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July 1, 1994

FILE COPY

HAND DELIVERED

Blanca S. Bayo, Director
 Division of Records and Reporting
 101 East Gaines Street
 Tallahassee, Florida 32399

Re: Docket No. 931044-EI, Petition for Authority to Implement
 a Replacement Rate Schedule for Standby Electric Service
 by Gulf Power Company.

Dear Ms. Bayo:

Enclosed for filing and distribution are the original and 15
 copies of the following:

- ACK _____
- AFA _____
- APP _____
- CAF _____
- 1. Testimony and Exhibit of Jeffry Pollock.
- 2. Direct Testimony of Charles Bogatie.
- 3. Direct Testimony of Bruce K. Hollinger.
- 4. Direct Testimony of Tom Kislak.
- 5. Direct Testimony of Denny Brueggemeier.

CTR _____ Please acknowledge receipt of the above on the extra copies
 enclosed herein and return them to me. Thank you for your assistance.

- LEG *Erstling*
- LIN *Orist 4*
- OPC _____
- RCH _____
- SEC _____
- WAS JAM/jfg

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mas
 FPSC-BUREAU OF RECORDS

Yours truly,
Joe McGlothlin
 Joseph A. McGlothlin

OTH enclosures
 DOCUMENT NUMBER-DATE
Pollock
 06538 JUL-1 1994
 FPSC-RECORDS/REPORTING

DOCUMENT NUMBER-DATE
Bogatie
 06539 JUL-1 1994
 FPSC-RECORDS/REPORTING

DOCUMENT NUMBER-DATE
Hollinger
 06540 JUL-1 1994
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DOCUMENT NUMBER-DATE
Brueggemeier
 06542 JUL-1 1994
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ORIGINAL
FILE COPY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Authority to
Implement a Replacement Rate
Schedule for Standby Electric
Service by Gulf Power Company.

DOCKET NO. 931044-EI
FILED: July 1, 1994

DIRECT TESTIMONY
OF
TOM KISLA
ON BEHALF OF STONE CONTAINER CORPORATION

DOCUMENT NUMBER-DATE
06541 JUL-18
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Authority to)
Implement a Replacement Rate)
Schedule for Standby Electric)
Service by Gulf Power Company.)

DOCKET NO. 931044-EI

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1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 DIRECT TESTIMONY

3 OF

4 TOM KISLA

5 ON BEHALF OF STONE CONTAINER CORPORATION

6 DOCKET NO. 931044-EI

7 Q. PLEASE STATE YOUR NAME, OCCUPATION, EMPLOYER AND BUSINESS
8 ADDRESS.

9 A. My name is Tom Kisla. I work for Stone Container
10 Corporation, as Manager of Energy Source Planning and
11 Development. My office is the Corporate Technical and
12 Engineering Center, located at 1979 Lakeside Parkway,
13 Tucker, Georgia, 30084. Stone Container owns a paper
14 mill in Panama City, Florida that is served by Gulf Power
15 Company.

16 Q. DO YOU HAVE ANY RESPONSIBILITIES AT THE PANAMA CITY MILL?

17 A. Part of my job is to help the Panama City mill evaluate
18 its various options related to energy supply and use.

19 Q. HAVE YOU GIVEN TESTIMONY ON GULF POWERS' STANDBY SERVICE
20 BEFORE?

21 A. Yes. I appeared before the Commission in April of 1990,
22 in Docket No. 891345-EI. That docket involved the
23 development of tariffs governing standby service.

24 Q. WHAT WAS THE NATURE OF YOUR PARTICIPATION IN THAT DOCKET?

25 A. In my testimony I explained how cogeneration worked at

1 our mill in Panama City, and why the tariff as proposed
2 was technically flawed and needlessly complex. In
3 addition, based on our successful experience elsewhere,
4 I suggested an alternative rate design.

