

DIRECT TESTIMONY OF

GERALD E. WARREN, II

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

REGARDING SEBRING UTILITIES COMMISSION

DOCKET NO. 920949-EU

**Resource Management International, Inc.
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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DIRECT TESTIMONY OF
GERALD E. WARREN, II**

In re: Joint Petition of Florida Power
Corporation and Sebring Utilities
Commission for Approval of Certain
Matters in Connection with Sale of Certain
Assets By Sebring Utilities Commission
to Florida Power Corporation

Docket No. 920949 FU

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A My name is Gerald "Jerry" E. Warren, II. My business address is 7115 Lake Ellenor
3 Drive, Orlando, Florida 32809.

4 Q. BY WHOM ARE YOU EMPLOYED?

5 A I am Vice President of Florida Consulting with the firm Resource Management
6 International, Inc. (RMI). I am responsible for consulting services provided from both
7 our Orlando and West Palm Beach, Florida offices.

8 Q. PLEASE SUMMARIZE YOUR FORMAL EDUCATION.

9 A In 1972, I received a Bachelor of Science in Electrical Engineering from the University
10 of Florida. I graduated with honors with my focus of studies in power systems.

11 Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

12 A I have over 20 years of experience in electric utility planning, operations, engineering,
13 finance and management. From September 1972 through April 1976, I was employed
14 by R. W. Beck & Associates, a nationwide consulting engineering firm. During that
15 period, I assisted in the preparation of power supply planning studies, financial feasibility
16 studies, financing plans, and the preparation of testimony before various regulatory
17 agencies. I was also responsible for the planning, design, and project management of
18 various transmission and distribution facilities.

19 From May 1976 through August 1989, I was employed by Gainesville Regional Utilities.
20 During eight of those years, I was Director of the utility's planning department. In that
21 role, I planned generation, transmission, and major distribution facilities. In addition,
22 I carried out the utility's financial planning. In that regard, I was responsible for
23 obtaining the necessary debt capital to finance the utility system's capital construction
24 program. During that timeframe, I directed the utility's financings which included a
25 \$186 million refinancing of the utility's outstanding debt, the implementation of a \$50

1 million tax-exempt commercial paper program, plus the permanent and interim financings
2 associated with the construction of a 235 MW coal-fired power plant.

3 I was also responsible for joint planning activities with other utilities in the interconnected
4 Florida transmission system. I negotiated interchange contracts with the other Florida
5 generating utilities which provided for the purchase and sale of firm, non firm, and
6 emergency power.

7 Subsequently, I served for three years as General Manager of the combined electric,
8 water, and wastewater utility system. The utility provided service to 56,000 customers,
9 had assets in excess of \$583 million, had an annual operating budget of \$129 million, and
10 employed over 700 people. As General Manager, I was responsible for all phases of the
11 executive management of the utility system including the planning, design, construction
12 and operation of all utility facilities and personnel.

13 I have been employed by RMI since September 1989. In that timeframe, I have
14 performed or directed various power supply, transmission, financing and
15 management/organizational studies associated with electric utilities. I have carried out
16 negotiations on behalf of client utilities and have performed various financial evaluations
17 for our clients.

18 I am a Registered Professional Engineer in the State of Florida.

19 **Q. PLEASE PROVIDE AN OVERVIEW OF THE CAPABILITIES OF YOUR FIRM.**

20 A. Resource Management International, Inc. (RMI) is an engineering and management
21 consulting firm with expertise in the areas of energy, water and waste management. Our
22 staff of nearly 300 covers a broad range of disciplines including analysts, economists,
23 rate specialists, engineers, and environmental specialists.

24 RMI provides its services to publicly and privately owned utilities, REA cooperatives,
25 cities, water districts, legal and financial firms, and government agencies. The firm

1 provides its services on a national and international basis from its offices in Sacramento,
2 California; Portland, Oregon; Phoenix, Arizona; Columbus, Ohio; Austin, Texas;
3 Albany, New York; West Palm Beach and Orlando, Florida.

