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4 Florida 32301, and **PATRICK M. BRYAN**, Florida Power &
5 Light Company, 700 Universe Boulevard, Juno Beach,
6 Florida 33408, appearing on behalf of Florida Power &
7 Light Company.

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10 Gainesville, Florida 32602, appearing on behalf Clay
11 Electric Cooperative, Inc.

12 **GRACE A. JAYE** and **ROBERT V. ELIAS**, Florida
13 Public Service Commission, Division of Legal
14 Services, 2540 Shumard Oak Boulevard, Tallahassee,
15 Florida 32399-0850, appearing on behalf of the
16 Commission Staff.

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PROCEEDINGS

(Hearing convened at 9:35 a.m.)

COMMISSIONER CLARK: Let's call the hearing to order. Would you please read the notice?

MS. JAYE: Yes, Commissioner. Notice is hereby given that the Florida Public Service Commission, pursuant to notice issued September 25, 1997, has set aside this time and place for a public hearing in Docket No. 970512-EU, petition to resolve territorial dispute with Clay Cooperative, Inc. in Baker County by Florida Power & Light Company.

COMMISSIONER CLARK: Thank you. We'll take appearances.

MR. HASWELL: My name is John Haswell. I'm appearing on behalf of Clay Cooperative Inc. And with me today at the counsel table is director of engineering, Herman Dyal, but he's not appearing as counsel, though.

COMMISSIONER CLARK: Okay.

MR. LOGAN: Good morning, Commissioners. My name is Mark Logan with the law firm of Bryant Miller and Olive, on behalf of Florida Power and Light Company.

MR. BRYAN: And my name is Patrick Bryan, in-house counsel with Florida Power & Light Company.

1 **MS. JAYE:** Grace A. Jaye on behalf of
2 Commission Staff.

3 **COMMISSIONER CLARK:** Do we have any
4 preliminary matters we have to take up?

5 **MS. JAYE:** Yes, Commissioner. FP&L has
6 handed around some addenda to Witness Hood's
7 testimony, and I will turn it over to Mark Logan as to
8 how he wishes to deal with this.

9 **COMMISSIONER CLARK:** Mr. Logan, if you have
10 handed it around, you haven't handed it to us.

11 Thank you.

12 **MR. LOGAN:** Actually, Commissioner Clark,
13 these are changes that have been provided to Clay and
14 to Staff sometime ago to Mr. Hood's testimony. What
15 we would propose is simply to deal with them when
16 Mr. Hood is called to the stand after he is sworn.

17 **COMMISSIONER CLARK:** I think that is a good
18 idea. One of them is a change to the testimony.

19 **MR. LOGAN:** I'm sorry, Commissioner Clark.
20 The other two exhibits are what is essentially on the
21 easel, they are demonstrative exhibits. It will not
22 be introduced into evidence. It will be part of
23 Mr. Hood's summary.

24 **COMMISSIONER CLARK:** Okay. And you've given
25 to Mr. Haswell?

1 **MR. HASWELL:** I have the changes to the
2 testimony of Mr. Hood, and as Mr. Logan and I agreed,
3 we have no objection to the changes he wishes to make
4 to his direct testimony provided that we have the
5 opportunity to cross examine him on why he made those
6 changes. And, certainly, we would expect to cross
7 examine him on the other two documents, but Mr. Logan
8 has advised me those would not be introduced into
9 evidence.

10 **COMMISSIONER CLARK:** Okay.

11 **MR. HASWELL:** Another matter, Commissioner
12 Clark, is that I believe Mr. Logan -- correct me if
13 I'm wrong -- we've agreed that we would waive opening
14 statements and reserve that for the posthearing
15 briefs.

16 **COMMISSIONER CLARK:** Good. That sounds
17 good. Anything else, Ms. Jaye?

18 **MS. JAYE:** Yes, Commissioner Clark, I would
19 like to remind the parties that transcripts are due on
20 November 15th, briefs are due on November 24th and the
21 Staff recommendation in this matter is due on
22 December 23rd.

