related Service Facilities and in Section 3.4: Compensation for Transferred Facilities of the proposed Agreement, the parties may elect to purchase the electric facilities used exclusively for providing electric service to the transferred customers using a common engineering cost estimation methodology such as the Handy-Whitman index.

Should the proposed Agreement be approved, the parties intend to purchase certain facilities in order to serve the extra-territorial customers under the proposed agreement.

The parties have not prepared the valuation of the respective facilities at this time but plan to do so as soon as practical should the proposed Agreement be approved.

6. In reference to Section 2.5 of the Territorial Agreement, does either party expect to be found inadvertently providing service to customers not in its territory?

Response:

The parties have done a thorough analysis of the service territories and have identified and corrected all known existing territorial service encroachments in the proposed agreement. Therefore, the parties do not expect to find further inadvertent service issues. However, should an inadvertent service be identified, Section 2.5 of the proposed agreement shall be applied.

7. In reference to Section 3.4: Compensation for Transferred Customers of the Territorial Agreement:

a. What are the estimated amounts each party will pay for the transferred customers by rate class?

The amounts each party will pay for the transferred customers are unknown at this time and will depend on the date upon which each respective customer is transferred.

b. Is there a deadline for the compensation due for the transferred customers?

The parties have not set a deadline for the compensation due for the transferred customers; however, both parties intend to provide compensation within sixty days of the presentation of an invoice for going concern.

c. Please describe how the transfer and compensation received for the transfer of customers benefit both the entire customer base and the customers being transferred.

Customers as a whole are benefited by the transfer of the identified customers because the customers are being transferred to the proper utility for the area in which the customers reside – this will avoid the uneconomic duplication of services which helps maintain lower rates for all customers, including those being transferred. Moreover, avoiding duplication of services enhances aesthetics, safety and reliability, including reducing restoration times and safety concerns

during a storm event by avoiding a situation where multiple utilities have service crews in the same area at the same time.

Customers as a whole, including those being transferred, benefit from the compensation received for the transferred customers because the payments help to match revenues to the projections upon which rates are set, thereby reducing instances of rate swings.

d. Is Section 3.4 a new provision, and what is the goal this provision is trying to accomplish?

Section 3.4 of the proposed agreement is comparable to Section 2.6 (d) of the territorial agreement as set forth in Docket No. 940331-EU for Columbia, Lafayette, Madison and Suwannee counties. The party losing the customers shall be compensated for the loss of revenue by the receiving party according to the provisions set forth in Section 3.4 of the proposed agreement.

e. How many of the total 199 customers being transferred are applicable for compensation?

All extra-territorial customers are subject to Section 3.4 under the proposed agreement.

f. Who would be considered a Temporary Service Customer?

Response:

As stated in Section 2.3 of the proposed agreement, the parties recognize that in exceptional circumstances, economic constraints or good engineering practices may indicate that a new customer may not be immediately served by the party whose territorial service area the customer is located within. In such instances, the parties may agree to temporarily provide service the new customer. Any such agreement for temporary service which lasts, or is anticipated to last, for more than one year shall be submitted to the Commission for approval in accordance with Section 5.1 of the proposed agreement.

Additionally, should any inadvertent service customers under Section 2.5 be identified, until service by the other party can be reasonably established, the inadvertent service will be deemed to be temporary service and governed in accordance with Section 2.3 of the proposed agreement.

8. Does this Territorial Agreement supersede any prior agreements with Madison County? How do the companies intend to address these agreements?

Response:

Yes. The SVEC Territorial Area proposed in this Agreement does not include any area in Madison county, and DEF does not share any territorial boundaries with SVEC in Madison county, therefore, Madison county has been removed from this proposed agreement.

9. **DEF and SVEC submitted a joint petition to the Commission on March 9, 2016, requesting to reopen and extend the term of their existing territorial agreement in Columbia, Lafayette, Madison, and Suwannee Counties. The joint petitioners' request for the six-month extension to complete negotiations was approved by Commission Order No. PSC-16-02360-CO-EU, issued June 13, 2016, in Docket No. 160056-EU. The current petition, which was submitted at the completion of the six-month extension, includes a territorial agreement for Columbia, Lafayette, Suwannee, and Hamilton Counties.**

- a. **Please explain and describe why Madison County has been excluded from the currently proposed territorial agreement (was included in Docket No. 160056-EU).**

The parties desired to reopen and extend the term of the Territorial Agreement through September 14, 2016, in order to provide sufficient time to reach a successful conclusion of their negotiations, and to seek Commission approval of the resulting new territorial agreement. During this time, the parties determined that SVEC and DEF do not share any territorial boundaries in Madison county, and therefore, Madison county has been removed from this proposed agreement.

