

FLORIDA PUBLIC SERVICE COMMISSION

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M E M O R A N D U M

JANUARY 26, 1995

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (BROWN) *MCB MP*
DIVISION OF ELECTRIC AND GAS (DUDLEY, BASS) *Rob ALT*

RE: DOCKET NO. 930885-EU - PETITION TO RESOLVE TERRITORIAL
DISPUTE WITH GULF COAST ELECTRIC COOPERATIVE, INC. BY
GULF POWER COMPANY

AGENDA: 02/07/95 - REGULAR AGENDA
POST HEARING DECISION - PARTICIPATION IS LIMITED TO
COMMISSIONERS AND STAFF

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\LEG\WP\930885.RCM

CASE BACKGROUND

In April of 1993, Gulf Coast Electric Cooperative, Inc. (Gulf Coast) became aware that the Department of Corrections was planning on locating a prison in West Florida and was considering sites in several counties, including Washington County. As Gulf Coast had previously assisted in the location of prison sites in Gulf County, Gulf Coast made a proposal to the Washington County Commission for a \$45,000 grant and assistance in securing a loan from REA of \$300,000 to acquire the proposed prison site property in Washington County. After the grant and loan were in place, the prison site had been selected and secured, and Gulf Coast had been designated as the electrical service provider, Gulf Power Company (Gulf Power) contacted the Department of Corrections regarding its willingness to serve the prison site.

In anticipation of providing permanent service to the prison site, Gulf Coast relocated and upgraded to three phase its existing Red Sapp Road line. As a result, on September 8, 1993, Gulf Power Company (Gulf Power) filed a petition to resolve a territorial dispute with Gulf Coast Electric Cooperative, Inc. (Gulf Coast). Gulf Power asserted that it had the right to serve a new

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correctional facility in Washington County, and Gulf Coast had constructed facilities that duplicated Gulf Power's existing facilities in order to provide service to the prison. A prehearing conference was held on September 29, 1994, in which 14 issues were identified for the Commission's consideration. An administrative hearing was held on October 19-20, 1994. Ten witnesses testified at the hearing. Staff's recommendations on the issues in the case are set out below.

DISCUSSION OF ISSUES

ISSUE 1: What is the geographical description of the disputed area?

RECOMMENDATION: The area in dispute is the site of the new correctional facility that is being constructed at the intersection of Highway 279 and Highway 77 in Washington County, and all areas in South Washington County and Bay County where the facilities of the utilities are commingled or in close proximity, and the potential for further uneconomic duplication of facilities exists. (BROWN)

POSITION OF PARTIES

GULF POWER: The disputed area is the area described in Gulf Power's Petition, that is, the site of the Washington County Correctional Facility, near the intersection of Highways 77 and 279 in south Washington County. The Commission should not exercise its jurisdiction over other geographical areas not currently in dispute.

GULF COAST: A rural area in South Washington County at the intersection of 279 and 77. South Washington County is a rural area except for 330 customers of Gulf Power in Sunny Hills. The disputed area in Bay County is along Highway 231 northeast of Panama City and is essentially rural with a commercial zone along 231.

STAFF ANALYSIS: The parties disagree over the identification of the disputed area in this case. Gulf Power asserts that the site of the new Washington County Correctional Facility is the only area the Commission should address when it resolves this dispute. Gulf Power strongly urges the Commission not to consider the broader areas of dispute identified by Gulf Coast, because the only site identified in Gulf Power's petition was the correctional facility, and it is the only "active" area of dispute at this time. Gulf Coast asserts that the territorial dispute between the two utilities extends beyond the site of the prison to all areas of south Washington County and Bay County where the utilities' electric systems are commingled or in close proximity. Gulf Coast generally identified those areas in the maps of the two utilities' facilities submitted into evidence at the hearing (EXH 6). The parties stipulated that no formal territorial agreement exists between the parties, and Gulf Coast predicts that future conflict and further uneconomic duplication is very likely to occur in those areas.

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Section 366.04 (2)(e), Florida Statutes, gives the Commission the authority:

To resolve, upon petition of a utility or on its own motion, any territorial dispute involving service areas between and among rural electric cooperatives, municipal electric utilities, and other electric utilities under its jurisdiction. (Emphasis supplied.)

The Commission has implemented this express statutory authority to resolve territorial disputes in Rules 25-6.0439 - 25-6.0442, Florida Administrative Code, "Territorial Agreements and Disputes for Electric Utilities". Rule 25-6.0441(1) provides, in part, that;

(1) A territorial dispute proceeding may be initiated by a petition from an electric utility requesting the Commission to resolve the dispute. Additionally the Commission may, on its own motion, identify the existence of a dispute and order the affected parties to participate in a proceeding to resolve it. . .

Subsection (2) of Rule 25-6.0441 sets out the matters that the Commission may consider in resolving territorial disputes. That subsection says:

(2) In resolving territorial disputes, the Commission may consider, but not be limited to consideration of:

(a) the capability of each utility to provide reliable electric service within the disputed area with its existing facilities and the extent to which additional facilities are needed;

(b) the nature of the disputed area including population and the type of utilities seeking to serve it, and degree of urbanization of the area and its proximity to other urban areas, and the present and reasonably foreseeable future requirements of the area for other utility services;

(c) the cost of each utility to provide distribution and subtransmission facilities to the disputed area presently and in the future; and

(d) customer preference if all other factors are substantially equal.

The statute and the rules give the Commission considerable authority and discretion to resolve territorial disputes. They are important tools that the Commission uses to fulfill its responsibilities over the planning, development, maintenance, and coordination of Florida's energy grid. Section 366.04(5) states:

(5) The commission shall further have jurisdiction over the planning, development, and maintenance of a coordinated electric power grid throughout Florida to assure an adequate and reliable source of energy for operational and emergency purposes in Florida and the avoidance of further uneconomic duplication of generation, transmission, and distribution facilities.

The statutes and the rules do not limit the Commission's authority to a particular area identified in a utility's petition. Section 366.04 (2)(e) specifically states that the Commission can resolve any dispute between electric utilities, whether that dispute is identified by a utility or the Commission itself. Nor do the statutes and rules restrict the Commission's dispute resolution authority to "active" disputes. They are intended to give the Commission the power and discretion it needs to resolve existing and prevent further uneconomic duplication of facilities. This is the intent that the Commission has consistently implemented when it approves territorial agreements and resolves territorial disputes. The goal is to correct existing uneconomic duplication of facilities, and to prevent future uneconomic duplication of facilities. Thus, where the preponderance of the evidence demonstrates that the potential exists for future conflict, the Commission is empowered to act.

