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FILE COPY

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WILLIAM H. CHANDLER
1920-1992

July 28, 1997

Blanca Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2549 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Via Hand Delivery

RE: Clay Electric Cooperative, Inc.
and Florida Power & Light Company
Docket No. 970512-EU

Dear Ms. Bayo:

I am enclosing herewith the original and fifteen (15) copies of Clay Electric Cooperative Inc.'s Prepared Direct Testimony of Herman Dyal, William C. Phillips, and Henry Barrow which I would appreciate your filing in this docket.

Very truly yours,

John H. Haswell

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG** _____
- LEG _____
- LIN _____
- OPC _____
- RCH _____
- SEC _____
- WAS _____
- OTH _____

JHH/lez

cc: Mark Logan, Esquire
Robert Elias
William C. Phillips
Herman Dyal
Henry Barrow

Dyal - 07618-97
Phillips - 07619-97
Barrow 07620-97

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DOCUMENT NUMBER-DATE

07618 JUL 28 97

FPSC-RECORDS/REPORTING

ORIGINAL
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Florida Power & Light)
Company to Resolve a Territorial Dispute with)
Clay Electric Cooperative in Baker County)

Docket No.: 970512-EU

Filed: July 28, 1997

**PREPARED DIRECT TESTIMONY
OF WILLIAM C. PHILLIPS
ON BEHALF OF
CLAY ELECTRIC COOPERATIVE, INC.**

DOCUMENT NUMBER-DATE

07619 JUL 28 97

FPSC-RECORDS/REPORTING

1 Q Please state your name and business address.
2 A William C. Phillips, 225 West Walker Drive, Post Office Box 308, Keystone Heights,
3 Florida, 32656.
4
5 Q What is your current occupation?
6 A I am the General Manager of Clay Electric Cooperative, Inc.
7
8 Q How long have you held that position?
9 A I have been General Manager since January 1989, eight and one-half (8½) years.
10
11 Q What was your position and title prior to becoming General Manager, and the dates
12 that you were in that position?
13 A Prior to being appointed General Manager my position was Director of District
14 Operations. I was in this position from June 1986 through December 1989.
15
16 Q What is the purpose of your testimony in this docket?
17 A To respond to the complaint by Florida Power & Light Company regarding Clay's
18 proposed service to River City Plastics, a company that manufactures plastic pipe,
19 to describe Clay's service territory generally, and to discuss River City Plastics'
20 request for service from Clay. Mr. Herman Dyal, Clay's Director of Engineering, will
21 provide more detail on the specific service characteristics that are unique to River
22 City Plastics and related matters. Mr. Henry Barrow will provide more detail on the
23 communications with River City Plastics that led up to the request for service that
24 we received from River City Plastics.
25

1 Q Tell us about Clay generally including its number of customers, service area, service
2 facilities, etc.

3 A Clay is an incorporated, member owned, non-profit electric power supplier controlled
4 by those it serves. It was formally organized in 1937 starting with the purchase of
5 an existing power plant and distribution system from a private individual in Keystone
6 Heights. Over the years Clay has become one of the largest electric cooperatives
7 in the United States. Clay's objective is to provide a dependable and adequate
8 supply of electricity at the lowest possible cost while maintaining sound business
9 practices. Clay's service area stretches into fourteen North Florida counties,
10 Alachua, Baker, Bradford, Clay, Columbia, Duval, Flagler, Lake, Levy, Marion,
11 Putnam, Suwannee, Union and Volusia. Clay's service area is divided into nine
12 trustee districts with one member representing each district on Clay's Board of
13 Trustees. Members are elected to the Board of Trustees at Clay's annual meeting
14 held in March of each year. The Board of Trustees determines the overall policies
15 of Clay while the general manager directs the day-to-day operations. Clay's power
16 is supplied by Seminole Electric Cooperative, a generation and transmission
17 cooperative owned by Clay and ten other electric cooperatives. Seminole's coal fired
18 generating plant is located in Palatka and consists of two units of 600 megawatts
19 each. As of May 31, 1997, Clay had 127,176 member/customers. The average
20 number of customers per mile of line is 11.3 and the total miles of line owned by Clay
21 is approximately 9,900. Clay serves its customers through 55 substations located
22 throughout its service area, and its highest coincident peak demand was 536,259
23 kw.