5 Q. DID THE COMMISSION ACCEPT ANY OF YOUR CONCEPTS?

6 A. The Commission didn't adopt the rate methodology I
7 suggested, but the Commission did make several changes to
8 the tariff originally proposed by Gulf Power. One such
9 change allowed for standby service billing to be reduced
10 by any on-peak load reduction that could be attributed to
11 a current generation outage. This change, although it
12 was well intentioned and addressed a major shortcoming of
13 the rate, inadvertently set the stage for many of the
14 administrative difficulties we faced under the old
15 standby rate.

16 Q. COULD YOU ELABORATE ON THAT STATEMENT?

17 A. As one becomes more familiar with the methodology that
18 was in place before the Commission allowed the
19 replacement rate to take effect, it should become clear
20 that this provision required an interpretation of how the
21 mill would have been running if the event requiring the
22 use of standby power had not occurred. A series of
23 decisions were required, each of which affected the
24 standby billing.

25 This required our power house operating personnel to

1 wear two hats; one representing the utility and one
2 representing the Panama City mill. I think most will
3 agree that it's poor policy to put people in this
4 situation.

5 Further, since the mill runs around the clock, it's
6 almost certain that unless we change the mill staffing,
7 some event requiring the use of standby service will
8 occur when executive management supervision isn't
9 available.

10 This forced the employee whose hand is on the switch
11 at the moment to make an on the spot decision. Recognize
12 that even with proper training the employee may not have
13 immediate access to the information required to make an
14 informed decision. Faced with this dilemma mistakes will
15 occur.

16 Q. IF MISTAKES OCCUR AT RANDOM, WOULDN'T THERE BE A TENDENCY
17 FOR THEM TO LEVEL OUT OVER TIME?

18 A. Unfortunately, no. Regardless of the mistake, be it
19 responding too timidly or too boldly, it's the Panama
20 City mill that loses.

21 Q. COULD YOU EXPLAIN WHY THE MILL WOULD LOSE EITHER WAY?

22 A. In one case it will lose production because we failed to
23 use electric demand already paid for, or available in a
24 cost-effective manner.

25 In the other case, we could use more electricity

1 than was economically justified. Remember, we were
2 saddled with a two-year ratchet, which is a twenty-four
3 (24) fold multiplier.

4 Q. COULD YOU DESCRIBE SOME OF THE ACTUAL PROBLEMS WHICH HAVE
5 SUBSEQUENTLY ARISEN DUE TO THE OLD METHODOLOGY?

6 A. Chuck Bogatie, who is Manager of Operations at the Panama
7 City mill, will illustrate specific problems that we have
8 encountered.

9 After being on the rate for a while, Chuck
10 complained to Gulf Power's customer service
11 representatives about the difficulties that the standby
12 rate created for our business. Gulf Power, to their
13 credit, took this to heart. When Gulf Power confirmed
14 that the other standby service users held similar views,
15 Gulf encouraged the formation of the cooperative effort
16 which ultimately developed the joint proposal currently
17 before the Commission.

18 Q. CAN YOU SUMMARIZE YOUR RECOMMENDATION TO THE COMMISSION?

19 A. Yes. Really, our objectives haven't changed with time.
20 We still want a rate that can be easily understood, and
21 easily administered. We want a rate that promotes the
22 best use of resources, both of the utility's and the
23 mill's, and one based on the true cost of service and
24 thus one that sends the right price signals. The
25 replacement rate before the Commission may not be

1 perfect, but for right now it is a positive step in the
2 right direction for three reasons:

3 (1) It is clearly a better rate than the
4 one it replaced;

5 (2) I can't see that it harms anyone;
6 and

7 (3) There is nothing here that can't be
8 changed when we agree on a better
9 way to do it.

10 I ask the Commission to approve the rate on a permanent
11 basis.

12 Q. DOES THAT CONCLUDE YOUR TESTIMONY?

13 A. Yes. I'd like to thank all involved for their time and
14 consideration.
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Direct Testimony of Tom Kisla has been furnished by U.S. Mail or by hand delivery* to the following parties of record, this 1st day of July, 1994.

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