There is recent precedent for this position. In Re: Petition to resolve territorial dispute between Okefenoke Rural electric Membership Corporation and Jacksonville Electric Authority, Docket No. 911141-EU, Jacksonville Electric Authority (JEA) argued that the only area of dispute in the case was the site of a Holiday Inn near the Jacksonville Airport. The Commission disagreed, saying;

Although JEA contends that the only area

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in dispute is the Jacksonville Airport Holiday Inn, the record clearly shows that the northern Duval County service area is in dispute. Uneconomic and unnecessary duplication of facilities abounds in northern Duval County, and while JEA has attempted to argue that duplication of electric facilities does not automatically make a territorial dispute, we find that in this case it clearly does demonstrate the existence of a dispute. While Okefenoke originally filed its petition to resolve who should serve the Holiday Inn - Jacksonville Airport, we cannot ignore the many other areas in northern Duval County where a similar situation may arise. We find that the portions of northern Duval County where Okefenoke currently serves, and those portions of northern Duval county where Okefenoke could efficiently and economically provide electric service, are the areas in dispute in this proceeding.

Order No. PSC-92-1213-FOF-EU, p.5, issued October 27, 1992.

On the basis of statutory authority, the intent of the Commission's rules, and Commission precedent, staff recommends that the Commission clearly can, and should, consider all areas of potential dispute that the record shows in this proceeding. The parties agree that the site of the Washington County Correctional Institute, which lies north of the junction of CR 279 and SR 77, is in dispute. The evidence also supports a finding that the more general area of dispute is all of south Washington County which lies south of a general line drawn from Moss Hill Church on CR 279 to a point just south of Wassau on SR 7. This line extends to both the east and west in Washington County. In Bay County, the area in dispute is east and northeast of Panama City, along parts of Highway 231 to the northeast, and east of the small city of Callaway. (TR 157, 214, 366-367, 370-372; EXH 6.) Those are the areas where the parties' facilities are commingled or in close proximity.

Gulf Power's witness, Mr. Weintritt, testified that the parties had not litigated a territorial dispute in nine years. (TR 79, 161) Mr. Weintritt suggested that this fact demonstrated that the internal system Gulf Power used to determine which new customers it should serve generally worked well to avoid disputes and duplication of Gulf Coast's facilities. Gulf Power considers natural boundaries, uneconomic duplication, existing service and

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customer choice to arrive at decisions internally regarding service to new customers. (TR 161) Mr. Hodges, Gulf Coast's witness, disagreed that the system Mr. Weintritt's described worked well. (TR 364) Mr. Hodges testified that the utilities are often in conflict, but the Cooperative was not financially able to litigate every incident. Mr. Hodges testified that Gulf Power had crossed Gulf Coast's facilities to serve the real estate office of a new development even while this proceeding was pending. (TR 346)

Staff believes that the preponderance of the evidence in this case shows that there is more in dispute here than the site of the prison. The parties have a long history of territorial conflict. They have never successfully negotiated a territorial agreement, despite specific direction from the Commission and from the Florida Supreme Court. Territorial conflict between Gulf Power Company and Gulf Coast Electric Cooperative is a way of life for these utilities. It boils over into litigation intermittently, but it is always simmering below the surface. It is likely to boil over again, to the detriment of the utilities, their ratepayers, and the public interest. Staff recommends that the Commission find that the area in dispute in this case is the site of the new correctional facility that is being constructed at the intersection of Highway 279 and Highway 77 in Washington County, and all areas in South Washington County and Bay County where the facilities of the utilities are commingled or in close proximity, and the potential for further uneconomic duplication of facilities exists. The Commission should resolve the dispute as staff recommends in Issue 13.

¹ In Re: Complaint of Gulf Coast Electric Cooperative, Inc., Docket No. 810171-EU, Order No. 10444, issued December 8, 1981; In Re: Petition of Gulf Power Company involving a dispute with Gulf Coast Electric Cooperative, Docket No. 830154-EU, Order No. 12858, issued January 1, 1984; In Re: Petition of Gulf Coast Electric Cooperative, Inc. against Gulf Power Company concerning a territorial dispute, Docket no. 830484-EU, Order No. 13668, issued September 10, 1984; In Re: Petition of Gulf Coast Electric Cooperative, Inc. against Gulf Power Company to refrain from offering electrical service or constructing duplicate facilities into disputed areas in Washington County, Docket No. 850087-EU, Order No. 16106, issued May 13, 1986; In Re: Petition of Gulf Coast Electric Cooperative to resolve territorial dispute with Gulf Power Company in Washington County, Docket No. 850247-EU, Order No. 16105, issued May 13, 1986; Gulf Coast Electric Cooperative v. Florida Public Service Commission, 462 So.2d 1092 (Fla. 1985); Gulf Power Co. v. Public Service Commission, 480 So.2d 97 (Fla. 1985).

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ISSUE 2: What is the expected customer load, energy, and population growth in the disputed area?

RECOMMENDATION: The Washington County Correctional Institute is expected to have a peak demand of 372 KW with an annual energy usage of 1,961.4 MWH beginning in 1995. Population growth will be primarily residential with the possibility of some small commercial development.

POSITION OF PARTIES

GULF POWER: The expected customer load, energy and population growth in the disputed area as identified in Issue 1 is not expected to be significant. Gulf Power has more than adequate reserve capacity to serve any such growth.

GULF COAST: On the site of the Correctional facility itself, there will be one customer, The Department of Corrections, and the expected load is 372 KW beginning in 1995. Estimated annual MWH is 2,091.05 in 1995. Gulf Coast has more than adequate capacity to serve the anticipated growth.

STAFF ANALYSIS: Both Gulf Power and Gulf Coast agree that the Washington County Correctional Institute demand and energy usage will be similar to that of the Holmes Correctional Facility. (TR 163, 240, 376, 405, 459, 462; EXH 29) The demand, energy and load factor for the Holmes prison is approximately 372 KW and 163,450 KWH/month at a 60.19% load factor beginning in 1995. In their position, Gulf Coast used a 64.2% load factor to calculate an annual consumption of 2,091.05 MWH. In Exhibit 29, Gulf Power used a 60.2% load factor to calculate an annual consumption of 1,961.4 MWH. Although each utility decided to use a different load factor to calculate the estimated annual MWH consumption, both utilities considered it to be appropriate to use a 60.2% load factor when they compared rates. (EXH 2, 7, 11, 29) Staff believes a load factor of 60.2% should be used to calculate the estimated annual MWH consumption. Therefore, the Commission should find that the Washington County Correctional Institute's demand will be 372 KW and the annual energy consumption will be approximately 1,961.4 MWH beginning in 1995.