24
25 Q What kinds of customers does Clay serve?

1 A Clay's customer base is largely residential, however Clay also serves many
2 commercial and industrial customers. Seven of our typical large power loads are
3 shown on Exhibit _____ (WCP-1).

4
5 Q Does Clay have facilities and does it serve customers in Baker County, Florida?

6 A Yes. Clay serves approximately 1,900 customers in Baker County. The site referred
7 to in Florida Power & Light's petition is in a largely rural area between I-10 and US
8 90 near the intersection of State Road 229. Mr. Herman Dyal will provide more detail
9 on the facilities Clay had in place at the time it received the request for service from
10 River City Plastics and the facilities that will be necessary to serve River City
11 Plastics.

12
13 Q Did Clay receive a request for service from River City Plastics?

14 A Yes we did, and a copy of that request is attached to Mr. Barrow's testimony as
15 Exhibit _____ (HDB-6).

16
17 Q Do you know if River City Plastics requested service information from both Clay and
18 Florida Power & Light prior to making its decision to request service from Clay?

19 A Yes, to my knowledge, they did. Mr. Barrow has more detail on that subject. River
20 City Plastics asked both Florida Power & Light and Clay to respond to inquiries from
21 River City Plastics' engineering consultants, and following River City Plastics' review
22 of that information, River City Plastics asked Clay to serve the new site of its
23 manufacturing plant in Baker County. The site is described in Exhibit _____ (HD-2)
24 attached to Mr. Dyal's testimony.

25

1 Q Has Clay signed an agreement with River City Plastics to provide it with service?
2 A Yes we have and the agreement is basically our standard agreement for providing
3 load management generation on the customer's property. River City Plastics will
4 lease the generators from Clay and those generators will be used to help manage
5 Clay's peak demand from its power supplier, Seminole Electric Cooperative. The
6 customer's primary concern, however, will be its ability to disconnect from our system
7 and operate directly off the generators when there is an outage on our system or
8 when inclement weather threatens the operation of the River City Plastics plant. So
9 there is really two aspects to the customer's request for service. One is load
10 management and the benefits that it will receive by allowing Clay to manage the
11 peak demand, and for dual feed or back-up service, that will allow the plant to isolate
12 itself from our system.

13
14 Q Is the River City Plastics plant operating criteria any different from that of any of your
15 other large industrial customers?

16 A Yes it is. In our initial discussions with River City Plastics it became apparent that
17 River City Plastics' operation is unique, in that it is very sensitive to the most minor
18 "glitch" or service interruption. River City Plastics produces plastic pipe, the type
19 used for water and sewer lines and other purposes, and it is a continuous
20 manufacturing process that runs, ideally, 24 hours a day. A glitch in its electrical
21 service causes major shut downs, labor costs, loss of revenues, delays in
22 production, costs associated with the removal of ruined pipe from the molds, and the
23 regrinding, storage and recycling costs of the ruined pipe. When we advised River
24 City Plastics about our load management generator program, its Chief Officer,
25 Stafford McCartney, became very interested in this type of service.

1 Q Why was he interested in using load management generation?

2 A Because his existing plant in Duval County, on Jacksonville Electric Authority's
3 system, has experienced numerous glitches and outages, even though Jacksonville
4 Electric Authority dedicated a transformer bank to River City Plastics from its closest
5 Jacksonville Electric Authority substation. The weather is River City Plastics' biggest
6 concern, and its analysis of the reliability and character of service it needs to operate
7 its new plant led it to the conclusion that having load management generation on site
8 that could also be used for back-up or a dual feed service was essential to its
9 successful operation.