23 **COMMISSIONER CLARK:** Let me ask a question.
24 With respect to the testimony, are we going to take
25 direct and rebuttal at the same time? Did you cover

1 that?

2 MR. HASWELL: The way the Prehearing Order
3 reads, we would do them separately.

4 COMMISSIONER CLARK: You know I missed that.
5 It was probably in the beginning on all the
6 boilerplate that I kind of skip over anyways.

7 MR. LOGAN: Commissioner Clark, actually I
8 don't think it's something that's been discussed by
9 the parties, and we have no objection to proceeding
10 either way.

11 COMMISSIONER CLARK: Is it covered in there?
12 You have no objection to either way.

13 Mr. Haswell, was it is your anticipation we
14 would do them separately?

15 MR. HASWELL: Yes, ma'am, but if you'll give
16 me a minute, let me see how this would work.

17 COMMISSIONER CLARK: All right. (Pause)

18 Mr. Haswell.

19 MR. HASWELL: Commissioner Clark, I
20 apologize. I actually prepared for the particular
21 order that we are in and --

22 COMMISSIONER CLARK: That's fine. I think
23 we can do that.

24 MR. HASWELL: Okay.

25 COMMISSIONER CLARK: All right. Do we have

1 any other preliminary matters to take up?

2 MS. JAYE: Not that I'm aware of,
3 Commissioner Clark.

4 COMMISSIONER CLARK: All right. What I'd
5 like to do is ask all the witnesses who are here to
6 stand, and I'll swear you in at the same time, and
7 then, Mr. Logan, you can call Mr. Hood to the stand.
8 (Witnesses collectively sworn.)

9 Thank you.

10 MR. LOGAN: Commissioner Clark, Florida
11 Power & Light would call Robert A. Hood to the stand,
12 please.

13 - - - - -

14 ROBERT A. HOOD
15 was called as a witness on behalf of Florida Power &
16 Light Company and, having been duly sworn, testified
17 as follows:

18 DIRECT EXAMINATION

19 BY MR. LOGAN:

20 Q Good morning, Mr. Hood. Could you state
21 your name and business address for the record, please?

22 A It's Robert A. Hood, 425 Williamson
23 Boulevard, Daytona Beach.

24 Q And are you the same Robert A. Hood that
25 caused to be prefiled direct testimony dated July 28,

1 1997?

2 A Yes, sir.

3 Q And if I were to ask you the questions
4 contained in that prefiled direct testimony today,
5 would your answers be the same, or do you have any
6 changes or additions to your testimony?

7 A There is an amendment to the testimony.

8 Q Okay.

9 MR. LOGAN: Commissioners, instead of having
10 him run through it, you all have it before you, unless
11 there's any particular questions with the changes?

12 COMMISSIONER CLARK: Let me just ask. Let
13 me look at it for a minute just to make sure that I
14 think it's going to be clear to the court reporter
15 what the changes are.

16 Let me ask you a question. What you have
17 here then becomes what's quoted starting "Based upon
18 our understanding." That becomes C?

19 MR. LOGAN: I'm sorry, Commissioner Clark, I
20 don't follow you.

21 COMMISSIONER CLARK: All right. I'm on Page
22 15.

23 MR. LOGAN: Okay.

24 COMMISSIONER CLARK: Lines 11 through 13.

25 MR. LOGAN: Correct.

1 **COMMISSIONER CLARK:** You strike them and
2 insert the following. But am I to understand that
3 this is in effect a new C?

4 **MR. LOGAN:** Yes, ma'am, you're correct. And
5 the same with 20 through 22.

6 **COMMISSIONER CLARK:** All right. What I'd
7 like to note for the record, you have submitted
8 written changes to Page 15, Lines 11 and 13; and Page
9 15, Lines 20 through 22, you strike those lines and
10 insert what you have on the written page. And I think
11 that will be sufficient for the court reporter.