Both parties have agreed that population growth in the vicinity of the Washington County prison will be primarily residential with the possibility of some small commercial development. (TR 164; EXH 40) No evidence was presented at the hearing on the expected load, energy and population growth in South Washington and Bay Counties.

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ISSUE 3: Which utility has historically served the disputed area?

RECOMMENDATION: Both utilities have been serving customers in the disputed area, as defined by staff in Issue 1, for over 20 years. Gulf Coast has served retail customers in the vicinity of the intersection of County Road 279 and State Road 77 since 1950. Gulf Power has had facilities bordering the Correctional facility site since 1971.

POSITION OF PARTIES

GULF POWER: Neither utility has historically served the WCCI site. Gulf Power has served Washington County since 1926, and has had three-phase distribution facilities in place adjacent to the disputed area since 1971. Before 1981, all electrical service in Washington County was provided by Gulf Power either at wholesale or retail.

GULF COAST: Gulf Coast has exclusively served the site of the correctional facility, since at least 1950, with facilities on the site up to and including the date Gulf Power initiated this dispute. Both utilities have historically served other areas in Washington and Bay Counties.

STAFF ANALYSIS: Gulf Coast has served retail customers in the vicinity of the intersection of County Road 279 and State Road 77 for over 40 years. (TR 291, 299, 300) More specifically, they have been serving customers lying along Red Sapp Road since 1949-50. (TR 337, 381, 396, 404) Gulf Coast has also maintained two-phase and three-phase service adjacent to the correctional facility site since 1950. (TR 167; EXH 9, 41) Currently, Gulf Coast is serving 665 customers within 5 miles of the intersection of CR 279 and SR 77. (TR 110, 446; EXH 40)

From 1926 to 1981, Gulf Power provided all wholesale service in Washington County. (TR 68, 596) However, Gulf Power did not have any distribution facilities in the area until 1971 when they constructed a line from the Vernon Substation to Sunny Hills, a Deltona Corporation development project. (TR 66, 157, 381) Gulf Coast objected to Gulf Power's service extension and the case was litigated in circuit court where the court allowed the customer to choose Gulf Power as the electric service provider. (TR 175, 300) At that time, the Florida Public Service Commission did not have jurisdiction over these matters. It was not until July 1974 (passing of the Grid Bill legislation) that the Commission could make decisions regarding quality of service and maintenance of a reliable electric grid.

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Within 5 miles of the intersection of CR 279 and SR 77, Gulf Power currently has 532 metered customers of which 330 are in Sunny Hills. (TR 110, 187) These customers are served from Gulf Power's three-phase facilities along CR 279 and SR 77 and extending easterly towards Sunny Hills. (EXH 2, 6)

Mr. Hodges, a Gulf Power witness, believes that historical distribution of service should not be the basis on which one claims a service area regardless of the cost involved, but rather one should go all the way back to transmission and generation. (TR 613) Therefore, since Gulf Power originally provided for all power requirements in Washington County, Gulf Power would be the historical provider. Staff disagrees with this belief and suggests that transmission combined with distribution service, absent generation, is a more appropriate method for determining historical service. For example, generating plants should not be included as a decisive factor as some may be owned by and benefit more than one utility serving in a particular area, (i.e. the Hardee Power Station). If this Commission were to adopt Mr. Hodges philosophy, the entire State of Florida would be historically served by and divided among four investor-owned utilities and a few self generating cooperatives and municipalities. This is not a realistic approach.

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ISSUE 4: What is the location, purpose, type and capacity of each utility's facilities existing prior to construction of facilities built specifically to serve the correctional facility?

RECOMMENDATION: Gulf Coast has maintained three-phase and single-phase service bordering and traversing the correctional facility site since 1950. Gulf Power has maintained three phase service along CR 279 and SR 77 since 1971.

POSITION OF PARTIES

GULF POWER: Gulf Power's existing generation, transmission and distribution facilities adjacent to the disputed area were capable of providing reliable service to the facility with no additions. The Coop was required to construct a new three-phase line along Highway 279 specifically to serve the facility.

GULF COAST: Gulf Coast has three-phase 25 kV lines bordering the site on Highway 77, single-phase lines on the site from its three-phase facilities on 77 west and north up County Road 279, served by the Crystal Lake substation rated at a maximum capacity of 10,500 kVA tied to the Cooperative's substation (maximum rating of 21,800 kVA). Crystal Lake has excess capacity of 2,500 kVA. The Cooperative has more than adequate capacity to handle the correctional facility load for the foreseeable future.

STAFF ANALYSIS: Gulf Coast has maintained three-phase and single-phase service bordering and traversing the correctional facility site since 1950. (TR 395; EXH 6, 17) Gulf Coast's facilities existing prior to construction of facilities built specifically to serve the correctional facility consisted of the Red Sapp Road single-phase line crossing the prison site, a 25 KV three-phase line bordering the site to the east along SR 77 and the Crystal Lake and Southport distribution substations. (TR 395; EXH 17)

If chosen to serve the prison load, Gulf Coast would primarily use the Crystal Lake Substation while maintaining the capability of remotely switching the load to the Southport Substation. (TR 377, 469) The Crystal Lake Substation is located approximately 5.4 miles from the prison site and currently has a maximum capacity rating of 10,500 KVA, a peak load of 5,810 KW leaving a reserve of 4,690 KVA (45%). (TR 218, EXH 40, 41) The Southport Substation currently has a maximum capacity rating of 8,400 KVA, a peak load of 5,495 KW leaving a reserve of 2,905 KVA (35%) from Bank "A" and a maximum capacity rating of 8,400 KVA, a peak load of 5,569 KW leaving a reserve of 2,831 KVA (34%) from Bank "B". (TR 218, EXH 40, 41)

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Gulf Power has maintained three phase service along CR 279 and SR 77 since 1971. (EXH 2, 6) Gulf Power also maintains two distribution substations in the South Washington County area, the Sunny Hills substation and the Vernon substation. Each substation can be used to serve the prison load. Though the Sunny Hills substation and the Vernon substation are normally not connected, they can be manually connected in parallel via the sectionalizing point on CR 279 during emergencies and general trouble-shooting. (TR 88, 121) However, this requires someone from Chipley or Panama City to travel to the site which may take anywhere from 30 to 45 minutes depending on traffic. (TR 125, 470) It would also be necessary for the crewman to first locate the source of trouble prior to switching to avoid any risk of injury. (TR 178) However, this would also be the case for Gulf Coast before any switching could take place.