10

11 Q To your knowledge, did Florida Power & Light offer the same character and quality
12 of service offered by Clay?

13 A No it did not. Apparently Florida Power & Light believes that service from its Wiremill
14 substation, which is approximately 1/2 to a 3/4 mile from River City Plastics' site will
15 provide the customer with adequate and reliable service. It is our understanding of
16 River City Plastics' service requirements that even if the Florida Power & Light
17 substation was right next to the site of the River City Plastics plant, River City
18 Plastics would still prefer service from Clay because of the load management
19 generation. Florida Power & Light's position, as stated in its petition, is that it can
20 provide the same reliable service it provides Florida Wire and Cable and other
21 customers who are served from its Wiremill substation. River City Plastics has told
22 us that it is not interested in "the same reliable service" that Florida Power & Light
23 provides its other customers. It wants the ability to use on site generation because
24 of the unique characteristics of its manufacturing process.

25

1 Q Does Clay have a territorial agreement with Florida Power & Light in this area?

2 A No.

3

4 Q Does Clay have any territorial agreements with Florida Power & Light?

5 A Yes, in the Palatka area and in Columbia county.

6

7 Q Have you attempted to secure a territorial agreement with Florida Power & Light
8 either prior to or subsequent to the filing of Florida Power & Light's petition?

9 A Yes we have. As a matter of fact, Florida Power & Light signed a letter of intent with
10 Clay in 1986, expressing its intent to enter into a series of territorial agreements with
11 Clay. A copy of that letter of intent is attached to my testimony as Exhibit _____
12 (WCP-2). Prior to the service dispute over River City Plastics, Florida Power &
13 Light's response to our inquiries regarding territorial agreements was that it would
14 not enter into any such discussions because of anti-trust implications. Since their
15 petition was filed, Clay and Florida Power & Light have met on one occasion, but no
16 apparent progress has been made towards resolving either this dispute or arriving
17 at a territorial agreement. It is, however, Clay's desire to enter into territorial
18 agreements with all neighboring utilities to avoid disputes such as this one, to allow
19 the neighboring utilities to prudently plan for service to a defined area, to promote
20 territorial integrity, and to avoid the uneconomic duplication of transmission and
21 distribution facilities just as was stated in the letter of intent. We would certainly
22 encourage Florida Power & Light to join with us in a reasonable effort, with the
23 Commission's guidance, to establish territorial boundaries between the two utilities.
24 We think this is not only prudent to do so from a system planning standpoint, but it
25 is also, more importantly, in the best interests of the customers of both utilities.

1 Q Have you formally communicated with Florida Power & Light since the letter of intent
2 on Clay's desire to go forward with a territorial agreement?

3 A Yes. On June 24, 1993, I wrote to Florida Power & Light's CEO, James Broadhead,
4 advising that Clay was ready to go forward with the conclusion of territorial
5 agreements, and a copy of that letter is attached as Exhibit _____ (WCP-3). We
6 received no affirmative response from Mr. Broadhead and as I previously said, we
7 requested a meeting with Florida Power & Light after this dispute was filed. We met
8 with Florida Power & Light officials in Tallahassee, but no progress was made toward
9 resolution of this dispute or toward a comprehensive territorial agreement.

10

11 Q Does this conclude your direct testimony?

12 A Yes it does at this time. I may have additional comments after I review Florida
13 Power & Light's responses to our discovery requests and review its direct testimony.

14

15

16

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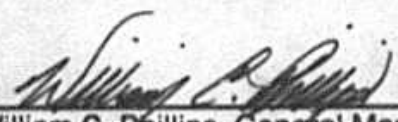
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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF CLAY)

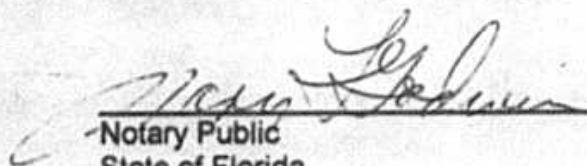
Docket No. 970512-EU

Before the undersigned authority, personally appeared William C. Phillips, who being first duly sworn, deposes and says that he is the General Manager for Clay Electric Cooperative, Inc., a Florida corporation, that the foregoing is true and correct to the best of his knowledge, information and belief. He is personally known to me.



