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October 9, 1989

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Mr. Steve C. Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32301

Re: Tampa Electric Company vs. Florida Power Corporation
FPSO Docket No. 890546-EI

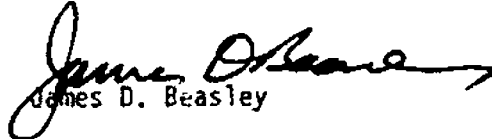
Dear Mr. Tribble:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Prepared Direct Testimony of John R. Rowe, Jr.

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


Thank you for your assistance in connection with this matter.

Sincerely,


James D. Beasley

- ACK
- AFA _____
- APP _____
- CAF _____
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Mr. Steve C. Tribble
October 9, 1989
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CERTIFICATE OF SERVICE


I HEREBY CERTIFY that a true copy of the foregoing Prepared Direct Testimony of John R. Rowe, Jr. has been furnished by U. S. Mail to the following parties of record, this 9th day of October, 1989:

Mr. Albert H. Stephens
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Florida Public Service Commission
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Tallahassee, Florida 32399-0832



ATTORNEY

*By Hand Delivery

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

JOHN R. ROWE, JR.

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Q. Please state your name and business address and please summarize your educational background and business experience.

A. My name is John R. Rowe, Jr. I am Assistant Vice President of Tampa Electric Company. My business address is 702 North Franklin Street, Tampa, Florida 33602. I was educated in the public schools of Birmingham, Alabama, Evansville, Indiana and Mt. Lebanon, Pennsylvania. In 1962, I graduated from the Georgia Institute of Technology with a degree in Industrial Management. In 1971, I graduated from the University of South Florida with a Master of Business Administration degree. I am a Certified Public Accountant licensed in Florida and an active member of the Florida and American Institutes of Certified Public Accountants.

I joined Tampa Electric Company in July 1962 as a management trainee, and I have served in a variety of managerial positions in Customer accounting, credit,

1 rates, general accounting and regulatory activities over
2 the last 27 years. I was elected Assistant Controller in
3 1974, Controller in 1981 and I was elected to my present
4 position in 1984.

5
6 Q. Please describe your duties as Assistant Vice President
7 of Tampa Electric Company.

8
9 A. I am directly responsible for all matters of Tampa
10 Electric Company which come before the Florida Public
11 Service Commission and the Federal Energy Regulatory
12 Commission. As such, I am charged with developing,
13 coordinating and implementing courses of action which
14 appropriately balance the interests of Tampa Electric's
15 Customers and Tampa Electric's responsibilities as a
16 public utility under the law with the responsibilities to
17 its investors.

18
19 Q. What is the purpose of your testimony?

20
21 A. The purpose of my testimony is to describe how the
22 response by Florida Power Corporation ("Florida Power")
23 to serve plant locations and facilities of Agrico
24 Chemical Company ("Agrico") located in the Polk County
25 territory of Tampa Electric Company ("Tampa Electric")

1 would be in violation of the Commission-approved 1960
2 Territorial Agreement between Tampa Electric and Florida
3 Power and is otherwise not in the public interest.
4

5 Q. Please describe the Polk County service you currently
6 provide to Agrico.
7

8 A. Agrico is a large industrial phosphate company with both
9 mining and chemical operations located in Tampa
10 Electric's service area, primarily in Polk County.
11 Agrico also owns contiguous property and conducts mining
12 operations in Hardee County within the adjacent service
13 area served by Florida Power.
14

15 As far as fixed facilities are concerned, Agrico
16 currently operates two phosphate ore processing plants in
17 Polk County which were referred to by Agrico as its Fort
18 Green and Payne Creek plants. Both of these facilities
19 are located in Tampa Electric's service area and
20 traditionally have been served by Tampa Electric.
21

22 Q. Please describe Agrico's dragline operations and related
23 facilities.
24

25 A. Agrico presently operates five draglines which serve two

1 fixed plants. All these facilities traditionally have
2 been served by Tampa Electric. Tampa Electric was not
3 apprised of Agrico's extension of mining operations into
4 Hardee County until October 24, 1988. Thereafter, Tampa
5 Electric continued to serve this dragline load just
6 across the Hardee/Polk County line until the longer term
7 location of the draglines could be determined. On
8 December 20, 1988 Agrico informed Tampa Electric that
9 they had requested Florida Power to provide service,
10 beginning in February 1989, to two of Agrico's draglines
11 then served by Tampa Electric which had been moved into
12 Hardee County.

