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January 17, 1997

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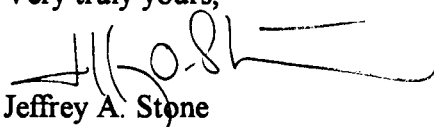
Re: Docket No. 930885-EU

Dear Ms. Bayo:

Enclosed for official filing are an original and fifteen copies of Gulf Power Company's prehearing statement in the docket number referred to above. Also enclosed is a 3.5 inch high density double sided computer diskette containing the document in WordPerfect 6.1 for Windows format.

An extra copy of this letter has been enclosed. Please mark this copy with the date and time the enclosed document was accepted for filing and returned the marked copy to the undersigned. If you have any questions concerning this matter, please do not hesitate to contact our offices.

Very truly yours,

  
Jeffrey A. Stone  
For the Firm

ACK \_\_\_\_\_  
AFA \_\_\_\_\_  
APP \_\_\_\_\_  
CAF \_\_\_\_\_  
CMU \_\_\_\_\_  
CTR \_\_\_\_\_  
EAG \_\_\_\_\_  
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cc: S. D. Cranmer

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FPSC-RECORDS/REPORTING

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Petition to resolve territorial dispute with Gulf ) Docket No. 930885-EU  
Coast Electric Cooperative, Inc. by Gulf Power Company. ) Filed: January 17, 1997  
\_\_\_\_\_ )

**PREHEARING STATEMENT OF GULF POWER COMPANY**

Gulf Power Company, ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned attorneys, and pursuant to Commission Order No. PSC-96-1274-PCO-EU issued October 11, 1996, and Rule 25-22.038(3), Florida Administrative Code, files this prehearing statement, saying:

**A. APPEARANCES:**

JEFFREY A. STONE, Esquire, and RUSSELL A. BADDERS,  
Esquire, of Beggs & Lane, 700 Blount Building, 3 West Garden  
Street, Post Office Box 12950, Pensacola, Florida 32576-2950  
On behalf of Gulf Power Company.

DOCUMENT NUMBER-DATE

00600 JAN 17 5

FPSC-RECORDS/REPORTING 000660

Gulf Power Prehearing Statement  
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**B. WITNESSES:** All witnesses known at this time, who may be called by Gulf Power Company, along with the subject matter and issue numbers which will be covered by the witness' testimony, are as follows:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
(Direct)		
G. Edison Holland, Jr.	Gulf Power's position regarding the resolution of territorial disputes and the drawing of territorial boundaries	2, 5, 6, 7
Russell L. Klepper	Public policy issues and the associated economic implications of territorial boundaries	2, 5, 6, 7
William C. Weintritt	History of territorial relationships between Gulf Power and GCEC; identified areas of facilities in close proximity; areas of potential uneconomic duplication; expected customer load, energy and population growth; location, purpose, type and capacity of Gulf Power's facilities in the identified areas; reliability of Gulf Power's electric service; guidelines for avoiding uneconomic duplication of facilities	1, 2, 3, 4, 5, 6, 7

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Theodore S. Spangenburg, Jr.	Alternative method for establishing territorial boundaries that factors in capabilities of existing electric service facilities and the economics of facilities expansion	2, 6, 7
<u>(Rebuttal)</u>		
William F. Pope	response to direct testimonies of witnesses Daniel and Bohrmann	2, 3, 5, 6, 7
Theodore S. Spangenburg, Jr.	response to direct testimonies of witnesses Daniel and Gordon	2, 6, 7
William C. Weintritt	response to direct testimonies of witnesses Gordon, Daniel and Bohrmann	2, 6, 7
Russell L. Klepper	response to direct testimonies of witnesses Gordon, Daniel and Bohrmann	2, 5, 6, 7
G. Edison Holland, Jr.	response to direct testimonies of witnesses Bohrmann and Daniel	2, 6, 7

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C. EXHIBITS:

