

**FILED**

FLORIDA PUBLIC SERVICE COMMISSION

SID J. WHITE

JUL 6 1998

In Re: Petition to resolve  
Territorial dispute with Gulf  
Coast Electric Cooperative, Inc.  
By Gulf Power Company.

CLERK, SUPREME COURT  
DOCKET NO. ~~930885-FU~~  
Chief Deputy Clerk

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SID J. WHITE

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CLERK, SUPREME COURT  
Chief Deputy Clerk

FIRST DAY - AFTERNOON SESSION

VOLUME 2

PAGES 199 through 281

PROCEEDINGS:	HEARING
BEFORE:	CHAIRMAN J. TERRY DEASON COMMISSIONER SUSAN F. CLARK COMMISSIONER JULIA L. JOHNSON
DATE:	Wednesday, October 19, 1994
PLACE:	FPSC Hearing Room 106 101 East Gaines Street Tallahassee, Florida
REPORTED BY:	LISA GIROD JONES, RPR, CM
APPEARANCES:	

(As heretofore noted.)

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## I N D E X

	<u>Name:</u>	<u>Page No.</u>
1		
2	ARCHIE W. GORDON	
3	Direct Examination by Mr. Haswell	202
4	Prefiled Direct Testimony inserted	208
5	Cross Examination by Ms. Liles	222
6	Cross Examination by Ms. Brown	262
7	Redirect Examination by Mr. Haswell	271
8	Recross Examination by Ms. Liles	275
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

	<u>EXHIBITS</u>		
	<u>Number:</u>	<u>Identified</u>	<u>Admitted</u>
1			
2			
3	6 - (Gordon) (Composite) AGW-1 - 7	207	276
4	7 - (Gordon) Monthly Bill Comparison Using Current Rates	204	
5	8 - (Gordon) Geological Survey Map	207	278
6	9 - (Gordon) Distribution Line Map	207	278
7	10 - (Gordon) Cost to Serve WCI	207	280
8	11 - (Gordon) Estimated Monthly Bill - 10-11-94	223	278
9			
10	12 - (Gordon) Gulf Power's 3rd Set of Interrogatories to Gulf Coast	231	278
11	13 - (Gordon) (Late-filed) C.O.P.S.A. calculation for Exhibit No. 11	254	
12			
13	14 - (Late-filed) (Gordon) Details of Calculation for Staff Housing in Exhibit 10	257	
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1 PROCEEDINGS

2 (Transcript continued in sequence from  
3 Volume 1.)

4 MR. HASWELL: Mr. Chairman, we would call  
5 Mr. Archie W. Gordon as our first witness.

6 ARCHIE W. GORDON  
7 was called as a witness on behalf of Gulf Coast Electric  
8 Cooperative, and having been duly sworn, testified as  
9 follows:

10 DIRECT EXAMINATION

11 BY MR. HASWELL:

12 Q Would you please state your full name please,  
13 sir?

14 A Archie W. Gordon.

15 Q Are you the same Archie W. Gordon who has filed  
16 prefiled direct testimony in this case?

17 A Yes, I am.

18 Q Do you have any additions, deletions or  
19 corrections to your prefiled testimony?

20 A Yes, sir, there is one section that requires  
21 consideration.

22 Q What page and line would that be, sir?

23 A It would be on Page 8, Lines 22 and 23, and  
24 testifying as to the crossings of the 1971 Gulf Power  
25 Company facilities, I testified that they crossed over the

1 Gulf Coast facility 13 times and under two times. I have  
2 since come across additional information that's refreshed  
3 my memory. The number of crossings was a total of 18  
4 times and I have a map from the 1971 litigation that  
5 supports that change.

6 Q So your testimony, that sentence that starts on  
7 Line 21, "My memory is that it crossed over Gulf Coast  
8 facilities," you would change that to 18 times, period?

9 A Yes, that would be adequate, sir.

10 Q And then cross off the rest of the sentence?

11 A It would be a total of 18 times. So far as I  
12 know it would be over the facility 17 times and under it  
13 on two occasions.

14 Q Any other changes?

15 A I have revised my Exhibit 5 to represent the  
16 changes in the current cost of electricity from both Gulf  
17 Coast and Gulf Power Company.

18 Q May I have just a minute? I think the Staff has  
19 come up with a solution to that problem.

20 MS. BROWN: May I address, Mr. Gordon?

21 CHAIRMAN DEASON: Yes.

22 MS. BROWN: Mr. Gordon, this is a Staff exhibit  
23 that we put together from the data that you provided us  
24 with respect to Gulf Coast's monthly customer bill  
25 estimates. We would like to -- have you had a chance

1 to -- would you look that over and see if that accurately  
2 reflects Gulf's monthly bill estimates, and we'll pass out  
3 copies right now. (Pause)

4 Does that accurately reflect your revisions that  
5 you were going to make to your exhibit?

6 WITNESS GORDON: It is a reasonable reproduction  
7 of what I arrived at.

8 MS. BROWN: Are the numbers right?

9 WITNESS GORDON: I will accept them for what  
10 they are.

11 MS. BROWN: All right.

12 When it is our turn to cross examine you,  
13 Mr. Gordon, we have just a couple of clarification points  
14 on this, but I wanted to get this to everyone now and  
15 request that it be marked for identification.

16 CHAIRMAN DEASON: It will be identified as  
17 Exhibit No. 7. I skipped 6 because I've already, on my  
18 notes, assigned 6 to the prefiled exhibits attached to  
19 Mr. Gordon's testimony.

20 MS. BROWN: Thank you, Mr. Chairman.

21 (Exhibit No. 7 marked for identification.)

22 Q (By Mr. Haswell) Mr. Gordon, are you sponsoring  
23 any exhibits to your testimony?

24 A I have a copy of a portion of the Vernon,  
25 Florida, U.S. coast and geodetic quadrangle map.

1 Q Let me first ask this, Mr. Gordon. Attached to  
2 your prefiled testimony were Exhibits AWG-1 through 7; is  
3 that correct?

4 A That is correct.

5 Q Do you have any additional late-filed exhibits  
6 to add?

7 A I had made the calculation, but it seems that  
8 this has been done.

9 Q Then, in addition, did you refer to a geodetic  
10 survey map?

11 A Well, I may have misquoted it. It's a U. S.  
12 geological survey map. And it's from an issue dated 1950  
13 when I was first on the property in the vicinity of the  
14 disputed area where the prison is to be located.

15 MR. HASWELL: Mr. Chairman, we're going to hand  
16 out that exhibit.

17 Q (By Mr. Haswell) And Mr. Gordon, you also had  
18 another exhibit, I believe you referred to, that showed  
19 the 18 crossings?

20 A Yes, sir, I did.

21 Sir, I hope that you've got an extra copy,  
22 because I seem to have given someone the copy that I  
23 have.

24 Q Finally, Mr. Gordon, have you done a comparison  
25 exhibit that shows the relative cost to serve Washington

1 Correctional Institute?

2 A Yes, sir, I have done that also.

3 Q As an additional exhibit. Do you have a copy of  
4 it with you?

5 A Yes, sir, I have.

6 Q Except for these three additional exhibits we've  
7 just referred to, are there any others that you wanted to  
8 add or change or correct?

9 MS. LILES: If I could interrupt just very  
10 briefly. You mentioned three visual exhibits. And you'll  
11 have to forgive me, I've been looking at these; these are  
12 in addition to the ones listed on the prehearing statement  
13 and prehearing order?

14 MR. HASWELL: Yes, Mr. Chairman, we would ask  
15 that these be added as late-filed exhibits to Mr. Gordon's  
16 direct testimony.

17 CHAIRMAN DEASON: First of all, let's identify  
18 them. I think I've already indicated I'm going to assign  
19 Exhibit 6 to the prefiled exhibits attached to  
20 Mr. Gordon's testimony. That will be a composite  
21 exhibit. We identified the monthly bill comparison as  
22 Exhibit 7. The geological survey map would be identified  
23 as Exhibit No. 8, the other map depicting the distribution  
24 lines will be identified as Exhibit No. 9, and the exhibit  
25 entitled Cost to Serve Washington Correctional Institution

1 will be identified as Exhibit No. 10.

2 (Exhibit Nos 6, 8, 9 and 10 marked for  
3 identification.)

4 MR. HASWELL: Thank you, sir.

5 Q (By Mr. Haswell) Mr. Gordon, including your  
6 correction to your Page 8, and of course the prior order  
7 of the Commission that deleted Lines 24 and 25 on Page 12  
8 and Lines 1 through 13 on Page 13, if I asked you the same  
9 questions today, would your answers be the same?

10 A Yes, sir, they would be.

11 MR. HASWELL: Mr. Chairman, I move that the  
12 direct testimony of Mr. Archie W. Gordon be entered into  
13 the record as though read.

14 CHAIRMAN DEASON: Without objection, it will be  
15 so inserted.

16 MR. HASWELL: And at the conclusion of his  
17 testimony we will then move the exhibits.

18 MS. BROWN: Mr. Chairman, could I have a  
19 clarification from Mr. Haswell? This -- you are only  
20 introducing the portion of Mr. Gordon's testimony that was  
21 not stricken from the record; is that correct?

22 MR. HASWELL: Correct.

23 MS. BROWN: I just wanted to make sure.

24 Thanks.

25

1. BEFORE THE PUBLIC SERVICE COMMISSION
2. GULF POWER COMPANY and
3. GULF COAST ELECTRIC COOPERATIVE, INC.
4. DOCKET NO. 930885-EU
5. DIRECT TESTIMONY OF
6. ARCHIE W. GORDON
7. Q. State your name.
8. A. Archie W. Gordon.
9. Q. State your address.
10. A. Post Office Box 877, 1815 NE Jacksonville Road, Ocala, Florida
11. 34478-0877.
12. Q. State your profession.
13. A. I am a professional engineer certified to practice in the States of
14. Alabama, Florida and Georgia.
15. Q. State your educational background.
16. A. I graduated from local schools in Ocala, Florida and then
17. attended the University of Miami in Coral Gables, Florida; Miami
18. University at Oxford, Ohio; and, the University of Florida at
19. Gainesville, Florida. I received a Bachelor of Electrical
20. Engineering degree from the University of Florida which was bestowed
21. "with honors" in June, 1948.
22. Q. State your professional and employment background.
23. A. I was employed in September, 1948, by Marion Engineering Associates,
24. Inc., of Ocala, Florida. That firm was engaged in engineering and
25. surveying, and had outstanding contracts with various rural

1.           electrification projects over the State of Florida. I was placed  
2.           in charge of electrical engineering, and finally, the total  
3.           engineering department of that firm. After approximately five (5)  
4.           years of professional experience, I became a Registered Professional  
5.           Engineer. I left that firm in September, 1966, to form Gordon  
6.           Engineering Associates, Inc., of which I am now president.
7.    Q.     Are you associated with Gulf Coast Electric Cooperative?
8.    A.     Yes.
9.    Q.     What is Gulf Coast Electric Cooperative, Inc.
10.   A.     It is an REA cooperative organized pursuant to Chapter 425, Florida  
11.         Statutes.
12.   Q.     How long have you been associated with Gulf Coast Electric  
13.         Cooperative?
14.   A.     Since July 9, 1949, when Marion Engineering Associates was named  
15.         system engineer. Gordon Engineering was subsequently selected during  
16.         the fall of 1966 to succeed the prior firm.
17.   Q.     In what capacity have you been associated with Gulf Coast Electric  
18.         Cooperative?
19.   A.     I served as resident engineer, both in person and as representative  
20.         of the professional companies which employed me. I have served as  
21.         engineer of record, advisor, consultant, supervisor, foreman,  
22.         assistant, etc., on various matters affecting the Cooperative during  
23.         the past 45 years.
24.   Q.     What has been the scope of your duties or responsibilities with Gulf  
25.         Coast Electric Cooperative?