If chosen to serve the prison load, Gulf Power would primarily use the Sunny Hills substation while maintaining switching capability to the Vernon substation when necessary. The Sunny Hills substation is located approximately 7.5 miles from the prison site and currently has a maximum reserve of 22,377 KVA or 91% of capacity. (TR 70, 103, 113, 302) The Vernon Substation is located approximately 13.64 miles from the prison site and currently has a maximum reserve of 8,680 KVA or 75% of capacity. (TR 70, 103, 113, 302) The two substations offer a combined maximum reserve of 31,057 KVA. (TR 103)

Staff believes that each utility's facilities existing prior to the construction of facilities built specifically to serve the correctional facility were adequate to serve the prison load as identified in Issue 2.

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ISSUE 5: What additional facilities would each party have to construct in order to provide service to the correctional facility?

RECOMMENDATION: Both utilities would have to construct facilities on the prison property to provide permanent service. However, Gulf Coast has constructed the necessary service extensions to provide temporary service as construction of the prison is almost complete.

POSITION OF PARTIES

GULF POWER: Gulf Power would not have to construct lines or add any generation, transmission, or distribution capacity, to provide the facility with three-phase electric service. The Coop had to construct approximately 4,000 feet of three-phase line along Highway 279, parallel to Gulf Power's existing line to serve the facility.

GULF COAST: Gulf Coast relocated its Red Sapp Road facilities from the property itself to CR 279 and upgraded those facilities from single-phase to three-phase and had provided temporary construction service within the site itself as more further identified and discussed in the exhibits and testimony.

STAFF ANALYSIS: Gulf Coast has completed the necessary service extensions to serve the prison with temporary service. Gulf Coast would not have to construct any additional facilities to provide the prison with temporary service as construction of the prison is almost complete. (TR 182) In an effort to provide the prison with power, Gulf Coast constructed approximately 4,000 feet of three-phase distribution line along CR 279 to serve the Washington County Correctional Institute via the main entrance in the Fall of 1993. (TR 398) This span of line connects Gulf Coast's existing three-phase lines along SR 77 and their existing single phase lines extending north-westerly from Red Sapp Road along CR 279 and is currently being used to provide the prison with temporary service. Exhibit 17 details the facilities that existed before the prison construction began as well as the facilities built specifically to serve the prison. (TR 395; EXH 17)

Gulf Power currently has three-phase distribution lines along CR 279 that border the Washington County prison site. The Department of Corrections (DOC) designated 20 temporary and permanent service locations and specified that the primary metering point must be served from the main prison entrance road. (TR 95, 130, 410, 424) For Gulf Power to comply with these restrictions they need to provide single-phase service to the specified permanent locations and build a three-phase extension along the entrance road to the main metering point. Gulf Power was not given

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the opportunity to negotiate with the DOC to determine the most cost effective service points for it to provide temporary service during construction. (TR 142, 182, 225, 410) Therefore, the record does not fully support what specific requirements Gulf Power would have had to meet to provide the prison with temporary construction power. However, as previously mentioned, temporary service is no longer an issue as the prison construction is almost complete. (TR 182)

Therefore, since temporary service is no longer required, staff believes that a comparison between the two utility's cost to provide temporary service to the prison is now immaterial. Furthermore, as stated by Mr. Dykes and recognized by Gulf Power in their brief, on-site construction costs for either utility would not be significantly different. (TR 401)

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ISSUE 6: Is each utility capable of providing adequate and reliable electric service to the disputed area?

RECOMMENDATION: Both utilities are capable of providing adequate and reliable electric service to the disputed area.

POSITION OF PARTIES

GULF POWER: Yes. However, Gulf Power has better capability to provide adequate and reliable service due to its excellent history of transmission and distribution reliability, and dual feed capability from the Vernon and Sunny Hills substations.

GULF COAST: Yes, Gulf Coast is capable of providing at least, if not more adequate and reliable service to the site than Gulf Power. Because of back-up generation on the site, and the long distances of Gulf Power's distribution feeders, Gulf Power's service is not more reliable than the Cooperative's.

STAFF ANALYSIS: Each utility is capable of providing adequate and reliable electric service to the disputed area. Neither utility presented evidence to suggest that the other was not capable of providing adequate and reliable electric service.

Gulf Power's ability to serve the site from either the Sunny Hills or the Vernon substation is its major claim to superior reliability. Though, as referenced in Issue 4, this requires a Gulf Power employee to visit the site and manually operate the switch. An additional factor is Gulf Power's aggressive maintenance program to include distribution and transmission reclearing. (TR 81, 117) However, Gulf Coast's Crystal Lake Substation is served from a 115 KV loop feed transmission system with automatic circuit breakers, where Gulf Power's Sunny Hills and Vernon Substations operate from 115 KV radial lines that traverse ponds. (TR 403, 469) Based on these configurations, staff does not agree that Gulf Power maintains any greater substation reliability than Gulf Coast. In addition, Mr. Weintritt later stated that transmission line reliability is not an issue since the major cause of faults is lightning and that it usually results in a brief outage and almost always recloses. (TR 658) Mr. Weintritt could recall only one incident where a car hit a Gulf Power service pole and interrupted service during the past 21 years. (TR 127) These service interruptions will not significantly impact service to the Correctional facility because it will have its own backup generators for use during emergencies such as traffic accidents and brief power outages. (TR 127, 659)

Mr. Weintritt agrees that Gulf Coast's substations and distribution facilities are not unreliable. (TR 123) Mr. Weintritt

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does not agree that the average outage hours per customer or the distance between an energy source and its point of use could be a reflection of the relative reliability of a system. (TR 112-115) However, he later equates reliability with service outages. (TR 118) The average outage hours per customer during the past 12 months was 2.52 for Gulf Power and 1.66 for Gulf Coast. (TR 111; EXH 3, 25, 40, 41) Staff believes that service outages can be directly related to quality of service and that both utilities maintain the ability to provide the prison with adequate service.

Both utilities maintain adequate customer support facilities within a reasonable distance from the prison site. Gulf Coast maintains customer support facilities in Southport, approximately 13 miles from the Washington County prison site. (TR 378, 402) Gulf Power maintains customer support facilities in Chipley and Panama City, approximately fifteen to twenty miles away. (TR 122)

Based on the evidence in the record, both utilities have sufficient capacity and facilities to serve the prison load without requiring additions to their system. (TR 311, 376, 390, 405, 535, 557; EXH 30) Therefore, staff recommends that both Gulf Power and Gulf Coast can adequately and reliably serve the Washington County Correctional Institute.

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ISSUE 7: What would be the cost to each utility to provide electric service to the correctional facility?

RECOMMENDATION: Gulf Coast incurred \$14,582.54 in additional construction cost to provide service to the prison site. Gulf Power would not incur any additional cost to reach the prison site as they currently have adequate three-phase lines bordering the property.