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
(Direct)		
<u>                    </u> (GEH-1)	Holland	Comparison of residential electric service prices between Gulf Power and GCEC
<u>                    </u> (GEH-2)	Holland	FSU Law Review Article "Drawing the Lines: Statewide Territorial Boundaries for Public Utilities in Florida
<u>                    </u> (GEH-3)	Holland	Territorial Policy Statement
<u>                    </u> (GEH-4)	Holland	Policy Statement
<u>                    </u> (GEH-5)	Holland	Supreme Court of Florida Order No. 85,464
<u>                    </u> (RLK-1)	Klepper	Summary of Professional Credentials
<u>                    </u> (RLK-2)	Klepper	Resolution and NARUC Principles to Guide the Restructuring of the Electric Industry
<u>                    </u> (WCW-1)	Weintritt	Maps depicting area identified by Staff as having facilities of Gulf Power and GCEC in close proximity
<u>                    </u> (WCW-2)	Weintritt	GCEC Rural Utilities Service Form 7, Part H for the year ending 12/31/94

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<u>                    </u> (WCW-3)	Weinritt	Gulf Power Contract for Electric Service Resale by GCEC (12/1/47)
<u>                    </u> (WCW-4)	Weinritt	Paragraph 14 of Gulf Power's FERC Electric Tariff (6/15/79)
<u>                    </u> (WCW-5)	Weinritt	GCEC Resolution terminating service from Gulf Power (6/1/81)
<u>(Rebuttal)</u>		
<u>                    </u> (WFP-1)	Pope	Tabulation of Gulf Power's Transformer Capacity
<u>                    </u> (WFP-2)	Pope	Tabulation of GCEC's Transformer Capacity
<u>                    </u> (WCW-6)	Weinritt	Bay County example areas
<u>                    </u> (WCW-7)	Weinritt	Washington County example areas
<u>                    </u> (GEH-6)	Holland	Alabama Electric Cooperative promotional brochure

**D. STATEMENT OF BASIC POSITION**

**Gulf Power Company's Statement of Basic Position:**

It is the basic position of Gulf Power Company that the Commission should decline to establish territorial boundaries in this proceeding because drawing "lines on the ground" is not in the public interest and is not necessary to prevent further uneconomic duplication of electric facilities. In fact, "lines on the ground" could actually lead to and compel the further uneconomic duplication of electric facilities, contrary to the specific statutory mandate the Commission is charged with enforcing. The dynamic system that Florida presently uses to allocate utility territory provides the Commission and the utilities in this case with an inherent flexibility that allows the public interest to be served. This flexibility has been useful and effective in the resolution of territorial issues in the past and is still needed with regard to territorial issues that may arise in the future. For the Commission to actually "draw lines on the ground" between two utilities in the absence of an agreement between those utilities appears to be without precedent in Florida. In this case, there is no active, bona fide dispute between the two utilities over service to a particular customer or group of customers actively seeking electric service. In the past, the Commission has wisely recognized that Subsection 366.04(2)(e) of the Florida Statutes speaks in terms of an existing territorial dispute. Until an actual and real controversy arises, the Commission has declined to intercede in and preclude a potential dispute by establishing territorial boundaries. There is no compelling reason for changing Commission policy in this case. As recognized by Commission Staff authors of a Florida State University Law Review article, the present "innovative" system provides continuity, without imposing a single rigid model or predetermined result on the citizens that may be served by these utilities in the future. The Florida legislature has consistently declined to mandate such a rigid policy for the state whenever such proposals have been presented during legislative sessions.

E. STATEMENT OF ISSUES AND POSITIONS

**ISSUE 1:** What are the areas in South Washington and Bay Counties where the electric facilities of Gulf Power and Gulf Coast are commingled and in close proximity?

**GULF:** Those places on the following identified maps (which comprise Exhibit WCW-1) in which one utility's facilities are within 1000 feet of the other utility's facilities: map numbers 2218NE, 2218NW, 2218SE, 2218SW, 2220, 2221, 2320, 2321, 2322, 2518, 2519, 2618, 2533, 2534, 2632, 2633, 2634, 2639, 2731, 2733, 2828NW, 2828SW, 2828NE, 2828SE, 2830NE, 2830NW, and 2830SW. (Weintritt)

**ISSUE 2:** What are the areas in South Washington and Bay Counties where further uneconomic duplication of electric facilities is likely to occur?