4 **Q. HAVE YOU PREVIOUSLY PROVIDED EXPERT TESTIMONY BEFORE**
5 **REGULATORY COMMISSIONS OR COURTS?**

6 A. Yes. As mentioned above, I served as the Director of Planning, and General Manager
7 for a large Florida municipal utility. During that timeframe, I was periodically called on
8 to submit testimony and other information to various regulatory bodies and courts. Also,
9 I served as an expert witness on behalf of the Virgin Islands Public Service Commission
10 concerning the Virgin Islands Water And Power Authority's facilities and financing
11 plans.

12 **Q. WHOM DO YOU REPRESENT IN THIS PROCEEDING?**

13 A. RMI has been retained by the Sebring Utilities Commission (Sebring) to provide various
14 services associated with the sale of its electric distribution system. As a part of that
15 process, Sebring issued a Request for Proposals for the purchase of its electric
16 distribution system and certain remaining transmission facilities. RMI's services have
17 included the evaluation of the proposals received by Sebring, the valuation of the
18 distribution system, the preparation of load and financial forecasts and assistance in
19 Sebring's negotiations with Florida Power Corporation (FPC).

20 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

21 A. FPC and Sebring have jointly petitioned the Florida Public Service Commission for a
22 number of approvals in connection with the sale of certain assets by Sebring to FPC.
23 My testimony focuses on the specific request by FPC and Sebring for PSC approval of
24 any "going concern" to be allocated to the Rate Base Asset portion of the Base Purchase
25 Price.

1 More specifically, my testimony addresses three primary areas: first, I define the term
2 "going concern" as used in the Joint Petition; second, I calculate the appropriate value
3 of the "going concern" and related benefits; and third, I explain that a positive finding
4 of "going concern" value will reduce the amount of the Sebring Rider as discussed in Mr.
5 Nixon's testimony and is in the public interest.

6 **Q. HAVE YOU PREPARED OR ARE YOU SPONSORING ANY EXHIBITS IN THIS**
7 **PROCEEDING?**

8 A Yes, I am sponsoring one exhibit which is attached to my testimony and identified as
9 Exhibit No. GEW-1 () -- Estimate of "Going Concern" and Related Benefits.

10 **DEFINITION OF "GOING CONCERN"**
11 **AND RELATED BENEFITS**

12 **Q. ARE YOU GENERALLY FAMILIAR WITH THE TERMS AND CONDITIONS OF**
13 **THE PROPOSED SALE OF SEBRING TO FPC AS SET FORTH IN THE**
14 **PURCHASE AND SALE AGREEMENT BETWEEN THOSE TWO PARTIES?**

15 A. Yes.

16 **Q. DOES THE AGREEMENT CONTEMPLATE A "GOING CONCERN" VALUE IN**
17 **THE ACQUISITION OF THE SEBRING SYSTEM?**

18 A. Yes, both the Purchase and Sale Agreement and the Joint Petition refer to "going
19 concern" value.

20 **Q. PLEASE EXPLAIN WHAT IS MEANT BY "GOING CONCERN" VALUE.**

21 A. "Going concern" value is the value of an already established and mature business as
22 compared to one that is not.

23 **Q. WHY WAS THE CONCEPT OF "GOING CONCERN" VALUE INCLUDED AS**
24 **PART OF THE ACQUISITION OF THE SEBRING SYSTEM?**

25 A. There are two main reasons that the concept of "going concern" was included in the

1 acquisition of the Sebring system.

2 (1) As I will demonstrate later in my testimony, there is a measurable dollar
3 value associated with the "going concern" and other related benefits that
4 will flow to FPC as part of that company's acquisition of the mature
5 Sebring system. It is important and proper to recognize the value of
6 those assets in setting the level of the Sebring Rider.

7 (2) The Sebring predicament is clearly an extraordinary situation. Even with
8 acquisition by FPC, the Sebring ratepayers will face high rates due to the
9 payment of a Transition Rate for 15 years. Any "going concern"
10 approved by the PSC for inclusion in FPC's rate base will decrease the
11 level of the Sebring Rider and minimize the financial impact on a large
12 group of severely burdened ratepayers.

13 **Q. WILL THE PURCHASE PRICE ASSOCIATED WITH THE TRANSACTION BE**
14 **AFFECTED BY THIS "GOING CONCERN" VALUE?**

15 **A.** No. As discussed under the terms of the Purchase and Sale Agreement, the Base
16 Purchase Price is capped at \$54,000,000. Any "going concern" value recognized by the
17 PSC will not affect this cap but will be used to offset, directly, the amount to be
18 recovered through the Transition Rate. In other words, "going concern" dollars will be
19 used to reduce the Transition Rate that will be charged to Sebring's rate payers.