13
14 Tampa Electric traditionally has provided 69 KV service
15 to a point at or near each of the processing plants in
16 Polk County. This 69 KV service is then stepped down to
17 primary voltage levels by various Tampa Electric and
18 Agrico owned or leased substations. Agrico has
19 constructed its own distribution system from the service
20 delivery (metering) points to the plant and draglines
21 (which move about to mine the phosphate ore at various
22 locations). This ore is delivered back to the processing
23 plant via slurry pipelines that are powered by electrical
24 pumps which are also connected to the Customer-owned
25 distribution system.

1 Q. What prompted Tampa Electric's complaint against Florida
2 Power?

3
4 A. On January 20, 1989 Agrico met again with Tampa Electric
5 and advised us of Agrico's intent to construct a 69 KV
6 subtransmission line from the Fort Green processing plant
7 within Polk County to Florida Power's transmission feeder
8 in Hardee County. In essence, Agrico indicated its
9 intent to pursue a course of action which, if agreed to
10 by Florida Power, would contravene the territorial
11 agreement between Tampa Electric and Florida Power. In
12 addition, we felt that the proposed arrangement would
13 violate certain other provisions of Chapter 366, Fla.
14 Statutes, including the express goal of the Legislature
15 to avoid uneconomic duplication of generation
16 transmission and distribution facilities.

17
18 Q. What was the Agrico course of action?

19
20 A. In essence, Agrico indicated to us their desire to
21 construct a transmission line from our service area into
22 Florida Power's service area. From this point within
23 Florida Power's service area, Agrico would then take
24 power and export it north of the county line into Tampa
25 Electric's service area where it would be used to power

1 Agrico facilities whose needs traditionally have been
2 supplied by Tampa Electric. This would include,
3 according to Agrico, the fixed facilities (beneficiation
4 plant and washer), as well as the mobile draglines and
5 related slurry pumps and other field equipment. Agrico
6 has already begun to serve some of its dragline and pump
7 load located north of the Polk County territorial
8 boundary line in Tampa Electric's territory with power
9 taken from Florida Power at a point south of the
10 territorial boundary within Hardee County. Agrico's
11 Payne Creek facilities are even closer to the territorial
12 boundary than its Fort Green facilities, and the one
13 dragline served from this metering point has been
14 operating in Hardee County. The Payne Creek dragline is
15 projected to complete its mining operations in Hardee
16 County in late 1989 and move north back into Polk County.

17
18 Q. Why is the proposed service arrangement between Florida
19 Power and Agrico in violation of the Tampa
20 Electric/Florida Power Territorial Agreement?

21
22 A. Tampa Electric and Florida Power are parties to a
23 territorial letter agreement dated February 29, 1960,
24 which was approved by Commission Order No. 2948, issued
25 July 5, 1960, in Docket No. 6081-EU. This agreement

1 defines all of the approved service area boundaries
2 between Florida Power and Tampa Electric relative to
3 Polk, Pinellas, and Pasco Counties as of the time the
4 agreement was executed. The 1960 agreement has been
5 amended three times over the years, but none of the
6 amendments affect the Commission-approved territorial
7 border line dividing Tampa Electric's provision of
8 electric service within Polk County from electric service
9 provided by Florida Power to the south and Hardee
10 County. Amendments to the 1960 agreement have been
11 approved and the agreement has been reaffirmed by this
12 Commission.

13
14 The 1960 agreement contains two provisions, making it
15 clear that neither party should serve outside its
16 respective service area:

- 17
18 1. Neither company will serve, or offer to
19 serve, a customer outside its service area
20 as shown on the attached maps.
21 2. In the event a customer applies for
22 service to the company not serving the
23 area, the customer will be promptly
24 referred to the company serving the area
25 in which the customer is located.