12 With those changes, are there any other
13 additions or corrections?

14 **WITNESS HOOD:** No, there's not.

15 **MR. LOGAN:** Commissioner Clark, I would move
16 that Mr. Hood's prefiled direct testimony be admitted
17 into the record as if read.

18 **COMMISSIONER CLARK:** It will be inserted in
19 the record as though read.

20 **Q** **(By Mr. Logan)** Mr. Hood, did you have any
21 exhibits to your prefiled direct testimony?

22 **A** Prefiled Exhibits 1 through 13.

23 **MR. LOGAN:** Commissioner Clark, I would move
24 that those exhibits be marked for identification.

25 **COMMISSIONER CLARK:** We will mark as Exhibit

1 1, R.A. Hood Exhibits 1 through 13. They'll be a
2 composite exhibit.

3 (Composite Exhibit 1 marked for
4 identification.)

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BEFORE THE PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF ROBERT A HOOD

DOCKET NO. 970512-EU

July 28, 1997

Q Please state your name and business address.

**A My name is Robert A Hood and my business address is 425 Williamson
Boulevard, Daytona Beach, Florida 32114.**

Q By whom are you employed and in what position?

**A I am employed by the Florida Power & Light Company (FPL). I
currently serve in the capacity of Distribution Director.**

Q Please describe your educational background.

**A I have a Bachelor of Science Degree in Business Administration &
Economics from Rollins College, 1976.**

Q Please describe your professional background.

A I began my career with FPL in February, 1964, serving for

1 approximately 18 years in various capacities in the Customer Service,
2 Drafting, Engineering, Commercial Service and Distribution /
3 Transmission Supervision Areas. From June 1982 to March 1986, I
4 served as the District General Manager for Macclenny, Florida, which
5 included all or portions of Nassau, Duval, Clay, Alachua, Bradford,
6 Baker, Union and Putnam Counties. My responsibilities included
7 managing the work force responsible for customer service activities
8 and for the design, construction, maintenance of all distribution
9 facilities, including budgeting activities.

10 From March 1986 to July 1995, I held various management
11 positions including District Operations Manager - Daytona Beach;
12 District General Manager - Central Florida; Construction Manager -
13 East Region; and Area Distribution Manager - North Area, which
14 included East Coast counties from Palm Beach County north, as well as
15 inland counties. My responsibilities included managing the work
16 force responsible for design, construction, customer service, operations
17 and maintenance of the distribution facilities, including budgeting, line
18 clearing, easement acquisition, maintenance of transmission and
19 substation facilities including land management.

20 From July 1995 to September 1996, I held the position of Distribution
21 Director, Northeast Region, which included all East Coast Counties
22 from Palm Beach County north, as well as attached inland counties.

1 My responsibilities included the managing of the work force responsible
2 for the design, construction, operation and maintenance of the electrical
3 distribution system.

4 From September 1996, I have held my current position of Distribution
5 Director and have been on a special project working with the
6 Regulatory and Legislative groups at FPL.

7
8 **Q What is the purpose of your testimony?**

9 **A The purpose of my testimony is to establish the factual basis for the**
10 **Commission to make a determination that it is in the public interests to**
11 **allow FPL to provide service to River City Plastics in Baker County.**

12 **First, I will generally describe Baker County, the geographical**
13 **area of the dispute in central Baker County, and the history of territorial**
14 **agreements in Baker County.**

15 **Second, I will describe the existing FPL facilities in Baker**
16 **County and their purpose.**

17 **Third, I will provide a description of the projected growth in the**
18 **area and FPL's capacity to serve that projected growth.**

19 **Fourth, I will describe FPL's options to provide service to River**
20 **City Plastics.**

21 **And fifth, I will provide FPL's position on issues of why FPL's**
22 **Petition is in the best interests of both FPL and Clay Electric**

1 Cooperative's customers and why FPL should be allowed to provide
2 service to River City Plastics.

3

4 Q Please provide a general description of Baker County.

5 A Baker County is located in north Florida, bordered on the west by
6 Columbia County; on the east by Nassau, Duval and Clay Counties; on
7 the south by Union and Bradford Counties; and on the north by the
8 State of Georgia.