20 **Q. ARE YOU SAYING THAT A FINDING BY THE COMMISSION OF "GOING**
21 **CONCERN" AND OTHER RELATED BENEFITS ASSOCIATED WITH THE**
22 **SEBRING SYSTEM WILL LOWER THE TRANSITION RATE TO SEBRING**
23 **RATEPAYERS FOLLOWING THE ACQUISITION BY FPC?**

24 **A.** Yes.

IDENTIFIED BENEFITS OF
"GOING CONCERN"

1
2

3 **Q. HOW HAVE YOU CALCULATED THE VALUE OF "GOING CONCERN" AND**
4 **OTHER RELATED BENEFITS IN THIS TRANSACTION?**

5 A. I have specifically identified, and assigned a value to, various elements of "going
6 concern" and other related benefits that FPC receives from the purchase of the up and
7 running Sebring system.

8 **Q. WHY IS THERE A VALUE ASSOCIATED WITH AN ALREADY ESTABLISHED**
9 **BUSINESS COMPARED TO ONE THAT'S IN A MORE DEVELOPMENTAL**
10 **PHASE?**

11 A. There are a number of reasons. For instance, the customer base of any up and running
12 business is more established. Developmental costs have already been expended and one
13 would expect that the rate of return on investment from an established business would be
14 higher than one in the early phases of its development. Furthermore, the risks associated
15 with the acquisition of a business in its infancy are clearly greater than those associated
16 with a mature business operation.

17 **Q. HOW CAN YOU DETERMINE IF THERE IS A GOING CONCERN VALUE?**

18 A. There are five criteria that generally must be met to prove that there is a going concern
19 value: (1) the business should be ongoing; (2) the business' distribution outlets should
20 be fixed; (3) the list of customers should be stable from year to year; (4) existing
21 contracts of the business should reflect an ongoing enterprise; and (5) employees of the
22 business should be sufficiently trained and experienced so as to be considered a team.

23 **Q. DOES THE SEBRING ELECTRIC SYSTEM MEET THESE CRITERIA?**

24 A. Yes, I will address each of the factors point by point:

25 (1) Sebring Utilities has been in business for 47 years and has approximately

1 13,000 customers. Like other Florida utilities, it is growing and is
2 continuing to make the necessary investments in its distribution system
3 to provide service for its existing and future customers. It should be
4 clearly understood that Sebring's current financial distress is strictly a
5 function of high debt. When viewed from other perspectives such as
6 load growth, O&M expenses, operating ratios, power supply costs, etc.,
7 Sebring exhibits strong indicators. This is important to understand since
8 a purchase alternative that eliminates the debt problem leaves the
9 acquiring utility, i.e., FPC, with a viable, ongoing business.

- 10 (2) In the case of an electric utility, the distribution outlets are the retail
11 customers and are largely fixed. This is the case with Sebring.
- 12 (3) The list of customers or at least the customer service addresses for an
13 electric utility do largely remain fixed year to year. This is the case with
14 Sebring.
- 15 (4) On February 28, 1991, Sebring entered into a 20 year wholesale power
16 supply agreement that provides for extensions beyond the initial 20-year
17 term. This contract gives clear indication that the business of selling
18 electricity to Sebring's ratepayers is here to stay.
- 19 (5) The tenure (service time) of Sebring's employees is a strong indication
20 of their experience and value to the utility system as a part of their staff
21 team. The average service time of Sebring's staff being retained by FPC
22 is nine (9) years. In the skilled craft area, the average is eleven (11)
23 years.

24 These factors all show clearly that the Sebring system satisfies the test for "going concern
25 value."

1 Q. **IS THERE A DIFFERENCE IN GOOD WILL VALUE AND GOING CONCERN**
2 **VALUE?**

3 A. Yes, there is. Good will is a function of personal relationships, good service that a
4 business has provided to its customers in the past which would likely result in customers
5 continuing to do business with the new owners in the future. Because Sebring and FPC
6 are monopolies, customers do not have the choice in choosing the business from which
7 they buy electricity. Consequently, it's difficult to argue that there is a good will value
8 associated with the transaction. We are, therefore, not arguing that good will value exists
9 and should be included in the purchase price for the Sebring system.