William C. Phillips, General Manager

Sworn to and subscribed before me this 22 day of July, 1997.



Notary Public
State of Florida
My Commission expires
and my number is:



Mary L. Godwin
MY COMMISSION # CCB41831 EXPIRES
May 3, 2001
BONDED THRU TROY FAIR INSURANCE, INC.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by regular U.S. mail to the following:

Patrick M. Bryan, Esquire
Florida Power and Light Company
700 Universe Boulevard
Juno Beach, Florida 33408

Robert Elias, Legal Division
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

Mark K. Logan
Bryant, Miller & Olive
201 South Monroe Street
Suite 500
Tallahassee, Florida 32301

W. G. Walker, III, Vice President
Florida Power and Light Company
Regulatory Affairs
Post Office Box 029100
Miami, Florida 33102-9100

on this 28 day of July, 1997.



John H. Haswell

Docket No.: 970512-EU

EXHIBIT _____ (WCP-1)

to the
**DIRECT TESTIMONY OF WILLIAM C. PHILLIPS
ON BEHALF OF
CLAY ELECTRIC COOPERATIVE, INC.**

DOCUMENT NUMBER-DATE

07619 JUL 28 5

FPSC-RECORDS/REPORTING

QUESTION # 7.

**TYPICAL LARGE POWER LOADS
CLAY ELECTRIC COOPERATIVE SYSTEM**

Humana Hospital Orange Park	1,600 kW
Food Lion Distribution Center Green Cove Springs	2,000 kW
Gilman Paper Company Maxville	2,600 kW
Orange Park Mall Orange Park	6,800 kW
Sparton Electronics DeLeon Springs	1,300 kW
Florida State Prison Raiford	6,000 kW
Florida Rock Industries Grandin	2,200 kW

Docket No.: 970512-EU

EXHIBIT _____ (WCP-2)

to the
**DIRECT TESTIMONY OF WILLIAM C. PHILLIPS
ON BEHALF OF
CLAY ELECTRIC COOPERATIVE, INC.**

SUBST - 17

LETTER OF INTENT

By and Between Clay Electric Cooperative, Inc.

and

Florida Power & Light Company

G. K. B.
 Florida Power & Light Company ("FPL") and Clay ~~Rural~~ Electric Cooperative, Inc. ("Clay") hereby express their intent to enter into a series of agreements which will delineate service area boundaries between the companies in areas where their respective electric distribution service facilities have developed in such a manner as to potentially necessitate, in the absence of such boundaries, unnecessary duplication of facilities. The agreements shall be executed from time to time, shall incorporate the following terms and conditions, and shall be administered in a manner which will allow the stated objectives to be most economically and efficiently accomplished by the parties.

Execution of the agreements is intended to: enhance the efficiency of each company; permit the management of each company to maintain awareness of, and more efficient control over, future construction of facilities; provide improved ability to each company in planning future supply requirements; and better inform the Florida Public Service Commission of the long term plans of the Companies.

The agreements are intended to obtain for each company and its customers the inherent efficiency arising from having a defined service boundary where the facilities of the companies have developed in a parallel manner as well as to improve their ability to forecast and plan for future needs. The designation of specific service area boundaries is not intended to materially change the nature or value of the existing systems but rather is intended to enhance the delivery of economically efficient service and eliminate the potential for inefficient and uneconomical duplication of facilities that may otherwise occur.

