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GULF POWER COMPANY

Before the Florida Public Service Commission

Rebuttal Testimony of

John E. Hodges, Jr.

Docket No. 930885-EU

Date of Filing June 3, 1994

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9

10 Q. Please state your name and business address.

11 A. John E. Hodges, Jr., 500 Bayfront Parkway, Pensacola,
12 Florida 32501.
13

14 Q. What is your occupation?

15 A. I am Vice President - Customer Operations for Gulf
16 Power Company in Pensacola, Florida.
17

18 Q. Please describe your educational background and
19 experience.

20 A. I graduated from Florida State University in April
21 1966, with a Bachelor of Science in Management. After
22 graduation I was employed with Gulf Power's Marketing
23 Department in Panama City. I have held positions of
24 increasing responsibilities, including Western Division
25 Manager in Pensacola. My responsibilities include
marketing, distribution, warehousing, transportation,
and our district offices throughout our service area.

1 Q. Do you have an exhibit to which you will refer in your
2 testimony?

3 A. Yes. I have one exhibit, consisting of 2 schedules.

4 Counsel: We ask that Mr. Hodges's exhibit be
5 marked for identification as Exhibit
6 _____ (JEH-1).
7

8 Q. What is the purpose of your rebuttal testimony?

9 A. My testimony will respond to the prefiled direct
10 testimony of H. W. Norris, with regard to Gulf Power
11 Company's willingness to assist in the location of the
12 correctional facility. I also address the basis on
13 which the customer should select an electrical supplier
14 in this dispute.
15

16 Q. Will you be addressing the policy issues raised in Mr.
17 Norris' and Mr. Gordon's testimony relating to the
18 purpose and intent of the cooperatives in general, and
19 the Coop's historical service to the area in dispute,
20 and the Coop's economic development efforts to increase
21 its load factor.

22 A. As addressed in our Motion to Limit the Scope of
23 Issues, or in the Alternative, to Extend Time for
24 filing Rebuttal Testimony, filed on June 3, these
25 issues go beyond the scope of the petition filed by

1 Gulf Power. Nevertheless, given a reasonable period of
2 time in which to respond, Gulf Power is prepared to
3 fully address these issues and believes that, given the
4 strong movement in the electric utility industry toward
5 a competitive environment, it may be appropriate for
6 the Commission to address these issues as well.

7 From an historical perspective, the Coop spends an
8 inordinate amount of time describing the construction
9 of its distribution facilities in the area. As Mr.
10 Weintritt states in his testimony, Gulf Power has
11 likewise historically provided distribution service in
12 the area. What is conveniently ignored by the Coop is
13 that were it not for significant investment by Gulf
14 Power in a generation and transmission system designed
15 to meet all the electrical needs of Northwest Florida,
16 the cooperatives located in the area would have been
17 unable to supply the needs of their customers. This
18 was true until the late 70's and early 80's when the
19 Coop began to build duplicative generation and
20 transmission facilities through AEC. The rural
21 cooperatives have fulfilled the purpose for which they
22 were intended; i.e., providing distribution service to
23 rural areas which the investor owned utilities could
24 not serve without subsidy from the remaining
25 ratepayers. Historical service at the comparatively

1 low cost distribution level provides no basis upon
2 which to claim an exclusive right to serve. Gulf Power
3 can provide service to the prison at a lower cost from
4 every perspective: generation, transmission and
5 distribution.

6 I will address the issue of the economic development
7 loans and the Coop grant later in my testimony. From a
8 policy perspective, however, the obtaining of economic
9 development loans and the granting of Coop member money
10 under the guise of economic development, for the
11 express purpose of building load and competing with an
12 investor owned utility flies in the face of the whole
13 purpose and intent of the rural electrification effort.
14 Again, as stated in our motion, we are prepared to
15 address these significant policy questions in detail,
16 should the Commission decide to expand the scope of
17 this docket.

18
19 Q. Mr. Norris indicates that Gulf Power has done nothing
20 to promote economic development in the area, and
21 specifically with respect to the prison. Is this
22 correct?

23 A. No. Gulf Power Company has supported economic
24 development in the rural and urban areas of Northwest
25 Florida. Rather than by loans and grants, Gulf Power

1 has done so by the service of its employees in
2 leadership roles through area Chambers of Commerce
3 throughout Northwest Florida, and their committees
4 regarding economic development.

5

6 Q. Does Gulf Power have an employee in Washington County
7 whose responsibilities include economic development?

8 A. Yes, John F. Dougherty, III is Gulf Power's District
9 Manager for the Washington County area. His job
10 responsibilities include participation in, and
11 encouragement of economic development activities in the
12 area.