1. A. I have represented Gulf Coast Electric on project of long range  
2. planning, area coverage, surveys, preparation of plans and  
3. specifications, supervision of contractors and force account  
4. construction, financial forecasting, preparation of current work  
5. plans, feasibility reports, loan applications, power requirement  
6. studies, rate studies, etc. I have also been invited and designated  
7. by various board of trustees and managers to represent Gulf Coast  
8. in negotiations and deliberations concerning power supply, service  
9. areas, service reliability, maintenance programs, etc. As a result,  
10. I have become the individual with the longest tenure of service who  
11. can provide a complete historical chronology of events and details  
12. concerning Gulf Coast Electric Cooperative.
13. Q. Are you familiar with Gulf Coast Electric Cooperative's distribution  
14. system and its facilities?
15. A. Yes, I have been so familiar for the past 45 years.
16. Q. How did you become familiar with Gulf Coast Electric's distribution  
17. system and facilities?
18. A. By physically riding the many roads through the service area, mapping  
19. the electric facility, both existing and proposed; periodically  
20. updating construction records, examining historical records of the  
21. Cooperative, attending formal and informal meetings of the Board of  
22. Trustees and its committies, attending other meetings and projects  
23. assigned to me, such as law suits, consumer complaints, consumer  
24. affairs, hearings, service negotiations, etc.
25. Q. When you first became associated with the cooperative in 1949, what,

1. if anything, did you have to do with the design and long range  
2. planning of Gulf Coast Electric's distribution facilities?
3. A. Both were under my direct control and responsibility. The results  
4. reflect my methodology, thinking and recommendation.
5. Q. Are you familiar with the area of south Washington County, Florida,  
6. generally from the Bay-Washington County line, west of State Road  
7. 77, and southeast of the community of Vernon, Florida?
8. A. Yes.
9. Q. How did you first become familiar with it?
10. A. During the years 1949 and 1950, I travelled all the roads in that  
11. area in order to locate unelectrified residences. At the same time,  
12. I corrected a set of system maps which were provided to me by Gulf  
13. Coast Electric. These maps indicated some existing construction that  
14. had occurred prior to my presence in the area, and I made field  
15. additions and/or revisions to reflect the electric distribution  
16. system as I found it in the field.
17. Q. At that time, how many paved roads extended west of State Road 77?
18. A. None. The next existing paved road west was State Road 79, which  
19. ran northerly and northeasterly from West Bay to Ebro, and then to  
20. Vernon. State Road 278 was paved from Vernon to Wausau.
21. Q. What kind of maps were provided to you by Gulf Coast Electric, and  
22. how and when were they drawn?
23. A. The maps were a complete set of drafting ink on linen media  
24. drawings that generally covered the entire area in which Gulf Coast  
25. provided service. The roads and topographic features shown on the

1. maps had been reproduced from State Road Department maps of  
2. Washington County, and the dates of these State Road Department base  
3. maps were shown to be from 1945 through 1948.
4. Q. Did you have any other type of map of this vicinity?
5. A. Yes, the U.S. Geological Survey, Washington, D.C., was preparing maps  
6. of the area, and I was fortunate to secure an advance set of USGS  
7. work prints to actually avoid becoming lost. There was a great  
8. inaccuracy in the State Road Department products of 1945 through  
9. 1948.
10. Q. Are you specifically familiar with the roads that left State Road  
11. 77 in the vicinity of the Greenhead Cemetary, the ones that went  
12. northerly towards Vernon?
13. A. Yes.
14. Q. What was along these roads when your first travelled them?
15. A. There were Gulf Coast Electric Cooperative power lines along the  
16. general course of the existing roads. These lines and prompt  
17. subsequent extensions served all unelectrified residences in the  
18. area.
19. Q. Can you tell us where the Gulf Coast Electric power lines were  
20. located?
21. A. In the fall of 1950, there was one line that went west along a  
22. straight graded road known as "Red Sapp Road" through the center of  
23. land Sections 4 and 5, west of State Road 77. This line served  
24. residences on the south side of Martin Lake, a residence or so on  
25. to the south, two residences on Martin Lake at its west side, another

1. residence up on the west side of Bowen Pond. It then went north and  
2. passed between Horselot Pond and Dunford Pond. There was a residence  
3. on the west side of the road that was receiving service, and it was  
4. occupied by A. M. Everett. The line then went around the south and  
5. east side of Payne Pond and continued on north where it had served  
6. two other residences which were disconnected when I viewed them.  
7. A new service to Thomas Payne was on this line just east of the  
8. Everett service.
9. Q. Mr. Gordon, how can you be so specific about all of this?
10. A. The detail of the original maps in this vicinity, and the previous  
11. construction mapping prior to my arrival in this area in 1950 was  
12. badly at odds with the actual topography and location of the  
13. facilities. It required that I totally revise the base maps to more  
14. accurately reflect the line and area which I have just described to  
15. you.
16. Q. Do you still have copies of this?
17. A. Yes, here is a xeroxed composite of a portion of two adjacent maps  
18. which are combined to illustrate the problem. You can still detect  
19. the presence of earlier mapping by the erasure shadows and the  
20. different styles and shading of the ink work. I attach this print  
21. to my testimony as Exhibit "1".
22. Q. Where is the disputed area in regard to this map?
23. A. The disputed area is twofold. First, it is all of south Washington  
24. County which lies south of a general line drawn from Moss Hill Church  
25. on State Road No. 279 to a point just south of Wausau on State Road

1. No. 77 and this line extends to both east and west in Washington  
2. County. The area then extends southerly and easterly to the  
3. boundaries of Bay County. This includes areas to the west of S.R.  
4. 279 and east of S.R. 77.
5. Second, it is the site of the Washington County Correctional  
6. Institute which lies north of the junction of S.R. 279 and S.R. 77  
7. in a portion of land sections 4 and 5 which we have previously  
8. discussed. The Correctional Institute does not extend easterly,  
9. westerly or southerly from these two roads.
10. The disputed area is not formally indicated as such on Exhibit "1"  
11. because all of the area indicated thereon is in south Washington  
12. County and it does not indicate State Road 279 as even existing.
13. Q. Were there any other Gulf Coast powerlines between Greenhead Cemetery  
14. and Vernon?
15. A. Yes, there was a major side tap that served the Pleasant Hill  
16. vicinity which is west of State Road No. 77 and another which was  
17. known as the "Double Branch" tap. The Double Branch tap left the  
18. main powerline on State Road No. 77 approximate to the forestry  
19. lookout tower and went westerly to Spring Hollow and Double Branch  
20. Pond. I personally staked a westerly extension of this tap to the  
21. vicinity of the Moss Hill Church which is about 2 miles southeast  
22. of Vernon.
23. Q. Were these lines which you have described originally joined together  
24. along their western extremities?
25. A. No. There were no reliable all weather roads available for easy

1. traverse of the area.
2. Q. What happened to this area to change it, and how did the Gulf
3. Coast power lines fit in with the changes?
4. A. The State Road Department built new State Road No. 279 from the
5. Greenhead Cemetery to Vernon by way of Dunford Pond and Moss Hill
6. Church. I believe this was done just prior to 1970. This State Road
7. has more recently become a County road and I use the term State Road
8. as interchangeable with County Road as may be applicable on recent
9. dates. The new road utilized the old route generally, but by-passed
10. portions of the old road and the adjacent electrical facilities of
11. Gulf Coast which provided traditional retail electric service to the
12. entire area south of the Moss Hill Church.
13. Q. What happened next?
14. A. Next, came the Deltona development at Sunny Hills, and this was
15. followed by the first intrusive electrical construction by Gulf Power
16. Company along the east right of way of State Road No. 279, and west
17. right of way of State Road No. 77 in the year 1971 for the purpose
18. of making initial service to Sunny Hills.
19. Q. Did this new line cross the facilities of Gulf Coast Electric?
20. A. Yes it did at numerous places, but at that time it did not serve any
21. electrical load south of the Moss Hill Church vicinity. My memory
22. is that it crossed over Gulf Coast facilities 18 times and crossed
23. under two times. It served nothing enroute until it reached Sunny
24. Hills and entered into that property.
25. Q. Has Gulf Power provided electric service to any of the disputed

1. area around the intersection of S.R. 279 and S.R. 77 during the years  
2. since 1971, or has any Gulf Power electric facility ever been located  
3. thereon?
4. A. No sir, but they have since and approximate to 1984 built an  
5. intrusive electrical facility into the Leisure Lakes area. This  
6. facility was constructed southerly from the north side of the S.R.  
7. 279 - S.R. 77 intersection and through the community of "Green Head".  
8. It serves no electrical load. It prevents the Gulf Coast Electric  
9. main 30 feeder line on the east side of S.R. 77 from having  
10. unobstructed access to its active member accounts on the west side  
11. of S.R. 77 and it crosses the Gulf Coast facilities four times.
12. Q. How does this handicap Gulf Coast Electric?
13. A. It leaves a Gulf Power feeder line in location where it effectively  
14. serves as a barrier to Gulf Coast's access to areas where Gulf Coast  
15. has actively and continuously provided electric service since before  
16. 1949.
17. Q. Has Gulf Coast provided electric service to any of the disputed area  
18. of the Correctional Institute during the 44 years since 1950, or had  
19. any electric facility located thereon?
20. A. Yes, sir, they have. At the time of the siting process for the  
21. Correctional Institute, the service located on the south side of  
22. Martin Lake was still active. The main tap along Red Sapp Road was  
23. still energized and provided electric service beyond and to the west.  
24. Portions of this same tap are still existing on the institute site  
25. and are currently providing construction power to the contractors.

1. Q. Can you tell us some of the details of Gulf Coast's facilities and  
2. operations?

3. A. Currently, Gulf Coast provides electrical service to approximately  
4. 12,450 active member/consumers which is delivered over about 1940  
5. miles of electrical distribution line. About 90% of the distribution  
6. lines operate at 25/12.5 KV.

7. Gulf Coast receives its supply of electrical energy from  
8. Alabama Electric Cooperative, a generating and transmission  
9. cooperative. Electricity is delivered to Gulf Coast through 115 KV  
10. and 46 KV transmission lines and the delivery points consist of seven  
11. (7) substations with a combined capacity of 68,000 KVA (normal rating  
12. at 55° rise OA. Other ratings at 65° rise OA and 65° FA are higher.)  
13. Gulf Coast's electrical peak was 37,987 KW during the winter of 1993  
14. and 42,098 KW during the summer of 1993. The summer peak was  
15. approximately 50% of the higher transformer ratings. Normal load  
16. growth will not require additinal substation capacity until  
17. approximately year 2000. A one line diagram of the A.E.C. facility  
18. is attached as Exhibit "2".

19. Gulf Coast provides, owns and maintains all secondary bus,  
20. switches, reclosers, etc. within the 7 substations. The secondary  
21. distribution structures and circuitry are designed to accomodate  
22. multiple outgoing feeder lines from each substation. This means  
23. fewer consumers without power during outages and convenient means  
24. of normal switching and load transfer. A one line diagram of the  
25. Gulf Coast secondary bus, switches and reclosers as well as the load

1. transfer switches is attached as Exhibit "3".

2.           The Crystal Lake Substation (rated 7,500 KVA; 8,400 KVA; 10,500  
3. KVA) is located near the junction of S.R. 20 & S.R. 77 and supplies  
4. electrical current to the disputed area in south Washington County  
5. and the site of the Washington County Correctional Institute at S.R.  
6. 279 and S.R. 77. The substation circuit is designated #3101C and  
7. consists of 25 KV, 30 construction of 2/0 ACSR which has a continuous  
8. current rating of 270 amperes. Continuous current circuit rating  
9. is therefore approximately 11,660 KW. Current peak load on circuit  
10. #3101C approximates 1900 KW. A one line diagram of this distribution  
11. circuit is attached as Exhibit "4".