**GULF:** Further uneconomic duplication of electric facilities is not likely to occur in South Washington and Bay Counties. Future uneconomic duplication of electric facilities can be easily avoided by these utilities through the application of and compliance with guidelines previously established by this Commission or through refinements such as those set forth in Exhibit GEH-3 or Exhibit GEH-4. (Holland, Klepper, Weintritt, Spangenburg, Pope)



**ISSUE 3:** What is the expected customer load, energy, and population growth in the areas identified in response to issues 1 and 2 above?

**GULF:** The expected customer load, energy and population growth on Gulf Power's system in the full portions of South Washington and Bay Counties shown on the maps identified as Exhibit WCW-1 (enumerated in Gulf's position on Issue 1 above) are as follows:

YEAR	CUSTOMER LOAD (KW)*	ENERGY (KWH)*	CUSTOMERS*
1995	15,495	28,819,654	1,371
1996	15,818	32,712,628	1,438
1997	17,112	35,269,973	1,511
1998	18,946	41,093,598	1,588
1999	20,219	43,700,186	1,668
2000	21,759	46,881,912	1,753

\*All values given are determined by the customers presently served by Gulf Power with the expected growth assuming no change in the method of determining customers affiliation.

This forecast is based on reasonable planning assumptions and does not require significant facility upgrades or additions in order for Gulf Power to provide the required electric service. (Weintritt, Pope)

**ISSUE 4:** What is the location, purpose, type and capacity of each utility's facilities in the areas identified in response to issues 1 and 2 above?

**GULF:** Gulf Power's customers in the identified areas of South Washington County are served by two separate Gulf Power substations. Sunny Hills Substation is a 12 MVA, 115 KV to 25 KV substation located south of Gap Pond in Sunny Hills, Florida. Vernon Substation is an 11.5 MVA, 115 KV to 25 KV substation located south of Vernon, Florida. From each of these substations, 25 KV feeders provide the preferred and back-up sources for reliable service to the identified area. Local overhead and underground distribution lines, and transformers provide service to Gulf Power's customers as shown on the following Florida grid coordinated maps that are part of Exhibit WCW-1: map numbers 2218NE, 2218NW, 2218SE, 2218SW, 2220, 2221, 2320, 2321, 2322, 2518, 2519 and 2618.

Gulf Power's customers in the identified areas of Bay County are served by Gulf Power's Bay County Substation. Bay County Substation is a 13.75 MVA, 115 KV to 12.47 KV substation located in Bay Industrial Park, off Highway 231, north of Panama City, Florida. A 12.47 KV feeder from Bay County Substation provides the preferred source of feed with another 12.47 KV feeder from Highland City Substation providing the back-up source of feed. Local overhead and underground distribution lines, and transformers provide service to Gulf Power's customers as shown on the following Florida grid coordinated maps that are part of Exhibit WCW-1: map numbers 2533, 2534, 2632, 2633, 2634, 2639, 2731, 2733, 2828NW, 2828SW, 2828NE, 2828SE, 2830NE, 2830NW, and 2830SW. (Weintritt)

**ISSUE 5:** Is each utility capable of providing adequate and reliable electric service to the areas identified in response to issues 1 and 2 above?

**GULF:** Gulf Power, with its own generation, transmission and distribution facilities, is fully capable and prepared to provide all aspects of adequate and reliable service to the identified areas both now and in the foreseeable future, at rates that are subject to the regulatory jurisdiction of the Commission. The distribution reliability of Gulf Power is much better than that of GCEC. Gulf Power's main backbone feeder system in the identified areas is fully adequate to provide reliable service to the area. Based on its history of providing adequate and reliable electric service at prices that are historically among the lowest in the state, Gulf Power would ordinarily be the economic choice to extend facilities and provide electric service to future electric service customers who might otherwise find themselves on the

“wrong” side of an arbitrary boundary line allocating territory to the two utilities involved in this proceeding. Gulf Power’s basic business objective of providing reasonably priced electric service to customers in Northwest Florida through the incentives inherent in the free enterprise system and the profit motive would be hindered by arbitrarily drawing a boundary line that would preclude Gulf Power from serving customers who would otherwise request that it provide them electric service. Gulf Power contends that although GCEC may be capable of providing adequate and reliable electric service to the identified areas, there is no assurance that GCEC will do so because their customers have no available means of effectively protesting the adequacy, the reliability or the price of electric service provided by GCEC. (Holland, Weintritt, Pope, Klepper)

**ISSUE 6:** How should the Commission establish the territorial boundary between Gulf Power and Gulf Coast in South Washington and Bay Counties where the electric facilities are commingled and in close proximity and further uneconomic duplication of facilities is likely to occur?