26 Florida Power has effectively breached these provisions
27 by acceding to Agrico's response, which Florida Power
28 well knows will cause delivery of Florida Power's

1 electricity to be carried into Tampa Electric's service
2 territory in Polk County. In other words, Florida Power
3 has acquiesced to Agrico's construction of its own
4 transmission line from its Fort Green facility into
5 Hardee County and Florida Power has provided electric
6 service to Agrico facilities located north of the
7 territorial boundary via Agrico owned subtransmission
8 lines. This action effects a violation of the
9 Commission-approved Territorial Agreement between Tampa
10 Electric and Florida Power.

11
12 Agrico's Polk County facilities were established in 1975
13 in an area traditionally served by Tampa Electric, and,
14 indeed, all of Agrico's purchases of electricity have
15 been from Tampa Electric within Polk County until
16 recently. Agrico's switch to service by Florida Power is
17 based on Agrico's stated view that a Customer may
18 designate the electric utility from which service may be
19 taken. Allowing Agrico the unilateral discretion to
20 determine use of facilities of electric utilities would
21 totally frustrate this Commission's authority and Tampa
22 Electric's responsibility regarding the planning,
23 development and maintenance of a cost effective,
24 coordinated electric power grid throughout Florida.

1 Additionally, if any part of Agrico's electrical
2 facilities located within Polk County are permitted to
3 leave Tampa Electric's system for Florida Power, Tampa
4 Electric's remaining Customers, who are unable to build
5 transmission lines or otherwise take service from other
6 utilities, would be adversely affected. In that
7 situation, Tampa Electric's remaining Customers would
8 have to make up the revenue requirements associated with
9 the facilities previously built for Agrico's use. Prior
10 to Agrico's departure for the service of Florida Power,
11 Tampa Electric's Customers had been able to recover those
12 revenues from Agrico.

13
14 Q. What will be the impact on Tampa Electric and its
15 Customers if Agrico is permitted to take service from
16 Florida Power in its territory and transport that power
17 to Agrico's plant located in Tampa Electric's territory?

18
19 A. Currently, Tampa Electric has considerable capital
20 invested in the plant facilities with which the company
21 provides electric service to Agrico's Fort Green mining
22 operations in Polk County. In Tampa Electric's 1984
23 approved Cost of Service Study, the company's investment
24 to serve Agrico's Fort Green mining operation was
25 approximately \$19.0 million (\$17.1 million of this was

1 production plant investment based on the equivalent
2 peaker cost of service methodology). This investment
3 will be stranded if Agrico successfully abandons service
4 from Tampa Electric.

5
6 In 1988, and during 1989 to the date that Agrico switched
7 service from Tampa Electric to Florida Power, Tampa
8 Electric received \$3.8 million in annual base revenues
9 from Agrico for supplying service to the Agrico Fort
10 Green facilities and \$2.7 million in annual base revenues
11 from the Agrico Payne Creek facilities, both of which are
12 located in Polk County. If Agrico is permitted to
13 continue to take power from Florida Power to serve Polk
14 County facilities, Tampa Electric will lose these base
15 revenues in their entirety. As I indicated earlier,
16 these revenues will have to be made up by the remaining
17 Tampa Electric Customers. In that event, Tampa Electric
18 will find its rates to be less competitive than they are
19 now, and will feel pressure from other large industrial
20 Customers to abandon their points of service with Tampa
21 Electric in favor of electric service from other
22 sources. Additionally, if the Commission permits this
23 arrangement, there will be no basis for stopping other
24 similar occurrences. This "range war" could result in a
25 death spiral of rate increases as each succeeding large

1 Customer leaves the Tampa Electric system in favor of
2 other utilities. This scenario would take place even
3 though the neighboring utilities who assume the load
4 would likely have to purchase the capacity to serve the
5 transient Customers from Tampa Electric, since few
6 Florida utilities have capacity sufficient to serve these
7 additional loads. The stranded Tampa Electric capacity
8 would likely be sold on the broker system at prices far
9 below full revenue requirements.

10
11 Q. Agrico has indicated in its various pleadings that it
12 must have one utility serve its entire operation in order
13 to avoid various problems caused by service interruptions
14 resulting from more than one utility serving them. Is
15 there any reasonable basis for this position?