POSITION OF PARTIES

GULF POWER: Gulf Power's total cost of providing electrical service to the facility would be approximately \$53,000. Gulf Power estimates that the Coop's total cost to serve the facility would be more than \$180,000.

GULF COAST: Gulf Coast's total construction costs, including its last estimate, is \$124,007.00. Gulf Power's estimated cost to serve, without incurring a relocation cost to Gulf Coast, is \$129,477.00, and with a relocation cost is \$166,473.74.

STAFF ANALYSIS: As discussed in the staff analysis of Issue 5, the cost to provide temporary service is not relevant and will not be considered as contributing to either utility's comparable cost to serve.

Both Gulf Power, in its brief, and Mr. Dykes, in his direct testimony, recognize that both utilities' cost to provide service on the actual prison site should be relatively the same. (TR 95, 401) Staff agrees that there is no reason to believe that either utility could provide the DOC's permanent service following specified requirements at a cost measurably less than the other. Therefore, the Commission should only consider costs incurred to reach the prison site and that any on-site costs for either utility would be comparable.

In its prehearing order basic position, Gulf Coast states that "Gulf Coast should not be forced to remove its own facilities to allow another utility to provide competing service." Regardless of whether Gulf Coast provides service, Gulf Power provides service or if the prison decided to rely on self generation, Gulf Coast's line would still have to be moved. However, it would only have been relocated as a single phase. (TR 260-261, 399, 438; EXH 19) Therefore, staff does not believe that it is appropriate to include the \$36,996.74 cost of removal and relocation as a single-phase, but that it would be appropriate to include the \$14,582.54 spent to upgrade the line to three-phase in Gulf Coast's total cost to serve. (TR 260, 437-440; EXH 19, 40) Thus, if permitted to serve the Washington County Correctional Institute, Gulf Coast's total

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cost to serve should include \$14,582.54 in additional construction costs to upgrade the single-phase relocated Red Sapp Road line to three-phases. (TR 260, 437-440; EXH 19, 40) On the contrary, Gulf Power would not require any additional construction as they currently have three-phase facilities bordering the prison property.

Gulf Power suggests that Gulf Coast include, in its total cost to serve, the \$45,000 grant made to Washington county and the \$11,500 spent to help Washington county secure the \$308,000 REA loan. Gulf Coast's contribution to Washington County was not unlike their granting Gulf County \$45,000 to help locate the Gulf County Correctional Institute. Their aid to Gulf County brought 350 new jobs to the county, 150 new members to Gulf Coast's system and helped to improve their system diversity. (TR 297, 342) Staff has no reason to believe that Washington County will not receive a similar benefit. Furthermore, Gulf Coast has maintained that there were no preconditions on the \$11,500 expended to help Washington County secure the \$308,000 REA loan, the \$45,000 grant to Washington County or for the \$36,996.74 needed to relocate the Red Sapp Road line. (TR 334, 352, 360, 362) However, in Section E of an April 13, 1993 letter to the Washington County Board of Commissioners, Mr. Norris stated that Gulf Coast's assistance will be provided based on the agreement that Gulf Coast will be allowed to serve the prison with all of its electrical needs. (TR 353; EXH 16) Staff believes that if Gulf Coast's efforts and monetary contributions are truly economic development incentives, their activities should be viewed as a non-refundable contribution to the entire community and not as a bargaining tool to acquire desirable loads. Therefore, staff believes that the cost incurred by Gulf Coast to help locate the prison should not be included in their overall cost to serve.

Gulf Coast suggests that Gulf Power should include, in its total cost to serve, the \$9,594 cost to convert the Vernon Substation to 25 KV and the \$45,909 cost for the voltage regulators. Recently, Gulf Power found it necessary to upgrade the service route from the Vernon substation with a relocated transformer and a bank of voltage regulators to correct voltage drop problems. (TR 93, 119-121) Mr. Gordon asserted that the voltage regulators would only affect the line "down stream" towards the prison site and would have no bearing on the lines that would not serve the prison as stated by Mr. Weintritt. (TR 227) Though the Vernon upgrade was completed in May 1993 and could be related to serving the Washington County prison, Mr. Weintritt responded to questions from Commissioner Clark that though the prison would indeed benefit from the upgrades, they were not specifically necessary to reliably serve the prison. (TR 93, 119) Staff believes that the since the prison could have been reliably served

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absent the upgrades and that the initial work began approximately three years prior, the approximately \$9,594 spent for the Vernon conversion and the \$45,909 spent for the voltage regulators should not be included in Gulf Power's cost to serve the prison. (TR 92, 100, 658; EXH 10)

Based on the above discussion, staff concludes that Gulf Coast incurred \$14,582.54 in comparable costs to serve the prison and that Gulf Power would not incur any comparable cost to serve the prison. However, with expected monthly revenues from the prison approaching \$8,000, staff suggests that a \$14,582.54 difference is negligible and should not be used as a determining factor in the Commission's resolution of this dispute.

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ISSUE 8: What would be the effect on each utility's ratepayers if it were not permitted to serve the existing facility?

RECOMMENDATION: Both utilities would suffer the loss of unquantified potential future revenues.

POSITION OF PARTIES

GULF POWER: Gulf's ratepayers would continue to incur the cost of existing facilities sufficient to serve the correctional facility, while the DOC will pay higher costs to WCCI due to the Coop's higher rates and, along with the Coop's remaining ratepayers, must absorb the additional costs of duplicating Gulf Power's existing facilities.

GULF COAST: There will be no effect on Gulf Power. Gulf Coast, however, will suffer a negative effect because of the lost opportunity for load balancing, diversity and improved load factor that will result if it does not serve this particular facility.

STAFF ANALYSIS: The Washington County Correctional Institute load would benefit the diversity of both Gulf Coast and Gulf Power. (TR 348) High load factor customers, such as prisons, tend to increase the system load factor, better regulate the demand load and make better use of overbuilt distribution systems. (TR 298)

If not permitted to serve, Gulf Coast will have lost the major benefit from their economic development efforts. (TR 307, 334) However, Gulf Coast, would still receive some marginal benefit if not chosen to provide service to the prison. (TR 335, 348, 379)

Currently 81% of Gulf Coast's customer base is residential, while 17.5% is commercial. (TR 293, 332) Gulf Power's current customer base is 87.5% residential, 12.4% commercial and .1% industrial. (EXH 39) Based on their respective customer mix, staff does not believe that either utility will benefit more than the other by serving the prison load. Gulf Coast's witness, Mr. Norris, stated that unless the Cooperative continues to grow and fill in the service area, it will have ever increasing costs to spread over fewer people. (TR 293, 316) While staff agrees with Mr. Norris' statement, it should be noted that this is true for Gulf Coast, Gulf Power and any other utility operating in today's market.