10 Q. **WHY IS IT APPROPRIATE FOR FPC TO PAY GOING CONCERN VALUE AS**
11 **PART OF THE PURCHASE PRICE FOR THE SEBRING UTILITY SYSTEM?**

12 A. It goes back to why an established business has value when compared to one that is not:
13 reduced risk, reduced developmental cost, and higher rates of return. For instance, if
14 a utility had the choice of paying \$25 million for 13,000 established customers or
15 investing \$25 million in the distribution facilities associated with a new development that
16 will ultimately have 13,000 customers, which would be the better choice? From strictly
17 a present value cash flow basis, the revenue stream from the 13,000 existing customers
18 through time would be greater when compared to the development which is not yet built
19 out. In addition, purchasing existing customers is less expensive than making the
20 incremental investment in new customers. Also, there is always the risk of non-
21 development. Typically, utilities try to minimize this risk by phasing the installation of
22 their facilities.

23 Q. **WHY IS PURCHASING AN EXISTING SYSTEM VERSUS INVESTING IN A**
24 **DEVELOPING CUSTOMER GROUP IN FPC'S BEST INTEREST?**

25 A. If the rate base assets are the same and if approved for inclusion in the rate base by the

1 PSC, FPC's stockholders are indifferent. The real value is to FPC's existing customers.
2 Purchasing an existing system brings more customers and KWH sales in the early years
3 to help support the return on the rate base assets than investing in a speculative
4 development.

5 **Q. CAN YOU CALCULATE THIS VALUE TO FPC'S EXISTING CUSTOMERS?**

6 A. Based on information provided to me by FPC, I have calculated the benefits for FPC's
7 existing customers of purchasing a fully developed 13,000 customer system versus
8 investing in a hypothetical speculative development projected to be the same size. That
9 value is in the range of \$1.5 million to \$2.8 million on a present value basis.

10 **Q. HOW DID YOU CALCULATE THAT AMOUNT?**

11 A. I used a present worth analysis of a revenue requirements cash flow to compare a system
12 like Sebring's that is built out to one that is not. Based on information provided to me
13 by FPC, I have estimated the distribution investment less meters and services to be
14 approximately \$2,000 per customer. Using a capital recovery factor of 16% requires
15 annual revenues of \$320 per customer investment. I have assumed both a 5 year and 10
16 year build out case and have used a 10% present value discount rate. This analysis
17 concludes that FPC's existing customers benefit from the purchase of a fully developed
18 system in an amount that ranges from \$6.9 million to \$13.5 million. However, utilities
19 normally phase the installation of facilities.

20 **Q. DOES PHASING THE INSTALLATION OF THE FACILITIES AFFECT YOUR**
21 **CALCULATIONS?**

22 A. Yes. I evaluated an 8 year build out with four phases and a 9 year build out with three
23 phases. The resulting present value benefit to FPC's existing customers ranges from \$1.5
24 million to \$2.8 million. For simplicity, I have included \$2 million on my Exhibit ____
25 (GEW-1).

1 Q. ARE THERE OTHER ITEMS OF VALUE OF "GOING CONCERN" THAT
2 SHOULD BE CONSIDERED?

3 A. Yes. There are other items of value that will be acquired by FPC that are associated
4 with the acquisition of the "going concern" which are not included in the net book value
5 of the system. Examples include items such as maps of the distribution system, records
6 associated with the use and maintenance of various Sebring facilities, and the value of the
7 experience and knowledge of the Sebring employees that are integrally familiar the
8 distribution system. It should be noted that these same employees will become FPC
9 employees and will continue to provide service to the Sebring area customers after the
10 FPC acquisition.

11 Q. WHAT VALUE HAVE YOU PLACED ON EACH OF THESE OTHER
12 ELEMENTS?

13 A. I have made the following calculations to determine an approximate value, each of which
14 are included on Exhibit (GEW 1)

15 (1) Reproduction of Sebring's distribution Maps. We have estimated the
16 cost to reproduce the maps of Sebring's distribution system to be
17 \$250,000. This cost includes the costs associated with the field
18 inventory and drafting efforts necessary to reproduce Sebring's maps.