- b. **Please explain and describe why Hamilton County has been added to the currently proposed territorial agreement between DEF and SVEC.**

Response:

The parties desire to consolidate the agreement for Hamilton with the agreement for Columbia, Lafayette, and Suwannee counties into one agreement to better serve their interests and the interests of their customers.

10. **Please refer to Section 0.4 in Page 7 of 315 of the Territorial Agreement which states that “the Parties are also parties to a territorial agreement in Hamilton County, which was approved by Commission Order No. 23310 issued August 6, 1990, in Docket No. 890780-EU (the “Expired Agreement”). Please state when the parties’**

agreement with Hamilton County expired and please explain how the terms of the agreement were in compliance since it expired.

Response:

The parties' agreement in Hamilton county expired on August 20, 2010. The parties desire to consolidate the agreement for Hamilton with the agreement for Columbia, Lafayette, and Suwannee counties into one agreement. The parties needed to perform due diligence to evaluate the prior agreements and determine any boundary conflicts. Part of this due diligence included validating the proposed territorial boundaries in Hamilton county. After the expiration of the Hamilton agreement, the parties continued to abide by its term while the new agreement was being negotiated.

- 11. In the absence of Madison County's inclusion in the currently proposed agreement in Docket No. 160211-EU, please state which electric utility will serve the Madison County electric customers, how many, and under what authority?**

Response:

The SVEC Territorial Area proposed in this Agreement does not include any area in Madison county because SVEC does not serve any customers in that county. DEF has shared boundaries in Madison county with another utility which is separate and distinct from the territorial boundaries set forth in this proposed agreement with SVEC.

- 12. How many Madison County customers were being served by DEF and by SVEC when the joint petitioners requested the extension in Docket No. 160056-EU?**

Response:

As was stated in Section 1.3 of the prior Columbia, Lafayette, Madison and Suwannee counties territorial agreement, all areas in Madison are part of DEF's service territory, (then "Florida Power Corporation" or "FPC" and now DEF) and thus deemed part of the DEF territorial area for purposes of the agreement, unless otherwise specified in other territorial agreements between DEF and other electric utilities. The SVEC Territorial Area does not include any area in Madison county, and DEF does not share any territorial boundaries with SVEC in Madison county, therefore, Madison county has been removed from this proposed Agreement.

DEF serves approximately 3,768 customers in Madison county under a territorial agreement with another utility.

13. Section 1.6 of the Territorial Agreement alludes to the fact that modifications of the Territorial Boundary Lines will result in new extra-territorial customers. Please state how many extra-territorial customers will be created by the modified boundary lines, and please explain with a timeframe if these customers will later be served by their respective utilities.

Response:

During the mapping geospatial analysis process, DEF and SVEC discovered that select parcels were divided by the prior territorial boundary lines. The territorial boundaries were modified to eliminate the split parcels. Additionally, some customers were identified as extra-territorial customers in order to remove duplication of service, eliminate dangerous conditions such as multiple electrical line crossings, and create a more uniform boundary. The number of DEF customers that would be transferring to SVEC in the above situations is 15 and the number of SVEC customers that would be transferring to DEF is 27. The timeframe for accomplishing the transfer is up to 36 months, as outlined in section 3.1.

14. Have the parties received any customer feedback concerning the proposed agreement, to date? If so please provide an update.

Response:

SVEC has received no customer feedback concerning the proposed agreement.

DEF has received customer feedback from three customers. All of the customers were personally contacted by DEF. All customers stated they wanted to remain as customers of DEF. The issues of concern from these customers subject to transfer from DEF to SVEC was reliability of service, higher rates, vegetation management practices, and comparative restoration times during Hurricane Hermine. All of the customers were given the docket number and were provided information on how to provide comments to the PSC via the PSC web address.