12.           A similar circuit of 25 KV, 30, 2/0 ACSR ties the Crystal Lake  
13. Substation to the Southport Substation and that substation is rated  
14. 15,000 KVA; 16,800 KVA; 21,800 KVA. Southport Substation is  
15. similarly connected to Bayou George South Substation by means of a  
16. feeder of 4/0 ACSR and that substation is connected to Wewahitchka  
17. Substation by means of a feeder of 1/0 Cu (3/0 ACSR, equivalent).

18.           This network of substations, transformer capacities, feeder  
19. capacities, load break gang operated switches, etc. etc. is capable  
20. of total load transfer of the Crystal Lake Substation load through  
21. the year 2000 without any additional substation capacity. Adequate  
22. capacity exists to add 2500 KW of unnamed potential load to the  
23. Crystal Lake Substation without upsetting its existing capacity or  
24. affecting the system backup capabilities.

25. Q. Have you assisted in the preparation of comparative rates to serve

1. the Correctional Institute?
2. A. Yes, I assisted Mr. Roy Barnes, Gulf Coast Office Manager in such
3. a comparison.
4. Q. How did you go about such a task?
5. A. We accepted the load as being 372 demand and 163,450 KWH usage/mo.
6. and then applied Gulf Coast standard large power rate to the terms
7. of the required tariff.
8. Q. How much would the average monthly estimated bill be?
9. A. \$8,284.14 per month.
10. Q. How much was the average monthly estimated Gulf Power bill?
11. A. We accepted their calculation of \$7,442.66 per month.
12. Q. What was the difference between the two?
13. A. \$841.48 per month or \$10,097.76 per year, this difference was in
14. favor of Gulf Power.
15. Q. But the amount is less than indicated by the Gulf Power estimate
16. submitted?
17. A. Yes it is. The reduction in the Gulf Coast estimated bill results
18. from a variation in how the Cost of Power Sold adjustment is applied
19. over a year, it is seasonal and may go up and down and how the
20. capital credit policy is applied whereby margins are member equity
21. and are returned to the members.
22. Q. Do you have a copy of the Gulf Coast comparison?
23. A. Yes, I'll attach the copy as Exhibit "5".
24. Q. ~~Have you attended any negotiations between Gulf Power and Gulf Coast~~
25. ~~that were intended to resolve this territorial dispute?~~

1 ~~A. Yes, initially representatives of both parties met, exchanged views and compared~~  
2 ~~consumer data associated with the conflicting facilities in South Washington County.~~  
3 ~~Gulf Power received the data from Gulf Coast and carried it back consultation.~~

4 Q. ~~What happened then?~~

5 A. ~~Gulf Power representatives returned to inform Gulf Coast that a resolution might be made if~~  
6 ~~Gulf Coast agreed to include Bay County in the mediation.~~

7 Q. ~~Was this done?~~

8 A. ~~Yes, Gulf Coast prepared a supplemental map of Bay County showing each company's facilities~~  
9 ~~and the areas where there was natural division existing between these facilities. The companies~~  
10 ~~shared consumer counts and then prepared maps indicating areas where conditional agreement~~  
11 ~~might be reached.~~

12 Q. ~~What were the final results?~~

13 ~~A. Neither company could agree with the others line drawn on the Bay County map.~~

14 Q. Do you have an exhibit that shows each company's facilities generally in Bay and South  
15 Washington Counties?

16 A. Yes, Exhibit 6 (AWG-6) and Exhibit 6 (AWG-7). These are not final  
17 engineering diagrams, but you can see where the facilities are generally and observe the potential  
18 for continuing territorial disputes.

19 Q. Does this conclude your testimony?

20 A. Yes.

21

22

1 Q (By Mr. Haswell) Mr. Gordon, would you please  
2 summarize your testimony?

3 A My testimony gives my professional background,  
4 that I am president of an engineering company that's been  
5 associated with and have personally been associated with  
6 Gulf Coast Electric for the past 45 years.

7 I first saw the area in South Washington County  
8 and North Bay County in 1949, 1950, was able to or  
9 privileged to ride through and see the facilities that  
10 were there, or the lack of facilities that were there, did  
11 an area coverage survey, did corrective mapping,  
12 correcting maps that even showed topographic features that  
13 were out of place and they did not exist the way they were  
14 shown. I attached a copy of the original maps, an insert  
15 from them that shows the now location of the intersection  
16 of the Road 279 and State Road 77. I did long-range  
17 planning for the client, served as engineer of record,  
18 also served as advisor. I think I did about everything  
19 but janitor services for the building.

20 I became, over the period of 45 years, the one  
21 with the longest association with the Co-op that could go  
22 back and recall the chronological historical events that  
23 have occurred.

24 We have talked about these various exhibits that  
25 is filed with the deposition. I intend to go ahead and

1 tie those in and answer the questions that you may have  
2 for them.

3 MR. HASWELL: Thank you, sir. I tender the  
4 witness for cross examination.

5 CHAIRMAN DEASON: Ms. Liles.

6 CROSS EXAMINATION

7 BY MS. LILES:

8 Q Good afternoon, Mr. Gordon. I'm Teresa Liles  
9 and I represent Gulf Power Company. I would first like to  
10 ask you if you still have a copy of the rate comparison  
11 that was attached as the original Exhibit 5 to your  
12 prefiled testimony.

13 A Yes, I do.

14 MS. LILES: Commissioner, I would like to ask  
15 that that be identified as an exhibit so that that  
16 original rate comparison does remain in the record of this  
17 docket.

18 MR. HASWELL: I believe it is. I think we moved  
19 1 through 6. It's in. It's already part of it.

20 MS. LILES: He added as a correction to his  
21 testimony that he wanted to introduce the new rate  
22 comparison. I want to make sure that this remains in the  
23 record. If it's in the record, then I have no problem.

24 CHAIRMAN DEASON: Well, technically it's not in  
25 the record right now, but it has been identified as part

1 of Composite Exhibit No. 6.

2 MS. LILES: Again, that's all we need to make  
3 sure.

4 Q (By Ms. Liles) Secondly, I would like to show  
5 you a copy of a document entitled "Gulf Coast Electric  
6 Cooperative, Inc., Estimated Electrical Bill for Proposed  
7 State Prison in Washington County." This was a document  
8 that was provided to Gulf Power Company at a deposition  
9 and was represented to be an update of the rate  
10 calculation attached to your Exhibit 5, and I would like  
11 to ask you if you recognize this as such.

12 A This is one of the intervening rate calculations  
13 that was made. It had a cost of power sold adjustment  
14 that is slightly different from the one that is utilized  
15 on the current revision supplied by Staff.

16 MS. LILES: I understand. Commissioner, I would  
17 like to have this also marked for identification  
18 purposes.

19 CHAIRMAN DEASON: It will be identified as  
20 Exhibit No. 11.

21 (Exhibit No. 11 marked for identification.)

22 Q (By Ms. Liles) Mr. Gordon, would you look under  
23 the first narrative paragraph under the title of that  
24 document and tell me what effective date this comparative  
25 bill purports to represent?

1           A     It says the monthly bill for rates effective as  
2 of October 11th, 1994.

3           Q     Okay. And that shows a total estimated monthly  
4 bill, it has a figure of \$9,017.50 with a subtraction of  
5 \$811.58, for a grand total of 8,205.92?

6           A     That is correct, subject to the difference in  
7 the method of calculating the cost of power sold  
8 adjustment.

9           Q     I understand. Before I get back to the rate  
10 comparison, let me turn to the document that's been  
11 identified as Exhibit 10, the Cost to Serve Washington  
12 Correctional. I apologize, this is -- may take a little  
13 bit longer than I anticipated, but I've never seen this  
14 before. Can you tell me where you got the numbers listed  
15 under the column Gulf Power Company Cost to Serve?

16          A     Those were extracted from the answers to the  
17 interrogatories that were filed by Gulf Power Company to  
18 the various questions that had been asked by Staff and  
19 Gulf Coast Electric.

20          Q     Can you identify for me where you obtained the  
21 figure of \$21,369 for temporary services?

22          A     That was an answer given by Mr. Weintritt to the  
23 interrogatory asking for an estimate of the temporary  
24 service to 20 different points that was indicated on a map  
25 that was provided to Gulf Power Company.

1 Q You don't happen to have that interrogatory item  
2 reference?

3 A I'm sure that I have it here somewhere. Let me  
4 look for it here.

5 Q Let's see if we can take just a moment to find  
6 that. If I could point you to Gulf Power's Response to  
7 Gulf Coast's Second Set of Interrogatories, Item No. 3.

8 A You say Gulf Power's First Response to --

9 Q It's Gulf Power's Response to Gulf Coast's  
10 Second Set of Interrogatories, Item No. 3. I believe  
11 that's the figure that's referenced on your Exhibit 10.

12 A I'm sorry, but I find that part of my booklet  
13 vacant. Item No. 3, yes, I have it in front of me now.

14 Q Okay, and you had originally thought that was a  
15 response to a Staff interrogatory, but in fact it's a  
16 response to a Gulf Coast interrogatory; is that correct?

17 A That is correct.

18 Q And the map that was provided that it's -- that  
19 the items A through M on that interrogatory refer to was  
20 also a map provided by Gulf Coast; is that correct?

21 A That is correct.

22 Q Is it your understanding then that this answer  
23 represents what we -- what Gulf Power deems our cost of  
24 constructing temporary facilities to the prison would be?

25 A No. This is what the cost to serve the points

1 of temporary service within the construction complex.

2 Q Identified on the map that the Co-op provided to  
3 Gulf Power Company?

4 A That is correct, which was a direct copy of what  
5 was requested of Gulf Coast by the correctional institute.

6 Q Do you know if there were any discussions  
7 between Gulf -- excuse me, Gulf Power Company and the  
8 Department of Corrections regarding temporary service that  
9 Gulf Power could have provided to the site?

10 A I didn't understand your question.

11 Q Do you have any knowledge of any discussions  
12 between Gulf Power Company and the Department of  
13 Corrections of the cost at which Gulf Power could have  
14 provided to the site?

15 A No. I am not privileged to the discussions that  
16 they may have had. I only know what the project manager  
17 from the Department of Corrections and the contractors  
18 required of Gulf Coast Electric.

19 Q Thank you.

20 A This is the same items that were requested of  
21 Gulf Coast Electric.

22 Q That were requested of Gulf Coast Electric from  
23 the Department of Corrections?

24 A That is correct.

25 Q Thank you. And just for clarification, the

1 items that you list down at the bottom, the last two next  
2 to last items on the bottom for voltage regulators and  
3 Vernon conversion, you deemed those costs to be the costs  
4 that Gulf Power Company incurred in order to serve --  
5 would have incurred in order to serve the prison?

6 A No, they were the items that had been left off  
7 of the completion of the loop feed that Gulf Power has  
8 referred to. They were the voltage regulators, apparently  
9 to correct voltage problems that would be apparent on that  
10 line, and the Vernon conversion which was to change the  
11 operating voltage of a line from the city of Vernon down  
12 to the Moss Hill church area.

13 Q Mr. Gordon, were you here during Mr. Weintritt's  
14 testimony earlier today?

15 A Yes, I was.

16 Q Did you understand him to testify that the  
17 Vernon conversion and voltage regulators were for a line  
18 that would not have served the prison site or from a line  
19 in the opposite direction of the prison site?

20 A I heard that.

21 Q Do you still feel that these figures should be  
22 listed as the exhibit is titled, under Cost to Serve  
23 Washington Correctional Institute?

24 A Yes, because these voltage regulators are  
25 directly on the line downstream or down flow from the

1 Vernon substation, that there's no way that the regulators  
2 in this location could have affected the voltage output in  
3 the opposite direction that Mr. Weintritt described.