Staff agrees with Gulf Power's position that their ratepayers will continue to incur the cost of facilities sufficient to serve the correctional facility if they are not chosen as the service provider. (TR 70, 103, 302) However, this statement would be true even if this dispute had not been filed. Nonetheless, Gulf Power

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will accrue some peripheral benefit from Gulf Coast serving the prison. (TR 348) This will come from providing electric service to DOC employees that may locate in Sunny Hills or other areas served by Gulf Power. (TR 164-165)

Although each utility's ratepayers would directly benefit from serving the prison, Washington County as a whole will benefit from the additional jobs and revenues in their community. It appears that the only significant effect on the ratepayers of either utility, if not permitted to serve the prison, would be the loss of future revenues.

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ISSUE 9: Which party is capable of providing electric service to the correctional facility site at the lowest rate to the Department of Corrections?

RECOMMENDATION: Gulf Power currently has the lowest rates. However, rates are subject to change and should not be used as a determining factor when resolving a territorial dispute.

POSITION OF PARTIES

GULF POWER: Gulf Power's rates are lower than the Coop's under all scenarios. The Coop's attempt to reduce this differential by deducting a "patronage capital credit" is not realistic. The so-called "credit" will not actually be returned to the Department for 14 years, without interest and has no significant current value.

GULF COAST: Rates should not be an issue in any proceeding before the Commission unless a finding is made that a utility's rate is unjust and unreasonable. Considering Gulf Coast's capital credit refund allocation, Gulf Coast's rates are virtually identical to Gulf Power's and adjusting those rates for the time value of money, Gulf Coast's rates are not significantly higher.

STAFF ANALYSIS: Gulf Power currently has the lowest rates if Gulf Coast's patronage capital credits are not considered. (TR 81, 151, 236, 483, 559, 563) Staff recognizes that Gulf Coast customers do not receive immediate benefit of patronage capital credits with each monthly bill. These patronage capital credits are currently being retained by Gulf Coast on a 14 year cycle before an actual credit to the customer's bill is realized. (TR 229, 244) Therefore, without considering Gulf Coast's capital credits, Gulf Power currently has the lowest rates available to the Washington County Correctional Institute as shown in the many rate comparison exhibits. (EXH 2, 6, 7, 11, 13)

Gulf Coast asserts that the rates charged by a utility should not be a determining factor in the outcome of a territorial dispute. Mr. Weintritt, Gulf Power's witness, also recognized that rates are subject to change over time. (TR 135, 148) Staff agrees. Staff believes that the issue of rates should go hand-in-hand with customer preference. Customers generally make a decision after considering the economics of their alternatives. Although the ultimate customer, the general body of taxpayers in the State of Florida, are entitled to least cost alternatives, they are also entitled to reasonable planning and additional jobs stemming from economic development. Furthermore, staff does not believe that rates should be a determining factor in resolving a territorial

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dispute unless all other factors of providing service are equal.
In this instance they are not and should not be used as a
determining factor.

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ISSUE 10: What is the customer preference for electric service to the correctional facility?

RECOMMENDATION: Gulf Coast is the utility preferred by the customer. This fact should not determine who should serve the Correctional facility because all other factors in the record are not substantially equal.

POSITION OF PARTIES

GULF POWER: The Department of Corrections' policy is to select the low cost provider, all things being equal. Mr. Kronenberger's support for Washington County's selection of the Coop was not based on informed reasoning given his belief that "patronage capital" constituted a current discount to the Coop's rates.

GULF COAST: The Department of Corrections and the Washington County Commission both selected and approved Gulf Coast Electric Cooperative, Inc. to serve the site due to its historical service, active interest in economic development and assistance to Washington County, and to avoid a relocation cost for the Cooperative's Red Sapp Road line.

STAFF ANALYSIS: The Department of Corrections delegated the authority to select an electric provider for the Washington County Correctional Institute to the Washington County Board of Commissioners. This decision was made based on the understanding that no disputes over who would provide service to the site existed during the initial stages of the site selection process. (TR 35-36, 57) Mr. Kronenberger, Assistant Secretary for the Office of Management and Budget with the DOC, did not become aware of Gulf Power's desire to serve the prison until the end of July 1993, or 60 days after the site selection was finalized in May 1993. (TR 55) Gulf Power's initial contact with the DOC was by letter in April 1993. On April 9, 1993, Vic Jones sent a proposal for electric service to the prison to Marvin Moran, project manager for the DOC. (TR 601; EXH 2, 34) However, neither Marvin Moran nor Brian Blair, also a project manager for the DOC and referenced in the letter, are directly responsible for making policy decisions. Mr. Kronenberger is accountable for such decisions and was not made aware of Gulf Power's intent until the end of July 1993. (TR 55-58)

Staff agrees with Gulf Power that the DOC's policy is to select the lowest cost provider when cost is the only deciding factor. (TR 48) However, the DOC's decision was based on Gulf Coast's ability to provide the service, the location of Gulf Coast's lines, Gulf Coast's various contributions provided to local government to help site the prison and Gulf Coast's patronage capital credit incentive. (TR 38, 44, 241, 245; EXH 1). The DOC

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continues to support Washington County's selection of Gulf Coast as the electric provider for the prison. (TR 38, 314; EXH 15) Nonetheless, the DOC realizes that the final decision regarding the electric provider will reside with the Florida Public Service Commission. (TR 37)

In conclusion, Rule 25-6.0441, 2(d), states that the Commission may consider customer preference in resolving territorial disputes if all other factors are substantially equal. Because duplication of facilities did occur, staff does not believe that all the factors are substantially equal and customer preference should not be considered.

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ISSUE 11: Does unnecessary and uneconomic duplication of electric facilities exist in the disputed area?

RECOMMENDATION: Yes. Gulf Power's and Gulf Coast's lines are commingled and in close proximity in many areas of Washington and Bay counties. (BROWN, DUDLEY)

POSITION OF PARTIES

GULF POWER: Yes. The Coop duplicated Gulf Power's existing facilities by constructing a new three-phase line parallel to and across the highway from Gulf Power's three-phase distribution line which has been in place along Highway 279 since 1971.

GULF COAST: Yes and no. The construction by Gulf Power of its facilities on 279 constitutes a continuing uneconomic and unnecessary duplication of Gulf Coast's facilities. It is both necessary and economic for Gulf Coast to relocate its Red Sapp Road line to 279 and to provide service to the correctional facility. The testimony and exhibits show other areas in Washington and Bay Counties where the parties' lines parallel and cross each other.