16
17 A. Absolutely not. Agrico contends that if the pipeline
18 systems used in their process were powered by electricity
19 purchased from more than one supplier and that an
20 interruption occurred in one supplier service, then some
21 of the pumps and the pipelines would be shut down while
22 those powered by electricity purchased from another
23 supplier would continue to operate. Agrico goes on to
24 contend that this would subject the pipeline system to
25 severe "water hammer," creating the possibility of

1 exploding pumps. The chances of this occurrence is
2 greater in part because Agrico has chosen to be served on
3 the interruptible rate schedule which means that they
4 expect to be interrupted periodically in turn for the
5 lower interruptible rate. While the occurrence of "water
6 hammer" may be a possibility, there are devices which can
7 be used on the system to avoid only part of the system
8 shutting down. There is technology readily available
9 which would automatically shut down all the pumps if any
10 one of the pumps should be interrupted because of a power
11 outage or otherwise. Likewise, as to any other part of
12 its operations, there are devices available to make
13 certain that the entire system shuts down simultaneously
14 in the event of any power interruption to any portion of
15 the operation. I am aware that there are such devices in
16 operation today being used successfully by others.

17
18 Q. If Agrico's contention that they need service from one
19 electric utility to avoid hazards to its system is not
20 supportable, then why else would Agrico be seeking to
21 receive power from Florida Power instead of Tampa
22 Electric?

23
24 A. For many years, particularly during the 1960s and early
25 1970s, large industrial Customers frequently switched

1 service between the electric utilities in search of the
2 lowest possible price. That practice was decried by the
3 Commission and the utilities alike, as being harmful to
4 the public. Indeed, the Commission sought to end the
5 practice by invoking the "most favored nation"
6 procedure. Under that procedure, the serving utility
7 could provide service to a large industrial Customer at
8 the same price as that being offered by an adjacent
9 utility. For a long period of time thereafter, however,
10 the rates for the utilities remained in close parity.
11 The Commission ultimately terminated the practice because
12 some utilities were having to charge prices below cost.
13 Now, however, we are again seeing substantial price
14 differences between the utilities. As a result,
15 industrial Customers are once again shopping for service
16 on the basis of price. We do not see anything
17 philosophically wrong with seeking out the lowest cost
18 provider in a truly competitive environment. However, in
19 a regulated environment, where the plans to build and
20 serve and the resulting prices are set only with the
21 approval of this Commission, rate shopping creates an
22 economically severe hardship on the losing utility's
23 remaining Customers in the form of stranded investment
24 and loss of revenue. Moreover, if severe enough, this
25 condition will result in the earlier described death

1 spiral of rate increases and the continual loss of
2 Customers.

3
4 As I stated earlier, there is even some doubt on Tampa
5 Electric's part that Florida Power has the capacity to
6 serve Agrico on an interruptible rate schedule. Florida
7 Power would likely have to purchase power from others in
8 order to serve any incremental load on their system, and
9 Florida Power has petitioned this Commission to cap its
10 interruptible rate availability in recent Commission
11 cogeneration proceedings.

12
13 Q. How does the natural cyclical addition of capacity in the
14 State of Florida affect the utilities' cost of service?

15
16 A. Generally, costs are increased as new production plant is
17 added, because new plant is normally more expensive than
18 embedded plant. The degree to which this affects the
19 utility's rates depends primarily upon the type of plant
20 added, the amount of plant added relative to the amount
21 of embedded plant, and the way in which the costs are
22 allocated. The utility who adds plant last is usually at
23 a price disadvantage temporarily until other utilities
24 reach their turn in the cycle and add plant. This
25 process occurs naturally, but the effects can be managed.

1
2 The Territorial Agreements provide a stable environment
3 in which the utility is assured that its prudent
4 investment in plant and facilities and revenue stream
5 will not be at risk simply because an adjoining utility
6 has lower rates prescribed by the Commission. As this
7 Commission observed in approving the 1960 agreement:

8
9 . . . Duplication of public utility facilities
10 is an economic waste and results in higher
11 rates which the public must pay for essential
12 services . . . In the absence of a specific
13 statute limiting the service area to various
14 public utilities, territorial agreements such
15 as we are concerned with here constitute no
16 unreasonable restriction on the Commission's
17 powers, actually assist the Commission in the
18 performance of its primary function of
19 procuring for the public essential utility
20 services at reasonable costs.