4 Q Just to clarify again, you believe that the  
5 45,909 and the 9,594 for voltage regulators and Vernon  
6 conversion, respectively, were Gulf Power's incremental  
7 costs of serving the proposed Washington County  
8 Correctional facility?

9 A And correcting the voltage deficiencies that  
10 would exist on the line. Had there been no voltage  
11 deficiencies, there would have been no need for voltage  
12 regulators at this point.

13 Q I would like to turn to another subject and go  
14 back to your original Exhibit 5 and the various revisions  
15 to that document that we've seen here today. First I  
16 would like for you to turn to your original Exhibit 5.

17 A Yes.

18 Q And for comparison purposes, just for the  
19 language, we may as well also refer to Exhibit No. 11  
20 because I believe the format is essentially similar for  
21 Gulf Coast's charges, just the new numbers -- newer  
22 numbers have been plugged in; is that accurate?

23 A That is correct.

24 Q You reflect a total bill on the original  
25 Exhibit 5 dated May 14th, 1993 as \$9,103.45, correct?

1 A That is correct.

2 Q And the subtraction of \$819.31 is for what?

3 A This is capital credits, the provision for  
4 capital credits accumulation that is to the account of the  
5 state of Florida, or who ever disburses the money and  
6 receives the service.

7 Q Okay, so if this was an estimated monthly bill,  
8 for example, for this month, October 1994, the Department  
9 of Corrections would pay to Gulf Coast a total of  
10 \$8,284.14?

11 A No. They would pay the estimated monthly bill  
12 of \$9,103.45. Of that amount, \$819.31 would be retained  
13 by the Cooperative as a capital credit contribution and  
14 returned as a later time.

15 Q How much later?

16 A Gulf Coast is currently on a 14-year cycle of  
17 refunding. That 14 -- all margins prior to 14 years ago  
18 have been returned.

19 Q So this \$819.31 on your original Exhibit 5, or  
20 the \$811.58 on your revised calculation which has been  
21 identified as Exhibit 11, or for that matter the \$755.67  
22 that's identified on what's been marked as Exhibit 7, the  
23 Department of Corrections would see that money come back  
24 to them in the year 2008, on the current cycle?

25 A That is correct.

1 Q They would not receive any present benefit for  
2 that money?

3 A Not for the period of time that is required for  
4 retention of it. They would enjoy membership within the  
5 Cooperative and each generation of member are required to  
6 contribute the use of their capital as the Cooperative  
7 progresses and the margins accrue.

8 Q Okay, let me ask you this. You reference a 9%  
9 capital credit on the various calculations that I see in  
10 front of me. How is that number determined?

11 A It was determined by going through the past  
12 several years, finding what the accrual rate had been from  
13 the margins and finding that it was approximately 9% of  
14 revenue.

15 Q What do you mean by margins?

16 A The difference between expenses and revenues.

17 Q Okay, and in a business such as Gulf Power  
18 Company or your local grocery store, that would be called  
19 a profit, wouldn't it? The difference between your income  
20 and your expenses, your revenue and your expenses, that  
21 would be a profit?

22 A That is correct. These are member margins.

23 Q Gulf Coast is a nonprofit corporation, correct?

24 A That is correct.

25 MS. LILES: I would like to hand out to you, and

1 if you'll bear with me I'll refer to these in a little  
2 while. It's essentially an entire copy of Gulf Coast's  
3 Response to Gulf Power Company's Third Set of  
4 Interrogatories. Just for ease of reference I'm handing  
5 out the entire set. I realize there are some responses  
6 that you did not sponsor, and I will try and hopefully  
7 refer to only those that you did sponsor. If I assign you  
8 a response that you're not responsible for, please let me  
9 know. (Pause)

10 I would like to have this document marked for  
11 identification as an exhibit, please.

12 CHAIRMAN DEASON: It will be identified as  
13 Exhibit No. 12.

14 (Exhibit No. 12 marked for identification.)

15 Q (By Ms. Liles) Mr. Gordon, would you refer to  
16 the response to Interrogatory No. 37, which is on Page 9  
17 of that document?

18 A I have that page.

19 Q And that describes the accrual method by which  
20 the capital credits are applied towards the customer's  
21 account; does it not?

22 A That is correct.

23 Q And then you would just assign that 9%, or  
24 whatever figure you decide on, at the end of the business  
25 year, according to that testimony, correct?

1           A     No. At the end of each business year the  
2 margins for that year are assigned, at the end of the  
3 year. The patronage capital is accumulated by the month,  
4 beginning the first month that the member or nonmember  
5 receives service.

6           Q     Okay, I would like you to turn back a page to  
7 your response to Item No. 35.

8           A     I have that page.

9           Q     Your answer responds, in part: "The Co-op  
10 allocates capital credits to its members as a Rural  
11 Electric Cooperative under Chapter 425 and is subject to  
12 REA financial requirements regarding any refunds,"  
13 correct?

14          A     I didn't follow the reading.

15          Q     I apologize. It's the middle sentence in your  
16 answer, beginning with the phrase, "The Co-op allocates  
17 capital credits."

18          A     I read the answer, the four lines that's given.  
19 I don't understand the question.

20          Q     I'm sorry, I'm referring to your response to  
21 Item No. 35, which is on Page 8 of the exhibit that you've  
22 been handed.

23          A     Yes. This four lines.

24          Q     Would you please read the second sentence of  
25 your answer?

1           A     "The Co-op allocates capital credits to its  
2 members as a Rural Electric Cooperative under Chapter 425  
3 and is subject to REA financial requirements regarding any  
4 refunds."

5           Q     Thank you. I just wanted to identify that  
6 sentence as the basis for my next question or two. What  
7 are REA's financial requirements regarding those refunds?

8           A     It varies according to the individual  
9 cooperative's financial condition. They have policies  
10 that's made in Washington as we go along within the  
11 program that they have more financially able cooperatives,  
12 as well as those that are not so financially able.  
13 Universal they will allow the refund of accounts of  
14 deceased patrons to the bona fide survivors of the  
15 individual, but whether or not they make other refunds,  
16 you have to meet certain operating criteria.

17          Q     So there is no requirement that any refunds be  
18 made at all?

19          A     The financial policy of the Co-op, as I recall,  
20 requires a rotation period, and this has been within the  
21 14 -- for a long time we tried for 15 years, we're up to  
22 14 years now.

23          Q     I'm sorry, was that a yes or a no to my  
24 question?

25          A     I don't know of any written request except for

1 our commitment to the members, and there are no written  
2 regulations that says, to my knowledge, that you will not  
3 make any at all. If you did that, you would violate your  
4 nonprofit organization status.

5 Q Well, I mean this money isn't being held in  
6 trust by the Cooperative. The board of directors can  
7 decide whether they need to spend that money for other  
8 purposes; is that correct?

9 A That is correct. This is the members'  
10 investment capital to carry on the Co-op business, of  
11 which they are a member, during the generation when the  
12 member is receiving service.

13 Q Well, are capital credits collected and  
14 disbursed only to members or are they also collected and  
15 disbursed to nonmembers who are receiving service from the  
16 Cooperative?

17 A The bylaws provide for members and nonmembers  
18 alike, but Gulf Coast Electric has no nonmembers.

19 Q Okay, I think you testified earlier that right  
20 now you're on a 14-year annual cycle. Can you tell me if  
21 there's any interest being accrued on that customer's  
22 patronage capital account?

23 A No, there is not interest accrued upon that.

24 Q So the amounts reflected as essentially credits  
25 on your estimated monthly bills -- and I have three of

1 them so far in front of me -- that's the amount that would  
2 be withheld today and that's the amount that would be paid  
3 back in 14 years?

4 A That is the approximate amount subject to  
5 correcting for the end of the business year as to what  
6 margins was available for distribution.

7 Q I understand, but there's no interest paid on  
8 that once the amount is decided at the end of the year?

9 A That is correct. That is a book value of the --  
10 of that member's equity in the Cooperative for that  
11 particular year.

12 Q Mr. Gordon, I'm not an accountant or a finance  
13 person by any means, but do you not agree that there's a  
14 time value allocated to that money?

15 A I believe that there should be, yes.

16 Q Nonetheless, on these rate comparisons, you show  
17 a 9% discount in a monthly bill that the Department would  
18 pay, when in fact the Department will not receive that  
19 discount for 14 years, if ever, or in whatever amount?

20 A That is correct, but the Cooperative has an  
21 established history of making the refund at the accrued  
22 value without interest, and the members have received  
23 service consideration and representation in their annual  
24 electric requirements. They have shared together as a  
25 cooperative.

1           Q     Okay, and the customers are also paying, based  
2 on your original estimate performed in May of 1993 -- even  
3 with that credit that they would get back in 14 years --  
4 service at 11% higher than they would pay to Gulf Power  
5 Company?

6           A     That was correct.

7           Q     And even under the more current estimates, are  
8 you aware that there is any differential between the rates  
9 that would be charged by Gulf Power Company and Gulf  
10 Coast?

11          A     I believe the rate of October -- I mean the  
12 calculation of October 11th, 1994 would have been  
13 approximately 4.8% higher than the rates charged by Gulf  
14 Power Company. And I don't have -- I don't have the  
15 calculation shown on the sheet that I was just handed from  
16 Staff.

17          Q     Well --

18          A     Now it shows a difference in the amount of the  
19 bills, but it does not indicate what the difference is.

20          Q     Okay, I would like to -- turning to -- or  
21 staying with, I guess, the issue of comparative rates  
22 between Gulf Coast and Gulf Power Company, have you read  
23 the deposition transcript of Mr. Ron Kronenberger of the  
24 Department of Corrections?

25          A     No, I have not.

1 Q Are you aware that his deposition was taken?

2 A I am aware that he gave a deposition.

3 Q I would like to provide you with a copy that I  
4 think everyone in the room so far has a copy of, of  
5 Mr. Kronenberger's deposition, and also the document that  
6 has been identified as Exhibit 1 and which was prepared as  
7 a late-filed exhibit to Mr. Kronenberger's deposition,  
8 subject to the attorneys for Gulf Coast Cooperative  
9 verifying the information.

10 This is Exhibit 1. I'll get the deposition.

11 (Pause). You were in the room earlier this afternoon, or  
12 maybe it was this morning, I believe, when Mr. Weintritt  
13 was directed to Mr. Kronenberger's deposition. Do you  
14 recall?

15 A I remember that the subject of this deposition  
16 was brought up.

17 Q And do you recall him being asked to review a  
18 statement made by Mr. Kronenberger that he supported the  
19 Washington County decision to award the service to Gulf  
20 Coast Cooperative?

21 A I believe I remember hearing that statement.

22 Q I would like to ask you to turn to Page 6 of  
23 that deposition transcript, please, and read the statement  
24 beginning on Line 23 aloud.

25 A Page 6, which line, please?

1 Q The line beginning on Line 23.

2 A "Answer: If the question is if we have two  
3 providers in service or commodities, and everything else  
4 being equal, and one is at lower cost, we will always take  
5 the lower cost."

6 Q I would like to ask you now to refer to Page 18  
7 of that same deposition beginning at Line 22. Take your  
8 time to read the context of the question if you feel it's  
9 necessary. I know you haven't reviewed this before.

10 A Page 18, line?

11 Q Line 22.

12 A "If the cost differential was \$2,000 a year we  
13 would go with the low cost, and that's our philosophy,  
14 that, again, whether it is a product or a service, all  
15 comparisons being equal, we will go with the low cost.

16 Q And are you aware of any cost comparisons that  
17 were provided to the Department of Corrections around the  
18 time frame that Gulf Coast was trying to get the service  
19 to the prison?