STAFF ANALYSIS: The primary reason for Gulf Power's petition for a resolution of a territorial dispute is Gulf Coast's construction of approximately 4,000 feet of three-phase line along CR 279 to serve the Washington County Correctional Institute. (TR 66, 80, 167, 180, 644) This 4,000 feet duplicated Gulf Power's existing three-phase line along CR 279. However, this is just one instance of many duplications between the two utilities. As discussed in Issue 3, Gulf Power constructed a three-phase line along CR 279 and SR 77 to serve Sunny Hills in 1971. During construction, Gulf Power crossed over Gulf Coast's facilities 18 times and under two more times. (TR 215) In addition, within the time frame of these proceedings, Gulf Power crossed Gulf Coast facilities again to provide service to a double-wide trailer used as Alliance Realty on SR 77. (TR 192-193, 346, 366)

Distribution duplication between these two utilities extends well beyond the intersection of CR 279 and SR 77. In Washington County alone, there may be as many as 20 line crossings of these two utilities. (TR 90, 157, 312-314, 400; EXH 9) Exhibits presented by Archie Gordon, a Gulf Coast witness, identify Gulf Coast's and Gulf Power's facilities in Washington and Bay County. Staff recognizes that they are not all inclusive but that they do give a representative view of each utility's respective primary distribution systems. (TR 270, 370; EXH 6, 15) From these exhibits, it appears that each utility has constructed its distribution systems in total disregard to the presence of the other utility. Therefore, staff recommends that the Commission

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find that duplication between the two utilities exists near the intersection of CR 279 and SR 77 and that Gulf Power's and Gulf Coast's lines are commingled and in close proximity throughout Washington and Bay counties.

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STIPULATED

ISSUE 12: Do the parties have a formal territorial agreement that covers the disputed area?

POSITION: No. (TR 162, 634)

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ISSUE 13: Which party should be permitted to serve the disputed area? What conditions, if any, should accompany the Commission's decision?

RECOMMENDATION: Gulf Power should be permitted to serve the Washington County Correctional Facility. In addition, Gulf Power should reimburse Gulf Coast for the \$36,996.74, identified in Issue 7, to relocate the Red Sapp line as a single-phase line. The parties should be directed to return to the Commission within 180 days with a report identifying all parallel lines and crossings of their facilities and all areas of potential dispute in south Washington and Bay counties. During that time the utilities should be directed to negotiate in good faith to develop a territorial agreement to resolve duplication of facilities and establish a territorial boundary. If the utilities are unable negotiate an agreement, the Commission should conduct an additional evidentiary proceeding to establish a territorial boundary between them in Washington and Bay counties. (BASS, BROWN, DUDLEY)

POSITION OF PARTIES

GULF POWER: Gulf Power Company should be permitted to serve the disputed area. Gulf Power has reliable and adequate facilities in place to provide the required service, at a lower cost to the customer than the Coop.

GULF COAST: Gulf Coast. The Commission should require the parties to file a report within 180 days following this hearing identifying all parallel lines and crossings, including the facilities of all other utilities located in Bay and Washington Counties.

STAFF ANALYSIS: As discussed in Issue 1, the Commission, has established certain criteria for resolving territorial disputes. The criteria are outlined in Rule 25-6.0441 (2), Florida Administrative Code. The criteria established in the rule are not exclusive. The Commission may consider other matters that are relevant to the case. One matter that the Commission always considers is whether one utility has uneconomically duplicated the facilities of the other in a "race to serve" the area in dispute. The following is a summary of the facts of this record that staff believes are material to the application of the criteria in the rule and the matter of duplication of facilities.

- (a) Both Gulf Power and Gulf Coast are capable of providing reliable electric service to the Washington County Correctional Facility.

- (b) The area around the intersection of CR 279 and SR 77 is generally rural and is expected to remain primarily rural, with the exception of some additional small commercial loads.
- (c) Gulf Coast spent \$14,582.54 to upgrade a single-phase distribution line to three-phases along the prison boundary on CR 279. Gulf had existing three-phase distribution in the area to serve the prison's needs. On-site expenditures would be virtually the same for either utility.
- (d) DOC delegated the authority to select an electric provider to the Washington County Board of Commissioners. Washington County selected Gulf Coast as the preferred electric service provider.

These facts lead staff to reluctantly recommend that Gulf Power Corporation should serve the correctional facility, because Gulf Coast duplicated Gulf Power's facilities at a cost of \$14,582.54 in order to serve the prison. Were it not for that, staff would recommend that Gulf Coast serve the facility. The area is primarily rural, the additional cost to Gulf Coast to serve the facility is negligible, Gulf Coast is as able as Gulf Power to serve reliably, and the customer prefers Gulf Coast even though its rates are higher. Yet the Commission cannot ignore the fact that Gulf Coast's upgrade of the relocated Red Sapp Road single-phase line to three-phases duplicated Gulf Power's existing three-phase line along CR 279, and the Commission cannot sanction such actions. The contention that Gulf Power's facilities duplicated Gulf Coast's facilities when they were installed in the 1970's does not justify Gulf Coast's duplication now. Two wrongs don't make a right, and the Commission cannot adopt a policy that sanctions further uneconomic duplication of facilities under any circumstances. Therefore, staff recommends that because Gulf Coast duplicated Gulf Power's facilities they should not be permitted to serve the Washington County correctional facility. Gulf Coast should, however, be reimbursed for the cost necessary to relocate the Red Sapp single-phase line.

This is a particularly difficult recommendation to make, because of the way Gulf Power conducted itself before it filed this dispute. Gulf Power sat back and did nothing while Gulf Coast made the effort and spent the money necessary to bring the new correctional facility to Washington County. (TR 145, 635-636; EXH 35) But for Gulf Coast's efforts, the facility would not be there for anyone to serve. Only after it was clear that the facility would come to the county did Gulf Power give any real indication that it intended to serve the prison. Staff believes Gulf Power's

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behavior toward Gulf Coast in this case is indefensible. Nevertheless, the Commission cannot condone duplication of facilities, and that is the principle the Commission must uphold here. In all the long history of territorial conflict between these utilities, this case is the best demonstration that it is time to resolve the broader dispute that exists between them.

Gulf Coast suggests that the utilities should submit detailed reports advising the Commission of the location and proximity of all their facilities in south Washington and Bay Counties, identifying all parallel lines and crossings, and all areas of potential dispute. Gulf Coast also suggests that the parties should be required to meet and discuss ways to avoid further uneconomic duplication of facilities. If the parties are unable to reach an agreement that will avoid uneconomic duplication of their facilities, Gulf Coast urges the Commission to initiate proceedings on its own motion to do so.