Neither execution of this letter of intent setting forth the mutually agreed upon plan, nor the execution of any subsequent agreement pursuant to this plan shall preclude either Company from constructing on either side of an agreed upon boundary express feeders or other electric service facilities that may, in the constructing company's opinion, be required in the future to maintain adequate and sufficient service to customers. However, such facilities shall not be used to institute service to new customers in violation of a boundary agreement.

The parties concur that upon execution of the agreements that will result from implementation of this plan such agreements shall be submitted for approval in a timely manner to the Florida Public Service Commission and/or other regulatory authority then having jurisdiction. Such agreements shall not become effective until regulatory approval has been obtained and the parties agree to fully and unreservedly seek and support approval of such agreements.

Executed this 6th day of February, 1986.

By:

August B. Hastings
Clay Electric Cooperative

By:

K.R. Beasley
Florida Power & Light Company

Docket No.: 970512-EU

EXHIBIT _____ (WCP-3)

to the
**DIRECT TESTIMONY OF WILLIAM C. PHILLIPS
ON BEHALF OF
CLAY ELECTRIC COOPERATIVE, INC.**



P.O. Box 308
Keystone Heights, Florida 32656-0308
(904) 473-4911

June 24, 1993

Florida Power & Light
Attn: James L. Broadhead
C.E.O.
Post Office Box 025576
Miami, Florida 33102

Dear Sir:

Both Florida Power and Light Company and Clay Electric Cooperative, Inc. have spent thousands of dollars and many hours of time fighting what we perceived to be encroachments into each other's service areas. In areas where we have Florida Public Service Commission (F.P.S.C.) approved service areas (territorial agreements) this wasteful expenditure is eliminated and our employees' time can be spent on more productive work.

Both companies agreed to work towards this end approximately six (6) years ago and in fact did complete a F.P.S.C. approved territorial agreement covering the entirety of Columbia County. We have made numerous requests since that time to continue this process but to no avail.

The purpose of this letter is to ask that you review this situation and hopefully get it back on track. We stand ready to dedicate the personnel and resources necessary to complete the task so that we might move on to other challenges.

Sincerely,

William C. Phillips
General Manager

WCP:sg

970572-EI

CERTIFICATE OF SERVICE

WILLIAM C. PHILLIPS
DIRECT TESTIMONY

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by regular U.S. mail to the following:

Patrick M. Bryan, Esquire
Florida Power and Light Company
700 Universe Boulevard
Juno Beach, Florida 33408

Robert Elias, Legal Division
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

Mark K. Logan
Bryant, Miller & Olive
201 South Monroe Street
Suite 500
Tallahassee, Florida 32301

W. G. Walker, III, Vice President
Florida Power and Light Company
Regulatory Affairs
Post Office Box 029100
Miami, Florida 33102-9100

on this 28 day of July, 1997.



John H. Haswell

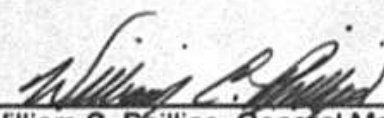
JN 07619-97
7/28/97

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF CLAY)

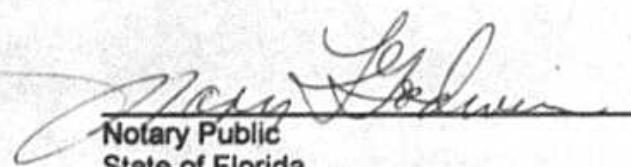
Docket No. 970512-EU

Before the undersigned authority, personally appeared William C. Phillips, who being first duly sworn, deposes and says that he is the General Manager for Clay Electric Cooperative, Inc., a Florida corporation, that the foregoing is true and correct to the best of his knowledge, information and belief. He is personally known to me.



William C. Phillips, General Manager

Sworn to and subscribed before me this 22 day of July, 1997.



Notary Public
State of Florida
My Commission expires
and my number is:



Mary L. Godwin
MY COMMISSION # CC641931 EXPIRES
May 3, 2001
BONDED THRU TROY FAIR INSURANCE, INC.