20 A Yes, I am.

21 Q Okay I would like to ask you to refer now to the  
22 document that was identified as Exhibit 1, which is  
23 Late-filed Exhibit 1 and 2 to that deposition. If you  
24 will turn to --

25 A Exhibit --

1           Q     Exhibit 1. It's a document -- the first page is  
2 entitled, State of Florida Department of Corrections,  
3 Interoffice Memorandum.

4           A     I see that.

5           Q     If you will turn to the second page of that  
6 document.

7           MR. HASWELL: I'm sorry, excuse me, counsel.  
8 Which exhibit are we looking at now?

9           MS. LILES: This is the document identified as  
10 Exhibit 1 in this hearing, which is the rate comparison  
11 that Mr. Kronenberger provided.

12          MR. HASWELL: This is the one we haven't agreed  
13 on yet, as to whether it's in?

14          MS. LILES: That's the one you're trying to  
15 verify that Mr. Kronenberger can authenticate.

16          Q     (By Ms. Liles) Now this is an estimate -- are  
17 you looking at Page 2 of the exhibit?

18          A     Yes, I am.

19          Q     This is an estimate that is apparently prepared  
20 using metered loads from a correctional institute  
21 elsewhere, in Madison; is that correct?

22          A     It appears to be.

23          Q     Okay. Not including the capital credits, is  
24 there a difference between Gulf Coast and Gulf Power  
25 Company?

1           A     For the rate comparison made here, yes, there  
2 appears to be a difference.

3           Q     Can you tell by a review of this document  
4 whether there is any month in which Gulf Power is higher  
5 than Gulf Coast in its rates?

6           A     In this review I do not see one.

7           Q     What does the demand figure reflect?  What's the  
8 lowest demand kW listed in that second column?

9           A     It appears to be 696 kW.

10          Q     And it goes up as high as 876, does it not?

11          A     That is correct.

12          Q     What's the anticipated demand kW at the  
13 Washington County prison?

14          A     372.

15          Q     So these demands are significantly higher, this  
16 demand kW is significantly higher than what you can expect  
17 from Washington County; is that correct?

18          A     That is correct.

19          Q     What is the anticipated average kW demand at  
20 Washington County, if you know?

21          A     At Washington County?

22          Q     Yes.

23          A     372 was the information provided to Gulf Coast  
24 from the Department of Corrections in my presence.

25          Q     I would like to refer you to the next page of

1 that exhibit. Now that appears to have a rate comparison  
2 with a kW demand beginning at around 400 and going all the  
3 way up to 900?

4 A Yes, it does.

5 Q And is there any month in which Gulf Coast is  
6 lower than Gulf Power Company?

7 A Including or not including capital credits?

8 Q Start out by not including capital credits.

9 A No, there are no months where Gulf Coast is  
10 lower than Gulf Power.

11 Q Is there any month in which Gulf Coast is higher  
12 -- excuse me, is lower than Gulf Power, including capital  
13 credits?

14 A It does not appear that there is a month when  
15 Gulf Coast is lower.

16 Q Does it appear to you from reviewing this  
17 document -- and take your time to review it if you feel  
18 you need to -- that the Department of Corrections took  
19 into account the capital credits in determining that Gulf  
20 Coast was the proper service provider for the prison?

21 A Apparently with the columns within these  
22 different parts of the exhibit, they did know that capital  
23 credits was a factor.

24 Q But in that second page of that exhibit, for  
25 example, where it gives you a month-by-month comparison,

1 they actually show a credit being reflected each month in  
2 that middle column; do they not?

3 A Yes, it does show a credit being attributed each  
4 month.

5 Q Are you aware that Mr. Kronenberger stated in  
6 his deposition that the timing of a refund or a benefit to  
7 be realized from those capital credits would make a  
8 difference to him in his analysis of the rate comparison?

9 A I'm not aware that he did or not did make such a  
10 statement.

11 Q Would you please turn to Page 9 of his  
12 deposition transcript? And I am going to begin with the  
13 question that begins on Line 17 --

14 MR. HASWELL: Mr. Chairman, I got a problem with  
15 this. Are we reading -- we've got this deposition  
16 transcript already in evidence, and is she just trying to  
17 get Mr. Gordon to agree that what it says is what it  
18 says? He's already said he wasn't there.

19 MS. LILES: Mr. Chairman, I am trying to  
20 question Mr. Gordon on the issue of capital credits.  
21 Mr. Haswell questioned Mr. Weintritt, asked him to quote  
22 certain portions of this transcript concerning the  
23 Department of Corrections' choice of customer. I would  
24 like to be able to show that the choice was to some extent  
25 skewed by their understanding or lack of understanding of

1 the nature of the capital credits and when they would  
2 receive a discount for those, and I believe that is  
3 relevant to my line of questioning of Mr. Gordon.

4 CHAIRMAN DEASON: Objection overruled. I'll  
5 allow the question.

6 Q (By Ms. Liles) I would like to begin on Line  
7 17: "On the capital credit issue, is it your  
8 understanding that you will get a discount below their  
9 tariff or that you will be paid patronage capital like all  
10 other customers?" Would you read the answer following  
11 that question, please?

12 A If the price differential was deemed to be as  
13 much as 16- to \$20,000 --

14 Q I'm sorry, Mr. Gordon, we seem to be on the  
15 wrong page. I'm on Page 9, Line 21.

16 A I'm sorry. Page 9, Line 17?

17 Q Page 9. I just read the question beginning at  
18 Line 17. Please take your time to read that. And if you  
19 would read the answer beginning at Line 21.

20 A "Answer: I don't have a complete understanding  
21 of what that would be other than it would result in  
22 reduced rates to us."

23 Q The following question beginning on the next  
24 line reads: "Do you know when those reduced rates would  
25 be reflected in terms of when it would be reflected on

1 your bill or when you will get a check?"

2 The answer beginning on the next page, "No, I  
3 don't."

4 The question: "Would it make a difference to  
5 you if those reduced rates were going to be flowing in the  
6 first year or you had to wait ten years to get a refund?"

7 Would you please read the answer beginning on  
8 Line 5, of Page 10 for that last question?

9 A "Yes, it would. It would have an impact on  
10 whether, you know, that overage or that amount is going to  
11 be reduced on an annual basis. On whether it would be the  
12 fourth year, the first year, or ten years down the road."

13 Q Mr. Gordon, you've already testified that on  
14 current estimates it will be 14 years before they receive  
15 any of that money back in terms of a credit or a refund?

16 A That is correct.

17 MR. HASWELL: I would like to point out that she  
18 did not let Mr. Gordon complete the answer to that  
19 question.

20 MS. LILES: I'm sorry?

21 MR. HASWELL: You cut Mr. Gordon off before he  
22 finished the answer to that question.

23 MS. LILES: Please complete reading the answer.

24 WITNESS GORDON: Continuing on Line 9. "But,  
25 again, I guess from my perspective, from what our

1 engineers tell us, that the rate differential is very  
2 close to call based on their preliminary estimates between  
3 the two companies."

4 Q (By Ms. Liles) And those preliminary estimates  
5 include a column reflecting a discount for capital  
6 credits; is that correct?

7 A If they are the ones that prepared the exhibits  
8 that we're looking at.

9 Q Mr. Gordon, you buy your -- or the Gulf Coast  
10 Cooperative buys its power wholesale from Alabama Electric  
11 Cooperative; is that correct?

12 A Yes, it does.

13 Q Does Alabama Electric Cooperative also collect a  
14 patronage capital?

15 A Yes, and assigns it to its members, of which  
16 Gulf -- yes, Gulf Coast Electric Cooperative is one of  
17 several.

18 Q Is their margin also 9%?

19 A I don't know, but whatever it is, it is included  
20 in the 9% as part of the members' equity in the annual  
21 capital credits accrued.

22 Q And is the margin that Alabama Electric  
23 Cooperative recovers from its customers and includes in  
24 that patronage capital account approved by any regulatory  
25 body?

1           A     I don't believe the regulatory body has any  
2 jurisdiction over the rates except for rate -- the form of  
3 the rates, rather than the level of the rates.

4           Q     And likewise, no regulatory body has authority  
5 over the amount of patronage capital retained by Gulf  
6 Coast Electric Cooperative; isn't that correct?

7           A     That is correct, other than they operate with a  
8 board of trustees that are elected by the members and they  
9 are responsive to the board -- the board is responsive to  
10 the members and they do refund capital credits.

11          Q     In a certain cycle of time to be determined by  
12 the board of directors?

13          A     That is correct, and in accordance with any  
14 regulations that the Rural Electrification shall deem  
15 advisable in the protection of the loan that's made for  
16 the construction of facilities.

17          Q     But more specifically, what restrictions would  
18 those be in this case? Can you give me any specific  
19 examples?

20          A     Depending upon the financial measure that's  
21 applied, the times interest earned ratios, the debt  
22 service coverage, et cetera, and also the equity ratio, it  
23 will vary with those items.

24          Q     So there may be some financial constraints  
25 similar to a lender's control over collateral that says

1 you cannot refund a certain amount, but there's no  
2 regulatory requirement that you must refund a certain  
3 amount; is there?

4 A I don't know of any written regulation that says  
5 that you must refund a specific amount. I can only give  
6 you the track record.

7 Q Okay, and what is the current return cycle of  
8 Alabama Electric Cooperative with respect to returning  
9 patronage capital to its cooperative members?

10 A I do not know that.

11 Q Do you know if it's more or less than 14 years?

12 A I don't know. Alabama Electric Cooperative has  
13 consistently reduced the wholesale rates in order to  
14 provide immediate return to the members of the -- of its  
15 members.

16 Q Would Mr. Norris happen to know the policy of  
17 Alabama Electric Cooperative, either the percentage margin  
18 or the return cycle of --

19 A I don't know whether he knows the current  
20 situation or not. He is the manager, and I assume that he  
21 does.

22 Q He sits on the board of directors of AEC, does  
23 he not?

24 A That is my understanding.

25 MS. LILES: Mr. Chairman, if I could have a few

1 minutes I may be able to shorten the remainder of my  
2 questions.

3 CHAIRMAN DEASON: We'll take five minutes.

4 (Recess)

5 CHAIRMAN DEASON: Call the hearing back to  
6 order. Ms. Liles.

7 Q (By Ms. Liles) I think we were discussing the  
8 theory of patronage capital, and I would just like to ask  
9 you a few more questions on that before I turn to another  
10 subject. The patronage capital reference on -- and I'm  
11 trying to find the exhibit. I've got so many rate  
12 comparisons in front of me, it's hard to keep track.  
13 You'll have to bear with me. I think it's on what's been  
14 marked as Exhibit No. 7, "Monthly Bill Comparison Using  
15 Current Rates." Do you have that in front of you?

16 A This is the original Exhibit 5?

17 Q No, it's the document that's been marked as  
18 Exhibit No. 7.

19 A All right, I have that now.

20 Q Now, first let me clarify. You did not prepare  
21 either of these calculations on this exhibit, did you?

22 A That is correct, I did not.

23 Q You did prepare or supervise the preparation of  
24 your original Exhibit 5 and what I believe has been marked  
25 as Exhibit No. 11, which are --

1           A     I did prepare the calculations on the left-hand  
2 side under Gulf Coast Electric. I accepted the load data  
3 that had been submitted by Gulf Power Company to the Board  
4 of Corrections -- the Department of Corrections. And I  
5 accepted Gulf Power's calculations to the dollar and to  
6 the penny.

7           Q     I understand. And I -- to clarify, I'm asking  
8 for the calculation of Gulf Coast's monthly estimates.  
9 There is a capital credit identified on Exhibit No. 7 of  
10 \$755.67. I think I asked you before, and if you'll  
11 forgive me I'll ask you again, do you believe that there's  
12 any present value of that money?

13          A     I have not made any distribution of future value  
14 or current value. That is according to the approximation  
15 of what the accounting has shown it to be in the last  
16 current complete business years.