13

14 Q. What leadership roles has John Dougherty held which
15 promote economic development in Washington County?

16 A. The following are the most significant positions held
17 by John Dougherty to promote economic development in
18 Washington County:

19 Washington County Chamber of Commerce - Board of
20 Directors (14 years), President (3 years)
21 Washington County Committee of 100 - Chairman (11
22 years)

23 Chipley Area Development Corporation -
24 Secretary/Treasurer

25 Vernon Area Development Corporation - Member

1 Washington County Industrial Authority -
2 Chairman
3 Florida Economic Development Council- Member (12
4 years)
5 Chipley Redevelopment Authority - Chairman
6 Chipley Uptown Redevelopment Association -
7 Director
8

9 Q. Did Gulf Power Company offer to assist in the location
10 of the correctional facility in Washington County?

11 A. Yes. John Dougherty, received an inquiry about
12 providing financial assistance for the correctional
13 facility from Washington County Commissioner, Hulan
14 Carter. Mr. Dougherty offered Gulf Power's assistance
15 in a community-wide fundraising effort, but would not
16 agree to entering into an one-on-one bidding contest
17 with the Coop.
18

19 Q. On Page 27 lines 10 and 11 of his direct testimony, Mr.
20 Norris describes Gulf Power as "unwilling to do
21 anything to help get the prison located in Washington
22 County". Is this portrayal accurate?

23 A. Absolutely not. John Dougherty, as Chairman of the
24 Washington County Economic Development Council, worked
25 for over a year in an attempt to locate a site for the

1 correctional facility. His efforts were made through
2 the Washington County Chamber of Commerce in an attempt
3 to get community-wide support for the location of this
4 facility.

5

6 Q. In addition to participating in a community-wide effort
7 to locate the correctional facility, what did Gulf
8 Power offer?

9 A. The basic things Gulf Power offered were the most
10 reliable electric service to the Department of
11 Corrections at the lowest cost to the Department and,
12 ultimately, to the taxpayers of the State.

13

14 Q. How would you characterize Mr. Norris's statement in
15 his direct testimony on page 17, line 26 that the rural
16 development funds "should be returned" if the
17 cooperative does not serve the prison.

18 A. It sounds like the Coop is attempting to buy the
19 business with a \$45,000 grant. If the cooperative does
20 not get the business, they want the money back. Gulf
21 Power is attempting to earn the business with lower
22 standard rates and higher reliability from existing
23 facilities.

24

25

1 Q. On page 23, lines 3 and 4, Mr. Norris refers to "a
2 letter from the county selecting Gulf Coast as the
3 power supplier." Who is the customer in this dispute
4 and on what basis should it be selecting its electrical
5 supplier?

6 A. The Florida Department of Corrections is the customer
7 in this dispute. In this case, the selection leading
8 to this dispute was made by Washington County. The
9 customer should make its selection based on which
10 supplier can provide the most reliable electric service
11 at the least cost to it. In both instances,
12 reliability and cost, that supplier is Gulf Power
13 Company.

14

15 Q. Did Gulf Power correspond and meet with the Florida
16 Department of Corrections concerning its proposal for
17 electric service?

18 A. Yes. On April 9, 1993, Vic Jones, Gulf Power's General
19 Manager of Eastern Division, sent a letter to Marvin
20 Moran of the DOC submitting a proposal for electric
21 service for the new prison. A copy of this letter is
22 attached as Schedule 1 of my exhibit. On July 30, 1993
23 Vic Jones, Bill Weintritt, Power Delivery Manager, and
24 Stan Sexton of Gulf Power Marketing met with Ron
25 Kronenberger, Assistant Secretary of the DOC, to

1 discuss circumstances pertaining to the provision of
2 electric service.

3 Q. Did Gulf Power respond to the letter of March 15, 1994
4 from the Washington County Board of County
5 Commissioners provided as Mr. Norris's Exhibit No. 5?

6 A. Yes. Travis J. Bowden, President of Gulf Power, sent a
7 letter to Jim Morris, Chairman Washington County Board
8 of County Commissioners, assuring him of our support of
9 their efforts. A copy of this letter is attached as
10 Schedule 2 of my exhibit. John Dougherty, G. A.
11 Mallini, Customer Services General Manager, and I also
12 met with Commissioner Morris. We informed him that
13 Gulf Power would not hinder the location of the
14 correctional facility, but that likewise, items such as
15 the \$308,000 interest free loan should not be dependent
16 on the Coop providing electrical service. We explained
17 that the decision as to electrical supplier in this
18 dispute should be made by the DOC based on reliability
19 of service and cost to the DOC. I felt that upon
20 completion of our meeting, Commissioner Morris had a
21 far better understanding of our position and the need
22 to have this dispute determined by the Commission.

23
24
25

1 Q. Does this conclude your testimony?

2 A. Yes, with the proviso that we have not received the
3 Coop's responses to our discovery requests. Based on
4 those responses, I may need to supplement my testimony.

Florida Public Service Commission

Docket No. 930885-EU

Witness: John E. Hodges, Jr.