15. The joint petition describes that this agreement is to “avoid duplication of services and wasteful expenditures as well as to best protect the public health and safety from potentially hazardous conditions”. Please expound on these points and

describe how this change will benefit both the entire customer base as well as the specific customers being transferred.

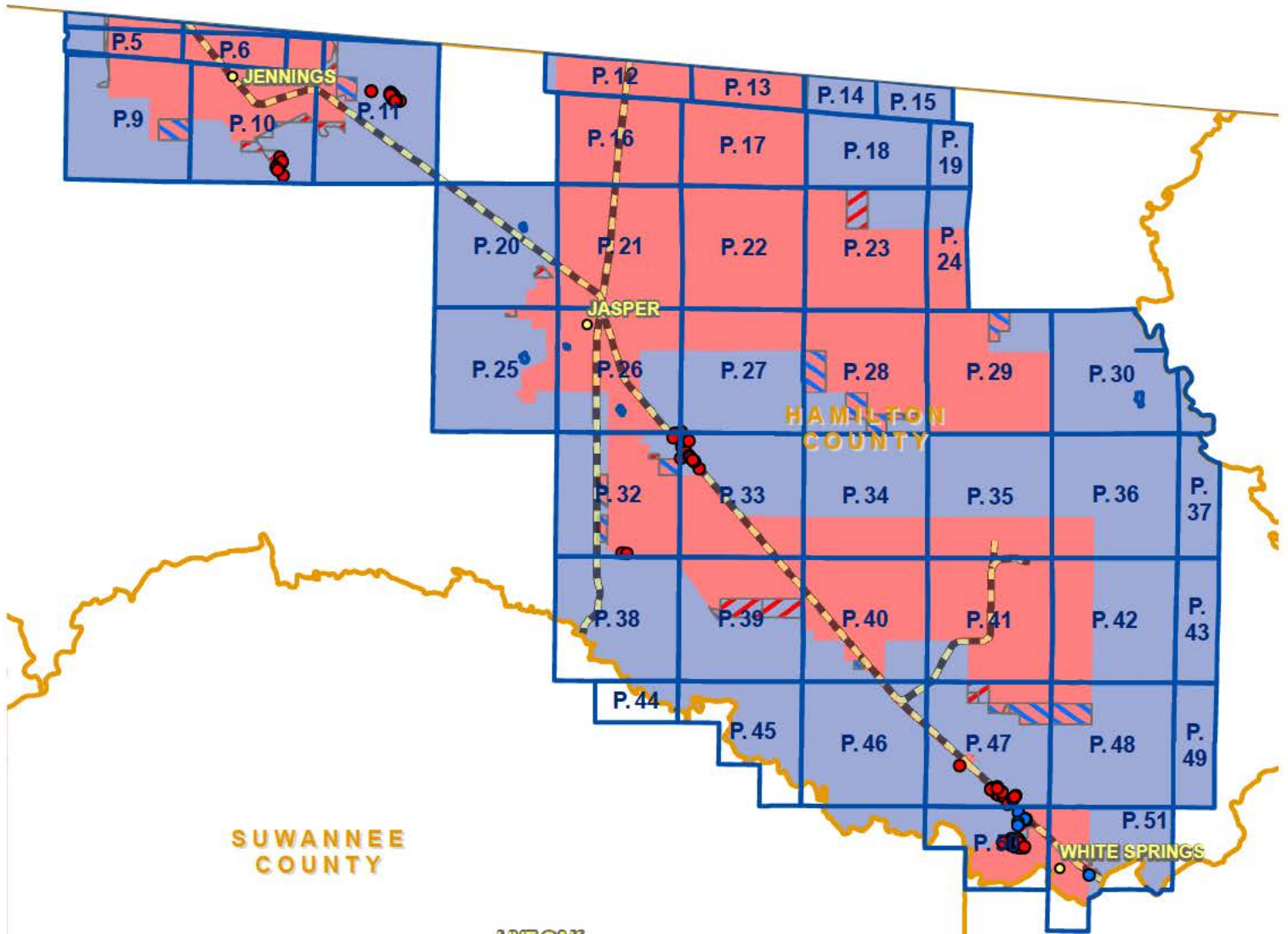
Response:

Please see the response to 7c, above.