17          Q     But, again, to clarify, that figure is basically  
18 a flat 9% of the \$8,396.38 referenced above, subject to  
19 check?

20          A     I would say that that is accurate because the  
21 historical data over the last few business years doesn't  
22 change it. It accrues at approximately 9%.

23          Q     That's so the amount that would be retained and  
24 paid back in 14 years if everything goes according to  
25 plan?

1           A     That is one of the paybacks, yes.

2           Q     Would you agree that 7% interest rate might be  
3 appropriate for a present value calculation in today's  
4 market?

5           A     I have heard interest rates quoted all the way  
6 from 5% to my bank charging me on my credit card, my  
7 plastic money, if I use it, of 15 and 16.

8           Q     We won't go that high. I've got the same kind  
9 of bills coming in myself. But would you agree that 7% is  
10 in the range of reasonableness for a present value  
11 calculation?

12          A     I think so.

13          Q     Would you also agree, subject to check, that the  
14 present value of a dollar at an interest rate of 7% for 14  
15 years would 38.7 cents?

16          A     Yes, depending upon what you started with in the  
17 account that would benefit the recipient.

18          Q     Well in general, subject to check, let me ask  
19 you if you would agree then that the present value based  
20 on that assumption of this \$755.67 capital credit would be  
21 equal to approximately \$290.

22          A     I don't know.

23          Q     Do you know whether that's in a ballpark of what  
24 it might be. I don't expect you to be able to do that  
25 calculation in your head, but can you tell me if that's a

1 reasonable assumption?

2 A Again, I don't know.

3 Q Okay. On that same exhibit, you show some --  
4 you have a reference to the cost --

5 MR. HASWELL: Which exhibit are we talking  
6 about?

7 MS. LILES: Exhibit No. 7.

8 MR. HASWELL: It's not his exhibit?

9 MS. LILES: It has been identified as Exhibit  
10 No. 7. I'm sorry, I said, "You show." That's correct, he  
11 did not prepare this.

12 Q (By Ms. Liles) This reflects a certain figure  
13 for capacity purchases, does it not?

14 A It reflects what?

15 Q The cost of power sold adjustment.

16 A Yes, it does.

17 Q And what is that figure?

18 A The figure is the current value that the  
19 Cooperative is using of a .0032 credit.

20 Q And by "current" you mean in October of this  
21 year?

22 A That is correct.

23 Q I would like to refer you back to Exhibit No.  
24 11, which I believe is the rate comparison that you did  
25 prepare, and ask you what the cost of power sold

1 adjustment charge is on that document?

2 A .0006 dollars per kWh debit.

3 Q So actually the positives and the negatives have  
4 been reversed there, in addition to the swing in the  
5 numbers?

6 A That is correct. The reason -- the reason for  
7 that is I based the cost of power sold adjustment used in  
8 this calculation upon the average annual being a  
9 historical value. Let me say that I was leaning over  
10 backwards to be fair about it, because it does change  
11 monthly. Now, the one that we're looking at on Exhibit 7  
12 utilizes the current month. Now, I believe that the other  
13 calculations with the other power companies use current  
14 month's information so far as the recovery charges, the  
15 fuel charges, et cetera.

16 Q Thank you. And I think you did say that the  
17 cost of power sold adjustment charge reflected on your  
18 calculation was an average?

19 A Yes.

20 Q And it states -- I'm sorry, go ahead.

21 A It does not necessarily reflect a future trend.  
22 There's nothing put in for future trending. This was a  
23 12-month's average that I used.

24 Q And based on the statement identified by the  
25 first asterisk at the bottom of your Exhibit No. 11, your

1 average -- your actual average for the previous 12 months  
2 was .6 mills per kWh; is that correct?

3 A That is correct.

4 Q Let me ask you which of these two figures you  
5 think is more representative, your average for the  
6 previous 12 months of .6 mills or the figure for this  
7 month, which is strikingly different than what you  
8 included on your Exhibit No. 11?

9 A I was aware that there was a lower current  
10 charge, and I said in my testimony that I'm more  
11 conservative. I took the historical average rather than  
12 trying to take a projected value.

13 Q Can you tell me what the actual figure was for  
14 each of those 12 months that resulted in this .6 mills per  
15 kWh average figure?

16 A I don't have that information here, but it was  
17 totaled off of the billing data.

18 Q I would like to get a late-filed exhibit of  
19 that, please, with each month included in the average  
20 identified on Exhibit No. 11.

21 MR. HASWELL: Run that by me again, a late-filed  
22 exhibit on what?

23 MS. LILES: Identifying the actual cost of power  
24 sold adjustment charge each month, beginning October 1994  
25 back for the previous 12 months.

1           CHAIRMAN DEASON: It would be a Calculation of  
2 the Average Cost of Power Sold Adjustment appearing on  
3 Exhibit No. 11?

4           MS. LILES: That's correct. The actual average  
5 appears on the exhibit, but we don't have the components  
6 that went into that calculation.

7           CHAIRMAN DEASON: That would be identified as  
8 Late-filed Exhibit No. 13.

9           (Late-filed Exhibit No. 13 identified.)

10          Q     (By Ms. Liles) I would like to turn back to the  
11 document that's been identified as Exhibit No. 10, which  
12 purports to be a comparative cost of serving Washington  
13 County Correctional Institute.

14          A     I have it.

15          Q     First, under the column headed Gulf Coast Cost  
16 to Serve, those figures appear to have been taken from  
17 Gulf Coast's Responses to Items 27, 28 and 29 of Gulf  
18 Power Company's Third Set of Interrogatories, and I  
19 believe that's the composite document I handed to you  
20 previously.

21               MR. HASWELL: Excuse me, are you asking him a  
22 question?

23               WITNESS GORDON: Yes, I would like for him to  
24 have the document in front of him before I ask.

25          Q     (By Ms. Liles) Do you have --

1           A     This is Gulf Power Company's Third Set of  
2 Interrogatories to Gulf Coast Electric?

3           Q     That's correct. And can you verify that the  
4 figures listed, at least for the first what appear to be  
5 three or four items under Gulf Coast's cost to serve, were  
6 taken from those interrogatory responses, 27, 28 and 29?

7           A     The figures appear to agree. I don't know which  
8 came from which because they were both prepared, and  
9 there's no variation in the basic data collected for  
10 these.

11          Q     Well, you're listed as the person responsible  
12 for these interrogatories, and you are sponsoring this  
13 exhibit, correct?

14          A     Yes, that is correct.

15          Q     So you would be aware of components that go into  
16 these figures?

17          A     Yes.

18          Q     The actual interrogatories themselves ask for a  
19 total cost, actual cost, anticipated future cost. I would  
20 like to clarify whether the figures listed on these  
21 answers and also on your Exhibit 10 constitute actual  
22 costs incurred to date or what percentage of those might  
23 be projected, if you know?

24          A     My memory is that the point of service to No. 20  
25 is an estimated cost. The rest of them are reflected from

1 the cost within the work order for the Washington County  
2 Correctional Institute.

3 Q Just to go through and make sure that we're on  
4 the same page here, the first item for providing the  
5 primary service listed on Exhibit 10 is \$18,542.90?

6 A That is correct.

7 Q Which matches to the response to Item 27?

8 A That is correct.

9 Q The following item for temporary services is  
10 listed as \$14,852.94. And then you have an estimated cost  
11 of \$1,533.28?

12 A That is correct.

13 Q That's taken from Interrogatory No. 28?

14 A At the bottom of Page 4.

15 Q And for staff housing, the \$14,128.60 figure is  
16 taken from interrogatory No. 29 for staff housing?

17 A That is correct.

18 Q Now, on your Exhibit 10, you also include  
19 another \$9,155.86 for the main entrance road to staff  
20 housing, that's not indicated on your Item 29; is that  
21 correct?

22 A That is correct.

23 Q So that would -- while maybe not within the  
24 strict definition of what's requested in Item 29 -- also  
25 be a part of serving the staff housing for the prison?

1           A     That is correct.

2           Q     Can you provide me or can you tell me the  
3 details of how you calculated that \$14,128.60? For  
4 instance, how many feet of primary cable did you assume  
5 and at what cost?

6           A     That came off of the material job charge tickets  
7 that was entered into the work order and the labor that  
8 was entered into the work order at that time.

9           Q     Do you have copies of that information handy?

10          A     No, I do not have.

11          Q     I would like to get a late-filed of that if I  
12 could, please.

13                   CHAIRMAN DEASON: Be identified as late-filed  
14 Exhibit No. 14. Could I have a short title, please?

15                   MS. LILES: Can you estimate how many feet of  
16 primary cable would have been necessary?

17                   CHAIRMAN DEASON: I need a short title for  
18 Late-filed Exhibit 14.

19                   MS. LILES: Details of the Calculation for Staff  
20 Housing.

21                           (Late-filed Exhibit No. 14 identified.)

22                   CHAIRMAN DEASON: Thank you.

23           Q     (By Ms. Liles) Do you have any estimate of how  
24 many feet of primary cable would have been used to?

25           A     No, I don't have any estimate of it here.

1 Q Do your crews charge your labor directly to the  
2 job, or is that some sort of percentage that's allocated?

3 A No, the labor, to my knowledge, is posted to the  
4 work order for the job order.

5 Q So any labor charge would be directly  
6 attributable to this specific staff housing project?

7 A Yes.

8 Q I would like that included in the late-filed as  
9 well. I think the title adequately covers that.

10 Approximately how many transformers would have been needed  
11 to provide this service to staff housing?

12 A I don't have that count or information.

13 Q Do you know the approximate cost of a  
14 transformer?

15 A No, I do not know the approximate cost of a  
16 transformer.

17 Q Can you tell me whether the figure of  
18 \$14,128.60, or for that matter, the next figure, \$9,155.86  
19 for main entrance road includes street lighting?

20 A The \$9,155.86 includes no street lighting  
21 whatsoever. It is the difference between the relocated  
22 cost of a single-phase facility on 279 and the three-phase  
23 facility that was constructed.

24 Q I am confused. You're referring to a cost of  
25 relocation, but you reference a cost of relocation further

1 on down in this exhibit. The 9,155 was for a main  
2 entrance road to staff housing road?

3 A That is correct. That is the portion of the  
4 facility that is devoted to cost to serve the housing.  
5 It's only a portion of the cost to construct the facility  
6 down 279 from the main entrance to the correctional  
7 institute to the entrance to the housing location.

8 Q So the \$9,155.86 represents what exactly?

9 A The cost of building a three-phase line at that  
10 location as compared to the cost of building a  
11 single-phase line at that location.

12 Q Let me get to that. I take it you're referring  
13 to the removal, relocation and upgrading of the line along  
14 Red Sapp Road. Make we can clear some of this up?

15 A That is part of it, yes.

16 Q That's part of it. What else is part of it?

17 A Well, the -- the single-phase equivalent is  
18 there, the relocation of the Lake McDaniel line that had  
19 the existing service located to the northwest of the  
20 entrance, the main entrance, and then the locations 11 and  
21 13 are relocation costs.

22 Q Okay. Going down to the relocation costs  
23 referenced on your Exhibit 10, cost of relocation along  
24 County Road 279, locations 11 and 13, what do those  
25 figures represent, the 36,000, the 7,000 and the 3,000?

1           A     That is the cost of relocating the single-phase  
2 line that was across Red Sapp Road in the new position  
3 down across 279.

4           Q     I'm a little confused because in the response to  
5 Staff Interrogatory No. 12, Staff's Seventh Set -- Second  
6 Set, excuse me, the Cooperative answered -- and I believe  
7 you sponsored this response -- that the total cost of the  
8 single-phase relocation and three-phase upgrade equaled  
9 \$51,579.28.