19 (2) Value of training and experience of Sebring personnel. We have
20 discussed with FPC the value to FPC of bringing on the Sebring
21 personnel with their direct experience with the Sebring system and their
22 training. The benefit can be evaluated based on the training related costs
23 to FPC to move an entry level employee through their pay plan to the
24 journeyman level. FPC has estimated this value to be \$900,000.

25 Q. ARE THERE OTHER VALUES TO FPC ACQUIRING A GOING CONCERN?

1 A. Yes. FPC representatives have indicated that FPC by purchasing the Sebring system will
2 avoid or defer the construction of a new distribution substation for FPC's existing
3 customers. Based on discussions with FPC, we estimate the dollar value of that benefit
4 is \$1,500,000. I have included this value in my Exhibit _____ (GEW-1).

5 In addition, Sebring and FPC have been involved in a number of serious territorial
6 disputes since 1981. Although there have been a number of agreements to resolve those
7 disputes, at least two issues remain unresolved (i.e., the airport and future Sebring
8 annexations). Also, the existing territorial agreement includes the ongoing administration
9 associated with customer transfers. The resolution of those issues now, as a part of this
10 transaction, will avoid future legal and management expense to FPC. Based on our
11 discussions with FPC, we have estimated those costs over a 15 year period conservatively
12 to be \$200,000. I have included these figures on my summary Exhibit _____ (GEW-1).

13 **Q. BASED ON YOUR EVALUATION OF THE "GOING CONCERN" AND**
14 **RELATED BENEFITS ASSOCIATED WITH THE SEBRING DISTRIBUTION**
15 **SYSTEM, CAN YOU PLACE A TOTAL DOLLAR VALUE ON THOSE**
16 **ELEMENTS REQUESTED IN THE JOINT PETITION?**

17 A. Based on my evaluation, I would place the dollar value of those elements of "going
18 concern" at \$4.8 million.

19 **Q. ARE THERE OTHER APPROACHES TO PLACING A VALUE ON THE GOING**
20 **CONCERN AND RELATED BENEFITS?**

21 A. Yes. In the process of transferring customers as a part of resolving territorial disputes,
22 utilities commonly pay replacement cost less depreciation for the facilities and a multiple
23 times annual revenues for the customers. The resulting premium over and above net
24 book value may be viewed as representing the market value of "going concern" and
25 related intangible assets associated with the customer transfer.

- 1 **Q. HAVE YOU ADOPTED THIS APPROACH?**
- 2 A. No. It has generally been applied to a smaller number of customer transfers.
3 Consequently it is difficult to conclude that it is relevant in this situation. However,
4 calculating Sebring's "going concern" value using this approach yields an amount much
5 greater than the \$4.8 million value calculated under the Identifiable Benefits Approach.
- 6 **Q. WHY DID YOU USE THE APPROACH THAT YOU SELECTED?**
- 7 A. There are many benefits obtained by FPC and its customers in acquiring an existing
8 customer base. Our approach with respect to "going concern" was to delineate those
9 benefits which are the most identifiable and are the easiest to quantify in terms of dollar
10 value. Consequently, we believe our approach is the most straight forward and
11 reasonable approach to address "going concern" under the facts of this transaction.
- 12 **Q. ARE YOU FAMILIAR WITH THE COMMISSION'S POLICY REGARDING**
13 **ACQUISITION ADJUSTMENTS?**
- 14 A. Yes. The Commission's policy has been that the purchase of a utility system at a
15 premium or discount can be allocated to rate base only if there are extraordinary
16 circumstances.
- 17 **Q. IS IT YOUR POSITION THAT THE COMMISSION SHOULD APPROVE AN**
18 **ACQUISITION ADJUSTMENT FOR INCLUSION IN FLORIDA POWER**
19 **CORPORATION'S RATE BASE?**
- 20 A. Yes.
- 21 **Q. WOULD YOU EXPLAIN THIS POSITION IN LIGHT OF THE COMMISSION'S**
22 **STATED POLICY?**
- 23 A. The history of the Sebring situation, as is more fully discussed in Mr. Joe Calhoun's
24 testimony, is truly extraordinary. Sebring's ratepayers have been left holding a huge
25 amount of debt which exceeds the asset value. Consequently, Sebring's customers are