The Commission took similar action in Re: Petition to resolve territorial dispute between Okefenoke Rural electric Membership Corporation and Jacksonville Electric Authority (JEA) to resolve the conflict in Duval County. In that case the action was successful. The Commission awarded the Holiday Inn to Okefenoke and ordered JEA to submit a detailed plan for the elimination of all duplication of facilities and the prevention of further uneconomic duplication facilities in Northern Duval County. Okefenoke was ordered to participate in the development of the plan. The docket was held open pending further action by the Commission if it found the plan JEA would submit to be unsatisfactory. Thereafter, the parties were able to negotiate a settlement of the dispute in Northern Duval County, and they submitted a Joint Motion for Approval of Plan to Eliminate Duplicate Electric Facilities and to Resolve Territorial Dispute. The Commission found that the plan was in the public interest and approved it. Order No. PSC-93-1676-FOF-EU, issued November 18, 1993.

Staff agrees with Gulf Coast's proposal and believes that both utilities, their ratepayers, and the public interest would definitely benefit from a territorial agreement. We recommend that the Commission direct the parties to submit a detailed report, within 180 days of the date the Commission order in this proceeding is issued, advising the Commission of the location and proximity of all their facilities in south Washington and Bay counties. The report should identify all parallel lines and crossings, and all areas of potential dispute. During that time the parties should conduct good faith negotiations to attempt to develop an agreement that would resolve duplication of facilities and create a

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territorial boundary. Perhaps in this way the Commission can resolve the continuing dispute between these utilities once and for all.

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ISSUE 14: Should the Commission adopt staff's proposed responses to Gulf Power Company's Proposed Findings of Fact?

RECOMMENDATION: Yes.

STAFF ANALYSIS: The Commission should respond to the Proposed Findings of Fact as set out in Attachment 1 to this recommendation.

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ISSUE 15: Should this docket be closed?

RECOMMENDATION: No. This docket should remain open. (BROWN)

POSITION OF PARTIES

GULF POWER: Yes.

GULF COAST: The issue was not addressed in the brief.

STAFF ANALYSIS: This docket should remain open pending review of further actions the Commission should direct the parties to take.

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PROPOSED FINDINGS OF FACT

Staff makes the following recommendations with regard to the proposed findings of fact submitted by Gulf Power Company.

1. The dispute between Gulf Power and Gulf Coast Electrical Cooperative, Inc. ["the Coop"] over service to the Washington County correctional facility is the only active dispute between the parties in South Washington County or Bay County that is the subject of litigation before the Commission. (TR 65, 66-68, 79)

RECOMMENDATION: Accept with insertion of the following sentences: "The utilities' facilities are in close proximity, and in some areas commingled, in South Washington County and Bay County. Because the utilities do not have any formal territorial agreements in those areas, the potential for future disputes and further uneconomic duplication of facilities is great." (Ex.6, TR 90, 156, 157, 160-162, 192-193, 312-314, 364-373, 379, 382)

2. Gulf Power first began serving Washington County in 1926. (TR 68)

RECOMMENDATION: Accept.

3. Gulf Power provided all electric service, either at the retail or wholesale level, in Washington County from 1926 until 1981 when the Coop began purchasing wholesale power exclusively from Alabama Electric Cooperative. (TR 68, 596, 604)

RECOMMENDATION: Reject. Irrelevant and misleading. Gulf Coast also provided retail distribution service to its members in Washington County during that time period.

4. Prior to 1981, the Coop purchased all of its electric power from Gulf Power. (TR 68, 596, 604)

RECOMMENDATION: Accept.

5. Gulf Power, since 1971, has had 25kV, three-phase distribution lines in place along Highway 279 and Highway 77, on the highway right-of-way immediately adjacent to two sides of property which is the site of the correctional facility. (TR 66, 69, 167)

RECOMMENDATION: Accept.

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6. Gulf Power's three-phase distribution lines along Highway 279 and Highway 77 can be fed from either the Sunny Hills or the Vernon substations. (TR 69, 71, 173, 658-659)

RECOMMENDATION: Accept.

7. Prior to 1993, the Coop's distribution facilities in the disputed area consisted of a radial three-phase line along Highway 77 and across the road from the site of the correctional facility and a single phase line crossing over the site of the correctional facility. (TR 70-72)

RECOMMENDATION: Accept.

8. In order to be able to provide the required permanent service to the Washington County Correctional Facility, the Coop constructed a three-phase line up Highway 279 from the intersection with Highway 77. These newly constructed three-phase distribution facilities are parallel to and opposite the highway from the existing three-phase facilities of Gulf Power Company that extend along Highway 279. (TR 70-72, 78, 166-168, 336, 398)

RECOMMENDATION: Accept.

9. The Coop would not have had to upgrade its existing facilities from single-phase to three-phase in order to serve its existing customers, if not for the correctional facility. (TR 80, 261)

RECOMMENDATION: Accept.

10. The Coop's cost for constructing three-phase service to the primary metering point was at least \$18,540.92. (EXH 10, EXH 38)

RECOMMENDATION: Accept.

11. The Coop's cost of relocation along CR 279, three-phase equivalent, was at least \$36,996.74. (EXH 10, EXH 38)

RECOMMENDATION: Reject. This statement is not supported by the exhibits referenced. Both exhibits indicate that Gulf Coast's cost of relocation along CR 279, single-phase equivalent, was \$36,996.74.

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12. The Coop's total cost of constructing the new three-phase line along Highway 279 in order to serve the correctional facility was at least \$55,557.66 (\$18,540.92 + 36,996.74). (EXH 10, EXH 38)

RECOMMENDATION: Reject. This statement is not supported by the exhibits referenced. The relocation cost of \$36,996.74 included in the total cost does not represent three-phase service.

13. Gulf Power's existing three-phase line along Highway 279 was adequate to serve the facility with no new construction other than a service drop. (TR 66, 69, 73, 78, 95-96)

RECOMMENDATION: Reject. Mr. Weintritt testified that Gulf Power would have to construct permanent service lines and install additional meters to serve the main facility, employee housing, auxiliary facilities, a classroom and a firing range for the prison. (TR 98-99)

14. Gulf Power's estimated cost to provide three-phase service to the primary metering point from its existing facilities was approximately \$7,436. (TR 97, EXH 10, EXH 38)

RECOMMENDATION: Accept.

15. The cost that the Department of Corrections would have to pay Gulf Power for electric service, on an annual basis, is lower than the cost that the Department would have to pay the Coop. (TR 73, 81, 148, 219, 229, 292, 483, EXH 2, EXH 7, EXH 11, EXH 13)

RECOMMENDATION: Accept with the insertion of the word "currently" after the word "Corrections". Mr. Weintritt admits that while it is difficult to imagine the circumstances that would cause Gulf Coast's rates to be lower than Gulf Power's, none of us can predict the future with absolute certainty. (TR 81)