21 Obviously, the Agrico/Florida Power response disregards
22 the broader issues and seeks to satisfy Agrico's and
23 Florida Power's financial interests at the expense of
24 Tampa Electric and its general body of Customers. Sooner
25 or later the situation would be reversed because of the
cyclical addition of plant and Agrico would then want to
switch back to Tampa Electric's system. If this were
permitted, Florida Power's other Customers would then be
hurt in the same way that Tampa Electric's other
Customers could now be hurt.

1 Q. What relief do you seek from the Commission?

2

3 A. What we seek is an order of the Commission reaffirming
4 the terms of the 1960 territorial agreement and
5 explicitly prohibiting Florida Power from providing
6 electricity to Agrico for exportation across the
7 Polk/Hardee County line to power facilities within Tampa
8 Electric's Commission approved service area. This
9 includes draglines operating in Polk County and all
10 equipment associated with them as well as the
11 beneficiation and washer plants. We do not ask the
12 Commission to take any action against Florida Power with
13 respect to service provided by Florida Power to Agrico
14 draglines located wholly within Hardee County (i.e., in
15 Florida Power's service area). Further, we can
16 understand that a dragline operating at or near the
17 boundary line between the two service areas might need to
18 cross from one side of the boundary line to another for a
19 period of time prior to residing on a continuous basis in
20 one of the two service areas. Effective relief for this
21 temporary situation can be granted by something other
22 than an absolute prohibition of power being provided
23 beyond the boundary line. We think appropriate measures
24 can be taken to accommodate this crossing back and
25 forth. However, we strongly believe that if

1 Commission-approved service territories are to have any
2 integrity and meaning, the Commission should continue to
3 supervise and enforce them in the case of both the mobile
4 and fixed facilities of Agrico which are located wholly
5 within Tampa Electric's service area.

6
7 Q. But hasn't Agrico proposed to build its own transmission
8 lines south into the Florida Power service area?

9
10 A. Yes, but we view this to be no different than what the
11 Court disallowed in Lee County Electric Cooperative v.
12 John R. Marks, 501 So.2d 585 (Fla. 1987). If Florida
13 Power agrees to provide Agrico service under the
14 circumstances I have described, this would constitute a
15 breach of the Commission approved territorial agreement
16 between Florida Power and Tampa Electric. As the Court
17 held in the Lee County case, a utility should not be
18 permitted to do indirectly that which it is prohibited
19 from doing directly.

20
21 Q. Mr. Rowe, is Tampa Electric ready, willing and able to
22 continue serving all electrical needs of Agrico north of
23 the Polk/Hardee County boundary line separating the
24 service areas of Tampa Electric and Florida Power?

25

1 A Yes, we certainly are. In fact, we have always met
2 Agrico's electrical needs and we stand ready to continue
3 to do so in the future. We believe we must do so in the
4 context of the larger good of all of our Customers within
5 the framework of our regulated industry.

6
7 Q. Mr. Rowe, please summarize your testimony.

8
9 A. We are before the Commission in an effort to preserve the
10 integrity of Tampa Electric's Commission-approved service
11 territory in the face of Agrico's indication that it is
12 switching its Polk County electrical load to service by
13 Florida Power. We are asking for an order of the
14 Commission prohibiting Florida Power from providing
15 electricity to Agrico for exportation across the
16 Polk/Hardee County line to power draglines and other
17 equipment as well as the beneficiation and washer plants
18 operated by Agrico in Polk County. The net effect of
19 Tampa Electric losing this load will be the loss of an
20 estimated \$6.5 million in annual base revenues for
21 supplying service to the Agrico facilities in Polk
22 County. These revenues would have to be made up by the
23 remaining Tampa Electric Customers. Moreover, Tampa
24 Electric would be left with significant stranded
25 investment absent the relief we have requested.

1 The Agrico/Florida Power arrangement is contrary to the
2 goal of avoiding unnecessary duplication of public
3 utility facilities and would ignore the purpose
4 historically served by Commission-approved territorial
5 agreements. Tampa Electric is ready, willing and able to
6 continue serving all of the electrical needs of Agrico
7 north of the Polk/Hardee County boundary line separating
8 the service areas of Tampa Electric and Florida Power.
9 We would urge that the Commission enter an appropriate
10 order upholding Tampa Electric's right to provide such
11 service.

12
13 Q. Does this conclude your testimony?

14
15 A. Yes it does.
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25