9 Baker County is primarily an agricultural and conservation area in
10 nature, having the Okefenokee National Wildlife Refuge, the Nature
11 Conservancy and Osceola National Forest comprising over half of its
12 land area. The only incorporated areas in Baker County are the City of
13 Macclenny and the Town of Glen St. Mary. Unincorporated areas of
14 Baker County include the communities of Sanderson and Olustee.
15 Development consists of primarily single-family and mobile home
16 residences. (R A Hood Exhibit 1 ^{COMD}1 Comprehensive Plan for Baker
17 County)

18

19 Q Please provide a geographical description of the disputed area.

20 A The area of the dispute is an industrial park located in central Baker
21 County, south of US Highway 90 (SR 10), north of Interstate 10 (SR
22 8) and immediately to the east of FPL's Wiremill Substation. The area

1 of the dispute is depicted on R A Hood Exhibit 2 ^{COMP} 1 (FPL 17
2 Drawing 2Y524401, Wiremill Substation Area).
3 River City Plastics, Inc., the second largest PVC pipe manufacturing
4 plant in the US, is constructing a 130,000 square foot, \$5.6 million
5 plant on a 28-acre site in this industrial park, adjacent to an existing
6 FPL industrial customer, Florida Wire and Cable, and approximately 1/4
7 mile east of FPL's Wiremill Substation.

8
9 **Q Please describe the history of any territorial agreements in Baker**
10 **County.**

11 **A** There are no territorial agreements with Clay Electric in Baker County.
12 FPL and Okefenoke Rural Electric Coop have executed a territorial
13 agreement in Baker County, with OREMC's territory in the northern
14 half and FPL's territory being in the southern half of Baker County.
15 (R A Hood Exhibit 3 ^{COMP} 1 - FPL drawing B-0000-03, Baker County
16 territorial boundary map with OREMC)

17
18 **Q Which utility has historically served in the vicinity of the disputed**
19 **area?**

20 **A** Both FPL and Clay have historically served in Baker County, although
21 FPL serves the majority of the customers. FPL has served this area of
22 the dispute, along the US Highway 90, Interstate 10 corridor, the City

1 of Macclenny, Town of Glen St. Mary, communities of Sanderson and
2 Olustee and surrounding areas. Initial service dates back to 1938 in the
3 Sanderson and Olustee areas and 1926 in the Macclenny area.
4 There are no records prior to 1926, when FPL was incorporated.

5

6 **Q How many customers does FPL serve in Baker County?**

7 **A FPL provides service to approximately 6,300 accounts in Baker**
8 **County.**

9

10

11 **Q Describe the location, purpose, type and capacity of FPL's existing**
12 **facilities as of the filing date of the petition to resolve the dispute.**

13 **A FPL's existing facilities in Baker County include a transmission line, the**
14 **Baldwin - Columbia 115kv line; two distribution substations, Macclenny**
15 **Substation and Wiremill Substation and a distribution system which**
16 **serves customers in Baker County.**

17 **The Baldwin - Columbia 115 kv line connects Baldwin Substation, in**
18 **Duval County, to Columbia Substation, in Columbia County. Wiremill**
19 **and Macclenny Substations are fed from this transmission line. There**
20 **are coop facilities that are also fed off the Baldwin - Columbia 115 kv**
21 **line, namely, Macedonia Sub near Macclenny (Okefenoke Rural Electric**
22 **Cooperative), Tustenegee in Lake City (Clay Electric Cooperative) and**

1 Sanderson Substation in Baker County (Clay Electric Cooperative).
2 FPL's Wiremill Substation is located at the intersection of Rhoden
3 Road and Wiremill Road, approximately 1/4 mile from the disputed
4 area, in Sanderson, Florida. Wiremill Substation provides service
5 to the community of Sanderson and surrounding areas and to an FPL
6 industrial customer, Florida Wire and Cable, adjacent to the industrial
7 area in dispute. Wiremill Substation was constructed in 1976 and
8 presently has a capacity rating of 44 mva. The current load at Wiremill
9 is 8.5 mva.