10          A     That is correct.

11          Q     And I see that the \$36,996.74 equates to your  
12 single-phase relocation total listed in that response.  
13 Help me understand how the remaining two items relate to  
14 the remaining components of your response to question No.  
15 12?

16          A     The cost to serve along Highway 279 amounts to a  
17 total of \$14,582.54. That starts down on the east side of  
18 Highway 77 and ends on the southwest side of 279 opposite  
19 to the design road that goes into the staff housing.

20          Q     Let me ask you this. If it had not been for  
21 serving the Washington County prison facility, would you  
22 have found it necessary to remove the Red Sapp Road line?

23          A     If it were not for the Department of Corrections  
24 requesting that we move it, no, we wouldn't have had to  
25 have removed it.

1 Q Okay, and if it weren't for the fact that Gulf  
2 Coast is serving the prison, would you have upgraded the  
3 line when you relocated it along Highway 279?

4 A Well, this line was constructed according to  
5 standards in effect in 1949, 1950. A lot of those old  
6 original construction standards have been abandoned. We  
7 would not have constructed to the same condition and  
8 standards that existed along Red Sapp Road.

9 Q So is that a yes or a no? Would you have  
10 upgraded to three-phase if you had not been serving the  
11 prison?

12 A If we were not serving the prison, we would not  
13 have upgraded the line to three-phase.

14 Q Okay, how many customers were being served on  
15 the Red Sapp line?

16 A We had one active and one inactive service  
17 located to the northwest of the prison entrance on what we  
18 call the Lake McDaniel line.

19 Q So you had essentially two customers being  
20 served by the Red Sapp line before you relocated?

21 A One active and one inactive.

22 Q What would you estimate the revenues from these  
23 customers to Gulf Coast Cooperative were?

24 A I don't have any estimate on what the revenue  
25 was. (Pause)

1 MS. LILES: No more questions.

2 CHAIRMAN DEASON: Ms. Brown?

3 CROSS EXAMINATION

4 BY MS. BROWN:

5 Q Mr. Gordon, would you turn to the exhibit  
6 identified as No. 7? I just have basically, I think, only  
7 one more question to ask you about that.

8 A I have Exhibit 7, yes.

9 Q All right, the first three charges in that  
10 column that start with customer charge, you see that?

11 A Yes.

12 Q Those three numbers came from your exhibit dated  
13 October 17th, 1994, correct?

14 A That is correct.

15 Q Can you tell me how long those charges have been  
16 in effect for Gulf Coast?

17 A Some five or six years. I don't know -- at  
18 least four.

19 Q Could it be that they've been in effect longer  
20 than that?

21 A Yes.

22 Q Who would be able to find out for me just how  
23 long they've been in effect?

24 A If you would like a late-filed exhibit, I will  
25 address it along with the other information.

1 Q Would any of the other Gulf Coast witnesses be  
2 able to answer -- find that information out for us and  
3 answer it so that we wouldn't have to get a late-filed?

4 A I don't know. They may be able to make a  
5 telephone inquiry prior to them testifying.

6 Q All right, perhaps we can ask it of Mr. Norris?  
7 All right.

8 Now earlier, Mr. Gordon, you were discussing the  
9 temporary service points to serve the correctional  
10 facility. Do you remember that?

11 A That is correct.

12 Q Were those temporary -- and I think what you  
13 said was that -- did you -- were these temporary service  
14 points determined by the Department of Corrections?

15 A That is correct. They indicated and marked on a  
16 map where they wanted them. Their surveyor had indicated  
17 on the ground where there were conflicts with buildings,  
18 with the existing single-phase line. We negotiated to do  
19 the best that we could to salvage as much, knowing that  
20 the line had to come out. We salvaged the utility, the  
21 value of the line, temporarily during construction.

22 Q Well, that was going to be my question. Were  
23 the temporary service points dependent upon the location  
24 of the Department of Correction buildings, or were they  
25 dependent upon the location of Gulf Coast's lines?

1           A     In part both, that where we had relocations that  
2 conflicted with the poles, we had to get the poles out,  
3 and they had to be relocated, and maybe new poles set  
4 instead of those, even though that they had to move just a  
5 few feet.

6           Q     So the Department of Corrections had a design in  
7 mind for the site where they wanted their buildings to go,  
8 and at certain points that design conflicted with the  
9 location of the existing Gulf Coast lines; is that  
10 correct?

11          A     That is correct. The Red Sapp line went right  
12 through a portion of the prison complex.

13          Q     Has Washington County closed Red Sapp Road since  
14 the prison site was selected?

15          A     I'm not aware of whether it's now closed or  
16 whether it's not closed, but there has been a considerable  
17 amount of site clearing, hurry-up in construction on the  
18 land preparation, and I'm not familiar with the exact  
19 condition of the project on this date.

20          Q     I am confused about this. Is Gulf Coast  
21 presently providing temporary service, construction  
22 service, to the site?

23          A     Yes, we are providing temporary construction  
24 service on the site to all of the locations listed, except  
25 for the point of service No. 20. They decided and

1 canceled, and that's the reason that I put that value here  
2 as an estimate, because they have not requested temporary  
3 service at that location. I'm sure that it's in Gulf  
4 Power's estimate. And to keep apples the same as apples,  
5 I have placed that estimated value of temporary service  
6 into this estimate.

7 Q And again, when do you project that you would  
8 provide permanent service to the facility?

9 A Sometimes -- according to our experience,  
10 sometimes 18, 24 months.

11 Q From now?

12 A From now.

13 Q Okay. Has Gulf Coast ever received payment for  
14 relocation of its lines or poles from a county right of  
15 way when a road was closed?

16 A I really don't know. I know that they have been  
17 reimbursed for the moving of a line whenever the road was  
18 improved and widened and the original line and  
19 construction was off of the traveled way of the road. I  
20 have personally made adjustment proposals and agreements  
21 with the Department of Transportation when this has  
22 occurred.

23 Q And who compensated Gulf Coast in those  
24 instances?

25 A In most instances, in my experience, it comes

1 out of the right of way funding that's assigned to the  
2 counties themselves.

3 Q Now, if that were to happen in this case with  
4 respect to the relocation of the Red Sapp line, would the  
5 entity that compensated Gulf Coast be Washington County or  
6 the Department of Corrections?

7 A I don't know which one. It hasn't been brought  
8 up and discussed. The Department of Corrections said that  
9 the line had to be out of their way, and they gave us  
10 their suggestion on relocation and we followed it.

11 MR. HASWELL: Mr. Chairman, I have a limited  
12 objection to this point, and maybe Staff can clear it up  
13 with the right question, but some of these questions Staff  
14 is asking assumes facts that are not in evidence and that  
15 is: Is this a county road or is it a private road? Are  
16 the poles of the Co-op on the -- in the county right of  
17 way or not? And I don't think that has been hashed out  
18 yet, or determined.

19 CHAIRMAN DEASON: Ms. Brown?

20 Q (By Ms. Brown) Mr. Gordon, is this a county  
21 road or a private road?

22 A I can only give you my observation, and I'm no  
23 spring chicken. I have gray hair from looking at roads.  
24 This road was not the type of a road that Marion County  
25 would call a county road. It was one that was county

1 maintained. I'm not aware that there was or was not any  
2 legal encumbrance on the road that said it's a county  
3 road. I do know that the poles were not set within the  
4 maintained portion of the road. They were set on the berm  
5 and/or behind the berm along the side of the road.

6 Q So can I conclude from what you just said that  
7 they were not located, to your knowledge, in any  
8 established county right of way?

9 A In my experience, I have assisted and obtained  
10 relocation funding for road improvements on such a similar  
11 situation. See, the line had been there since 1949,  
12 1950. And no one has ever contested it being there. No  
13 one has ever run over the poles or graded them down or  
14 said we want you to move them. And this is a unique  
15 situation. It's the first time that I have known when  
16 somebody says, we want to build something right where your  
17 line is.

18 Q So if you were to follow current practice with  
19 respect to compensation for relocated lines in Washington  
20 County, would you be compensated for a line that was not  
21 located in an established county right of way, or would  
22 you be responsible for paying those relocation costs  
23 yourself?

24 A I don't know that there is any precedent to give  
25 you a responsible answer.

1 Q You have never encountered a situation where --

2 A We have adjusted at intersections and new roads  
3 and driveways, we have adjusted facilities at no cost to  
4 the county, but never the removal of this distance of line  
5 before.

6 Q You have never removed a line this distance in  
7 Washington County?

8 A This magnitude. This is in Washington County.  
9 It's unique so far as I am concerned. Now, we did adjust  
10 some power lines in Sunny Hills, and we had conflicts  
11 because that line pre-dated the Sunny Hill substation.

12 Q And what happened?

13 A The development.

14 Q Did the county pay you?

15 A We had to go in and get private right of way  
16 from the developer. And I don't recall, it being  
17 approximately 1971, I don't recall whether Gulf Coast was  
18 compensated in that respect or not.

19 Q Well, tell me again what instances have occurred  
20 where Gulf Coast has been compensated?

21 A I didn't understand you.

22 Q Tell me again the instances of which you were  
23 aware where Gulf Coast has been compensated for removing  
24 its lines? And then I promise, commissioners, we'll move  
25 on.

1           A       Whenever the Department of Transportation would  
2 go in under their various road programs that benefitted  
3 rural counties and rural communities, et cetera, and would  
4 build a line that -- or build a road that was in conflict  
5 with the power line where the power line was not in  
6 conflict with the current road, and they would say, well,  
7 we have condemned all of this right of way. Yet no one  
8 named the client, whether it be Sumter Electric or  
9 Withlacoochee River Electric, or any of the clients that I  
10 have. They would go in and say, but we have condemned  
11 it. Yes, but you didn't name us as a party to the  
12 condemnation. We have rights within the line. And in  
13 those cases we were compensated.

14           Q       So there have been instances where you have been  
15 compensated and instances where you have not; is that  
16 correct?

17           A       That is correct.

18           Q       Mr. Gordon, the last two exhibits that are  
19 attached to your direct testimony I understand are  
20 intended to represent Gulf Coast's and Gulf Power's  
21 distribution facilities, to generally represent them in  
22 Washington and Bay County. My question is: Did Gulf  
23 Power contribute to the development of these maps?

24           A       My memory is that they did.

25           Q       How?

1           A     They put their facilities on to a county map and  
2 we conferred and furnished them with our facilities on a  
3 county map, and each party transferred the representation  
4 of the other party to the map that they had.

5           Q     And when did this happen?

6           A     I don't know the exact date. Well, within the  
7 span of this prison, or correctional institute -- excuse  
8 me, I was not politically correct in describing it -- this  
9 correctional institute proceeding, it's been within that  
10 period of time.

11          Q     All right, would you say that these maps are a  
12 fair representation of the general location of each of  
13 these utilities, but not necessarily an accurate  
14 representation of every single facility that the utilities  
15 might have in the area?

16          A     I don't believe on this eight and a half by 11  
17 map that you could show everything that's out there. It  
18 shows the bulk of the facilities.

19          Q     All right. Thank you, sir. We have no further  
20 questions.

21                   CHAIRMAN DEASON: Exhibits?

22                   MR. HASWELL: Mr. Chairman, I have --

23                   CHAIRMAN DEASON: I'm sorry. I'm getting ahead  
24 of myself. It's getting late in the day.

25                   MR. HASWELL: We'll be brief.

1 CHAIRMAN DEASON: I'm going to give you the  
2 opportunity to have redirect. I apologize.

3 REDIRECT EXAMINATION

4 BY MR. HASWELL:

5 Q Mr. Gordon, Ms. Liles asked you some questions  
6 about time value of money and capital credits. Are there  
7 any benefits to the Co-op for not paying interest on  
8 capital credits?