**DUKE ENERGY - SUWANNEE VALLEY ELECTRIC COOPERATIVE
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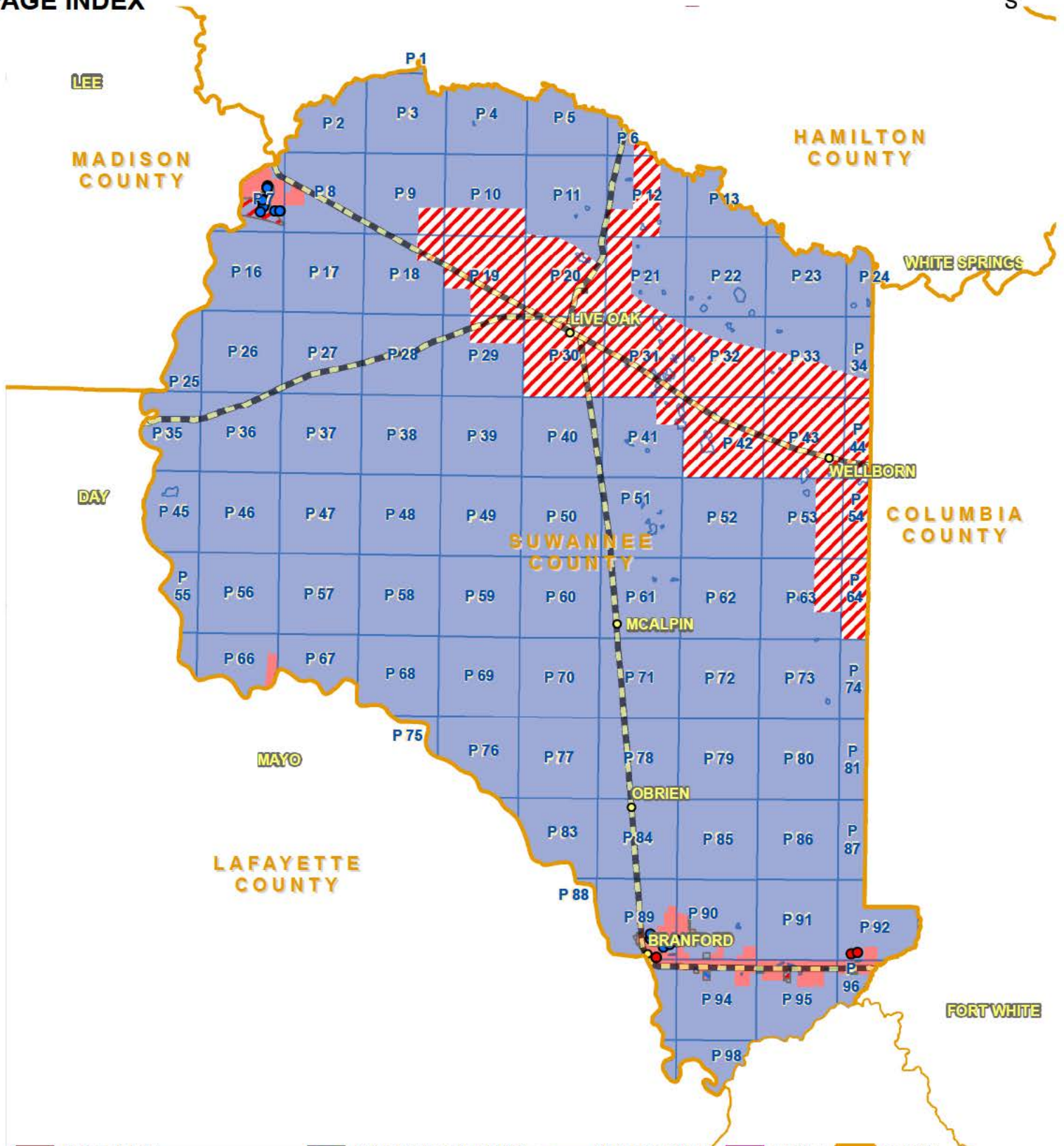
State of
Georgia



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| Duke Energy | Duke territory to SVEC | Major Roadways | Section | County |
| Suwannee Valley Electric CoOp | SVEC territory to Duke | Railroads | Parcel | City and Place Names |
| Not Part of this Agreement | Duke Customer to SVEC | | Water | |
| | SVEC Customer to DEF | | | |



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