1 paying the highest rates in the state and among the highest in the nation. If the system
2 purchase does not take place and Sebring is to remain solvent it will have to charge
3 among the highest rates in the nation. The purchase of the Sebring system by FPC is
4 part of a Sebring strategy to minimize the financial burdens on the Sebring ratepayers.
5 If the Commission sets a "going concern" value of zero dollars, the transition rate that
6 will be paid by Sebring customers over the next 15 years will initially be set at
7 approximately \$21.80 per 1,000 KWH. This transition rate will be paid in addition to
8 FPC's base rate for its existing customers. The result, of course, will be that Sebring
9 ratepayers will be paying approximately \$22.00 per 1,000 KWH or nearly 30% more
10 than FPC's existing retail customers. As I testified earlier, approval by the Commission
11 of a "going concern" value as a prudent FPC investment will be used directly to reduce
12 the Sebring Rider but will not increase the \$54,000,000 base purchase price. With FPC's
13 base rates plus the Rider, Sebring's retail customers still will be paying among the
14 highest rates in the state of Florida for the foreseeable future. Consequently, it is in
15 Sebring's best interest to have as much of the Base Purchase Price as possible allocated
16 to FPC's rate base assets.

17 **Q. ARE YOU SAYING THAT THE COMMISSION SHOULD FIND AND APPROVE**
18 **"GOING CONCERN" VALUE STRICTLY FOR THE PURPOSE OF**
19 **DECREASING THE SEBRING RATEPAYERS' TRANSITION RATE?**

20 **A.** No, I am simply saying that due to the severity of this extraordinary situation, it is
21 important for the Commission to give due consideration to the dollar value associated
22 with "going concern" and related benefits.

23 **Q. WHAT IS THE BENEFIT TO SEBRING CUSTOMERS OF INCREASING THE**
24 **ALLOCATION OF THE BASE PURCHASE PRICE TO RATE BASE ASSETS**
25 **THROUGH RECOGNITION OF A "GOING CONCERN" VALUE?**

1 A. For every million dollars that the allocation to rate base assets is increased through
2 recognition of "going concern" and related benefits, the transition rate will be reduced
3 by approximately 60¢ per 1,000 kilowatthours. Of course, it is important to remember
4 that the contract is built on the presumption that any such additional amounts will be
5 approved for inclusion in FPC's rate base. Otherwise, the additional amount will not be
6 included. I believe that it is appropriate to include these asset values in FPC's rate bases
7 for the reasons discussed above. In other words, I believe the benefits to FPC's and
8 Sebring's customers from the "going concern" and related benefits are measurable and
9 real and should be taken into consideration in setting the Sebring Rider.

10 **Q. DO THE FLORIDA STATUTES PERMIT AN ELECTRIC UTILITY LIKE FPC**
11 **TO ALLOCATE A PORTION OF AN INVESTMENT TO "GOING CONCERN"**
12 **AND INCLUDE THAT "GOING CONCERN" AMOUNT IN ITS RATE BASE?**

13 A. Yes. Section 366.01(1) of the Florida Statutes specifically envisions that payments for
14 "going concern" may be included in an electric utility's rate base.

15 **Q. IS \$4.8 MILLION A REASONABLE AMOUNT FOR FPC TO ALLOCATE TO**
16 **RATE BASE AS "GOING CONCERN"?**

17 A. Yes, as I have demonstrated, \$4.8 million is a fair, reasonable and conservative value of
18 the benefits which FPC will receive by purchasing the Sebring system.

19 **Q. WHAT ARE YOU RECOMMENDING?**

20 A. I am recommending that the Commission determine that the "going concern" value for
21 the Sebring Utility System is \$4.8 million.

22 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

23 A. Yes, it does.

**ESTIMATE OF "GOING CONCERN"
AND RELATED BENEFITS**

1.	Value of established customer base	\$ 2,000,000
2.	Maps and records (estimate based on cost to reproduce)	\$ 250,000
3.	Value of training and experience of Sebring personnel	\$ 900,000
4.	Value of avoided or deferred FPC substation	\$ 1,500,000
5.	Resolution of territorial/annexation disputes (estimated FPC avoided legal and ongoing administrative costs)	\$ 200,000
	GRAND TOTAL	<u>\$4,850,000</u>