9 A Yes.

10 Q What are those?

11 A The member, being the owner, invests. The  
12 investment capital of the members doesn't cost of member  
13 and thereby increase the expense. It provides rates at a  
14 lower cost.

15 Q And Ms. Liles also asked you to look at certain  
16 pages of Mr. Kronenberger's testimony and actually asked  
17 you to read some answers. I'm not going to ask you to do  
18 that as in detail, but if you would take a look at  
19 Page 7.

20 A Yes.

21 Q And look at Line 8. This was following the  
22 question and answer that Ms. Liles had asked you to read.  
23 And just to -- the observation is, Mr. Kronenberger  
24 decided that notwithstanding the choice of providers and  
25 what he reviewed, he said he would go with the decision to

1 go with Gulf Coast.

2 MS. LILES: I'm sorry, Mr. Haswell, isn't that  
3 the exact reference you referred to during Mr. Weintritt's  
4 testimony?

5 MR. HASWELL: On Page 7, this is  
6 Mr. Kronenberger.

7 MS. LILES: Exactly, but you questioned  
8 Mr. Weintritt out of Mr. Kronenberger's deposition, and  
9 you I believe you referred to this same passage.

10 MR. HASWELL: I'm not sure I understand what the  
11 significance -- do you want me to just ask him to read the  
12 question?

13 MS. LILES: I'm just simply trying to shorten  
14 this. I believe we've also referred to this exchange out  
15 of Mr. Kronenberger's deposition, but that's fine.

16 Q (By Mr. Haswell) Just to skip on, did you  
17 prepare the -- have anything to do with the preparation of  
18 Exhibit No. 1 that Ms. Liles asked to you review? And I  
19 don't seem to find it right here. Here it is. Exhibit  
20 No. 1 that said, State of Florida Department of  
21 Corrections, Interoffice Memorandum?

22 A I have that exhibit. Your question, sir?

23 Q Did you have anything to do with the preparation  
24 of it?

25 A No, sir, I did not.

1 Q To your knowledge, did you furnish any of the  
2 figures that went into this document?

3 A No, sir, I did not.

4 Q Thank you, sir. To your knowledge, does the  
5 Florida Public Service Commission have jurisdiction over  
6 the rate structures of all rural electric cooperatives?

7 A They have jurisdiction over the structure, as I  
8 understand it -- and my apologies if I make a mistake. I  
9 address that to the Staff -- but they do have jurisdiction  
10 over the structure of the rate.

11 Q Do you know if Alabama Electric Cooperative  
12 has -- is subject to the jurisdiction of the FERC or the  
13 REA?

14 A I don't know that, sir.

15 Q Now Ms. Liles also asked you a question, and I'm  
16 not sure I understood it, so I want to make sure you  
17 understood it. She said how many accounts does the Red  
18 Sapp line serve and you indicated two accounts.

19 A At least those two.

20 Q Does that con --

21 A But the line goes on and serves accounts beyond  
22 the Red Sapp Road. I am giving the ones that's right  
23 there at the prison. Then there were other accounts both  
24 west and southwest and northerly along 279. And those  
25 locations were established in 1949, 1950. They were

1 there, the lines were there, when I first witnessed the  
2 area about 1950.

3 Q To your knowledge, has the Washington County  
4 ever demanded that the Cooperative get its poles off of  
5 the Red Sapp Road?

6 A No. They conveyed the information to us that  
7 the line, in their opinion, would have to go. And we  
8 negotiated --

9 Q I'm asking you about the Washington County  
10 Commission, not the Washington -- not the Department of  
11 Corrections.

12 A You mean the Department of Corrections?

13 Q Did the Washington -- did the county say get off  
14 of our road?

15 A No, they have not done that.

16 Q To your knowledge, has the county ever asserted  
17 an ownership interest in the road itself?

18 A I have no knowledge that they've said that they  
19 own the road, or the property where the power line was  
20 located.

21 MR. HASWELL: No further questions.

22 MS. LILES: Mr. Chairman, I'm going to beg your  
23 very brief indulgence and ask the opportunity to ask two  
24 additional questions.

25 CHAIRMAN DEASON: Very briefly.

## 1 RE CROSS EXAMINATION

2 BY MS. LILES:

3 Q Mr. Gordon, is it your testimony that the  
4 statutes governing utility lines in public right of way  
5 require counties to reimburse utilities when they are  
6 required to move those lines out of the right of way?

7 A Where there is a formal acquired right of way,  
8 there's no reimbursement. When you have had a line that's  
9 been out there on the ground since 1949, 1950, located  
10 where there are not surveys and formal declarations of  
11 right of way, there's nothing that says you have to move  
12 them for no charge.

13 Q Outside of public right of way?

14 A Well, you're outside of the public right of way  
15 on a prescriptive road when you get off of the traveled  
16 way, which is the graded berm. When you get behind it  
17 you're on private property.

18 Q I think we're getting into items that require  
19 some legal interpretation that are not necessarily in the  
20 record in terms of deeds and legal descriptions and so  
21 forth, but I'll accept that answer.

22 My final question to you: Mr. Haswell asked you  
23 a question about benefits to cooperative members in terms  
24 of holding patronage capital without accruing interest on  
25 that patronage of capital. I would like to ask you if I

1 offered to give you \$100 today or \$100 14 years from now,  
2 which of those would you be more inclined to accept?

3 A Well, if I had the choice, of course, I would  
4 get it now, but if you asked me for \$45,000 which I agreed  
5 to give you, that would make it a horse of a different  
6 color.

7 Q So if I offered you \$45,000 now or \$45,000  
8 14 years from now, your answer would be different?

9 A If I offered you \$45,000 and balanced this  
10 against capital credits, it looks to me like I'm giving  
11 your capital credits up front. Now I am not a financial  
12 wizard.

13 Q Are you referring to the \$45,000 grant that the  
14 Cooperative made to Washington County?

15 A That, among other things.

16 MS. LILES: I don't have any other questions.

17 CHAIRMAN DEASON: Exhibits?

18 MR. HASWELL: We move the exhibits, Your  
19 Honor -- Mr. Chairman.

20 CHAIRMAN DEASON: That would be Composite  
21 Exhibit No. 6 without objection. Hearing none, Exhibit 6  
22 is admitted. Other exhibits?

23 (Exhibit No. 6 received into evidence.)

24 MR. HASWELL: Yes, sir, that would be 7, 8 --

25 MS. BROWN: No, Mr. Chairman, if I might just

1 interject, Staff's Exhibit 7 we will not move to be  
2 introduced until we can have Gulf's witnesses compare the  
3 numbers for them on that exhibit. So we just want it  
4 identified at this time.

5 CHAIRMAN DEASON: Very well,.

6 MR. HASWELL: Then that would be 8, 9, 10, 11  
7 and -- you asked for Late-filed 12?

8 MS. LILES: I believe 11 and 12 were ours and  
9 that one of those was a late-filed.

10 CHAIRMAN DEASON: Mr. Haswell, I think you would  
11 be moving 8, 9 and 10, without objection.

12 MS. LILES: Mr. Chairman, we would oppose  
13 introduction of Exhibit 10. It purports to be a  
14 respective cost to serve analysis. We don't believe the  
15 testimony or the record in this case reflects that the  
16 items listed under Gulf Power Company's column are Gulf  
17 Power's cost to serve. Pending the production of the  
18 late-filed exhibit, we may dispute whether the numbers for  
19 Gulf Coast represent Gulf Coast's cost to serve. We've  
20 just seen this today. This is the first opportunity we've  
21 had to make any questions of the witness regarding these  
22 comparisons and we would oppose the introduction of this  
23 item as an exhibit.

24 CHAIRMAN DEASON: Is there any objection to  
25 Exhibits 8 and 9?

1 MS. LILES: None.

2 CHAIRMAN DEASON: Hearing none, Exhibits 8 and 9  
3 are admitted. Just one second. Are there any -- Staff,  
4 are you moving Exhibits 11 and 12? Whose exhibits are 11  
5 and 12? I'm sorry.

6 MS. LILES: I believe Exhibits 11 and 12 are  
7 ours and that Exhibit 12 is a late-filed exhibit. Someone  
8 please correct me if I'm wrong.

9 CHAIRMAN DEASON: Exhibit 11 is an Estimated  
10 Monthly Bill Estimate dated 10-11-94, and Exhibit 12 is  
11 Gulf's Third Set of Interrogatories.

12 MS. LILES: Those are both our exhibits.

13 CHAIRMAN DEASON: Do you move them at this  
14 time?

15 MS. LILES: Yes.

16 CHAIRMAN DEASON: Is there any objection to  
17 Exhibits 11 and 12? No objection, those exhibits are  
18 admitted. I understand there's an objection to exhibit  
19 10, and Exhibits 13 and 14 are late-filed.

20 (Exhibit Nos. 8, 9, 11 and 12 received into  
21 evidence.)

22 MR. HASWELL: Mr. Chairman, I don't think the  
23 purpose of objecting or challenging exhibits is to whether  
24 you agree with them or not. It would depend on whether or  
25 not the exhibit was sponsored by, prepared by and

1 represents the -- has a factual basis by the person who  
2 prepared it. If you want to get into whether they like  
3 the exhibit or not, all the figures that were testified to  
4 come out of the answers to interrogatories and other  
5 documents that are already in evidence or in the file or  
6 have been filed in response to production of documents or  
7 interrogatories. Now, the way Mr. Gordon desires to  
8 characterize them is his business as a witness. They've  
9 had an opportunity to cross examine him on it, and the  
10 exhibit means whatever it says, subject to what his  
11 testimony has and what the cross examination is. I don't  
12 think the objection is proper.

13 CHAIRMAN DEASON: Staff, do you have any  
14 comments?

15 MS. BROWN: Staff has no objection to the  
16 admission of this exhibit, and we pretty much agree with  
17 Mr. Haswell.

18 CHAIRMAN DEASON: Ms. Liles, I'm going to give  
19 you the opportunity to close if you have one, and then I  
20 will rule upon the objection.

21 MS. LILES: Mr. Chairman, we simply dispute that  
22 the numbers obtained from Gulf Power's responses to  
23 interrogatories are properly characterized in this  
24 exhibit. We certainly don't disagree with our own  
25 numbers, but we think that the testimony elicited both

1 from Gulf Power's witness and from Mr. Gordon demonstrates  
2 that the numbers listed under Gulf Power's column are not  
3 accurately representative of Gulf Power's cost of serving  
4 the prison. I believe the record will speak for itself,  
5 though, and we're prepared to address that in the post-  
6 hearing brief.

7 CHAIRMAN DEASON: I think that is probably the  
8 best way to address the deficiencies that you find in the  
9 exhibit, and I think that the exhibit has been sponsored  
10 by the witness and has been subject to cross examination  
11 and I will allow the admission of Exhibit No. 10.

12 (Exhibit No. 10 received into evidence.)

13 I think that addresses all exhibits except for  
14 Exhibit 1, which we will address tomorrow, and I believe  
15 Staff will be moving Exhibit 7 after they have an  
16 opportunity to discuss that exhibit with Gulf Power's  
17 witness.

18 MS. BROWN: That's correct.

19 CHAIRMAN DEASON: And Exhibits 13 and 14 are  
20 late-filed. Anything else to come before the Commission  
21 before we adjourn for the evening?

22 MS. BROWN: Not that I'm aware of.

23 MR. HASWELL: What time would you like us to be  
24 here in the morning?

25 CHAIRMAN DEASON: We're going to begin tomorrow

1 at 9:30, and we will recess for the evening and reconvene  
2 at 9:30. Thank you all.

3 MR. HASWELL: Thank you, sir.

4 (Thereupon, hearing adjourned at 5:45 p.m., to  
5 reconvene at 9:30 a.m., Thursday, October 20, 1994, at the  
6 same location.)

7 (Transcript continues in sequence in Volume 3.)

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