Exhibit No. ____ (JEH-1)

Schedule 1

Page 1 of 2

1230 East 15th Street
Post Office Box 2448
Panama City FL 32402
Telephone 904 785-4611



April 9, 1993

Mr. Marvin Moran
Florida Dept. of Corrections
2601 Blainstone Rd.
Tallahassee FL 32399-25500

Dear Mr. Moran:

After several telephone conversations between Brian Blair and my staff, Mr. Blair indicated future communications concerning the new Washington Co. correctional facility be addressed to you. According to Mr. Blair, the facility will be located at the northwest corner of Highway 77 and Highway 279 (Greenhead FL).

Gulf Power Company is pleased to submit the following proposal for electrical service for the new prison. It is Gulf's understanding this facility is similar to the Holmes correctional facility which is now being served by Gulf Power. In an effort to make realistic electrical recommendations for the Washington Co. prison, we have used actual metered data from the Holmes Co. facility. Since the two prisons are similar, our initial estimates (372 KW and 163,450 KWH/month) should be the most accurate information available.

The estimated monthly billing for electric service from Gulf Power is \$7,442.66; from Gulf Coast Electric it is estimated at \$9,361.58. The net result of receiving service from Gulf Power is our annual reduction of \$23,027.04 in the prison's electric bill (Attachment I).

The Washington Co. prison site is strategically located such that Gulf Power has facilities in place to provide independent alternate electrical service. Gulf's normal service will be from the Sunny Hills 115/25 KV substation. Backup power is available from Gulf's Vernon 115/25 KV substation. Since the prison site is between these substations, it is unlikely a single problem can render both inoperative. The substations are fed from multiple 115,000 volt transmission sources with the capability for switching operations, and these substations contain independent power transformers. The existing 25,000 volt distribution line between the two stations completes the system which can provide complete backup power to the prison. This electrical transmission and distribution system is similar to the one serving the Holmes correctional facility. I have enclosed an electrical single-line diagram for your review (Attachment II). Research through our computerized Distribution Trouble Reporting System shows that there have been only a few outages in the past two years (Attachment III).

Florida Public Service Commission

Docket No. 930885-EU

Witness: John E. Hodges, Jr.

Exhibit No. ____ (JEH-1)

Schedule 1

Page 2 of 2

Mr. Marvin Moran
Florida Dept. of Corrections
Pg. 2 - April 9, 1993

I hope that I have provided the information you need concerning Gulf Power's ability to provide reliable, low-cost electric service to the Washington Co. correctional facility. If you have additional questions, please do not hesitate to call me at 904-872-3201 or Stan Sexton at 904-872-3276.

Sincerely,

Vic L. Jones
General Manager of Eastern Division

VLJ:sd

Attachments

Florida Public Service Commission
Docket No. 930885-EU
Witness: John E. Hodges, Jr.
Exhibit No. ____ (JEH-1)
Schedule 2

Gulf Power Company
650 Southeast Parkway
Post Office Box 1161
Pensacola, FL 32502-0161
Telephone 904 444-6381

Travis J. Bowden
President

The enclosed document governs

March 23, 1994

Mr. Jim Morris, Chairman
Washington County Board
of County Commissioners
Post Office Box 647
Chipley, FL 32428-6647

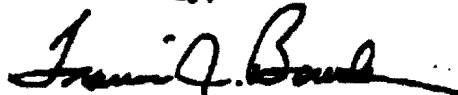
Dear Mr. Morris:

Please be assured that Gulf Power Company supports Washington County in their efforts with the new correctional facility.

I have asked John E. Hodges, Jr., our Vice President, Customer Operations, to contact you regarding our interest in this customer.

I look forward to meeting you in a future visit to Chipley.

Sincerely,



ccy

cc: Mr. John E. Hodges, Jr.

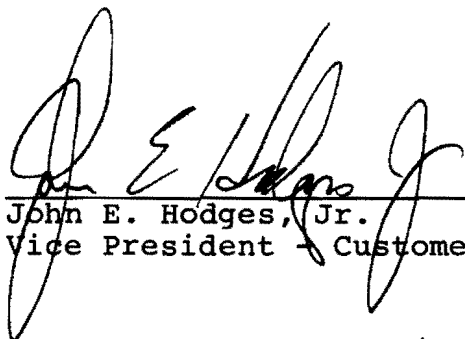
cc: John F. Dougherty, III ←

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 930885-EU

Before me the undersigned authority, personally appeared John E. Hodges, Jr., who being first duly sworn, deposes, and says that he is the Vice President - Customer Operations of Gulf Power Company, a Maine corporation, that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.




John E. Hodges, Jr.
Vice President - Customer Operations

Sworn to and subscribed before me this 2nd day of June, 1994.



Notary Public, State of Florida at Large

 JACKIE L WHIPPLE
My Commission CC310237
Expires Aug. 23, 1997
Bonded by HAI
800-422-1555