**GULF:** The Commission should not establish a territorial boundary between these two utilities in South Washington or Bay Counties. Given the established guidelines of the Commission and the Florida Supreme Court regarding the resolution of territorial disputes, future uneconomic duplication of facilities is not likely to occur in these areas. The Commission can effectively prevent the uneconomic duplication of electric facilities by these two utilities through a mechanism that does not include drawing “lines on the ground.” Drawing “lines on the ground” is not in the best interest of the customers of the two utilities. In the past, the Commission has declined to even consider such action in the absence of an active and bona fide dispute between the two utilities over service to a particular customer or group of customers actively seeking electric service. No such dispute exists in this case.

The Commission’s present system for resolving territorial disputes is adequate to resolve any future disputes that may arise between GCEC and Gulf Power. The Commission should seek a resolution of this matter through mechanisms other than drawing “lines on the ground.” Consumers would be better served if the Commission directed each utility to follow Commission imposed guidelines for line extension to new customers, based on the Commission’s “lowest cost to the utility” policy historically used in resolving territorial disputes. Refinements to the Commission’s existing guidelines and policies such as those set forth in Exhibit GEH-3 or Exhibit GEH-4 may enhance the ability of the two utilities to work out potential disputes without the need for active litigation before the Commission.

The guidelines established by the Commission for line extensions to new customers should include consideration of the cost of generation to serve loads in question in addition to the cost of distribution and/or transmission line extensions in determining which utility has the lowest cost to serve. Such guidelines would allow the Commission to comply with the statutory directive that the Commission “. . . prevent the further uneconomic duplication . . .” of generation, transmission and distribution facilities while at the same time retaining the opportunity for customer choice where all other factors are substantially equal and further uneconomic duplication of facilities is not a potential result.

If the Commission concludes that territorial boundaries must be established, it is important that such boundaries reasonably and adequately take into account the capabilities of existing electric service facilities, the economics of facilities expansion, and the type and character of the electric load that is to be served in particular areas from such facilities. It is important for the Commission to recognize that different types of electric facilities have differing capabilities with regard to type and character of electric load that can be served without changes to facilities. Therefore, a “lines on the ground” solution of this matter, if implemented, should follow the principles and concepts set forth in the direct testimony of Mr. Spangenburg with different boundaries established for different types and characters of loads. (Holland, Klepper, Weintritt, Spangenburg, Pope)

**ISSUE 7:** Where should the territorial boundary be established?

**GULF:** A territorial boundary should not be established between these two utilities. The public interest is not served by precluding the continuation of the process of resolving territorial disputes on a case-by-case basis. See also Gulf Power’s position on Issue 6, above. (Holland, Klepper, Weintritt, Spangenburg, Pope)

#### **F. STIPULATED ISSUES**

**GULF:** Yet to be determined.

G. PENDING MOTIONS:

**GULF:** None for Gulf Power at the time that this prehearing statement is being prepared. Given the number of witnesses that have prefiled direct and rebuttal testimony for the hearing in this stage of the docket as well as the character and amount of staff initiated discovery that is still pending, Gulf Power expresses its strong reservations with regard to whether this case is ready to be tried at this time. Even if the Commission were to conclude that the case is ready to be tried, it is almost certain that the hearing cannot reasonably be concluded in the time allotted under the current proposed schedule. It is not in the public interest to rush this matter to judgment by precluding adequate time for full and complete consideration of materials and information yet to be disclosed during the course of discovery and of the testimony and other evidence that is to be presented at the hearing.

H. OTHER MATTERS:

**GULF:** If other issues are raised for determination at the hearings presently set for February 11-12, 1997, Gulf Power respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Respectfully submitted this 17th day of January, 1997.



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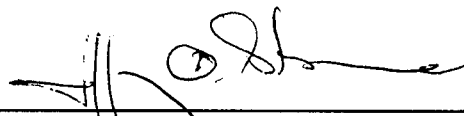
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by U. S. Mail this 17th day of January 1997 on the following:

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