10 (R A Hood Exhibit 4 ^{COMP}₁ N.E.D. Transmission Patrol Map I-19)

11

12 **Q Please describe the facilities FPL has built to serve its customers**
13 **in the area of dispute.**

14 **A In the immediate area of the dispute, FPL has an existing distribution**
15 **substation, Wiremill Substation. As mentioned above, this substation**
16 **was constructed in 1976 and has a capacity of 44 mva. Wiremill**
17 **Substation has two feeders, Feeder 1561 and Feeder 1562.**
18 **Feeder 1562 is a rural feeder serving a major prison, the community of**
19 **Sanderson and the surrounding areas.**
20 **Feeder 1561 serves an industrial customer, Florida Wire & Cable,**
21 **immediately adjacent to Wiremill Substation. Florida Wire and Cable**
22 **is located adjacent to the site where River City Plastics is**

1 constructing its new plant.

2 Wiremill Substation was constructed with plans to serve additional
3 customers in the undeveloped area of the substation, including the site
4 where River City is constructing its plant, as well as surrounding areas
5 between Glen St. Mary, on the east, and Olustee, on the west.

6

7 **Q Describe the reliability provided by FPL's Wiremill Substation, the**
8 **substation which would provide service to River City Plastics?**

9 **A** There have been no outages at Wiremill Substation caused by substation
10 equipment in the last five years.

11

12 **Q Describe the reliability provided by FPL's Baldwin - Columbia 115**
13 **kv transmission line, providing service to Wiremill Substation?**

14 **A** Wiremill Sub is served by a radial tap from the Baldwin - Columbia
15 115 kv line. The radial tap is approximately 2 miles long. The
16 interruption history of the Baldwin - Columbia 115 kv transmission line
17 shows there have been only three (3) outages since 1992. The longest
18 outage duration was 14 minutes, which occurred during the March 13,
19 1993 "Storm of the Century". Based on the historical performance for
20 the last five years, there has been an average of three (3) momentary
21 interruptions per year.

22 **Q What is the expected customer load and energy growth in the**

1 **disputed area?**

2 A Based on historical load growth and information from estimates of
3 future construction plans, the expected load and energy growth in the
4 disputed area is projected to be 1.2% per year through the year 2001.
5 However, this forecast does not take into account the likely addition of
6 any significant, large load customers who may locate in the area, such
7 as River City Plastics. With River City Plastics included in the
8 estimate, the expected load and energy growth would be 24.7% through
9 the year 2001. (R A Hood Exhibit 5 ^{COMP} 1 Five Year Plan - North
10 Florida Area - Wiremill)

11

12 Q **Describe the proposed location for the River City Plastic facility**
13 **and distance to existing FPL facilities.**

14

15 A River City Plastics' 130,000-square-foot plant is being constructed on
16 28 acres of a 44-acre tract in an industrial area, located to the east of
17 FPL's Wiremill Substation. The distance from FPL's Wiremill
18 Substation to River City Plastic's site is approximately 1/4 mile.

19

20 Q **Describe River City Plastic's anticipated load and demand.**

21

22 A River City Plastic's demand is expected to be in excess of 2000 kwd,

1 with the plant operating 24 hours a day, 7 days a week and having an
2 expected load factor in excess of 80%.

3

4 **Q What additional facilities would FPL construct to provide**
5 **overhead primary service to this customer, comparable to the**
6 **service planned by Clay Electric in their response to FPL's**
7 **Interrogatory #2? (FPL's First Set of Interrogatories to Clay)**

8 **A FPL can provide a comparable overhead primary service to River City**
9 **Plastics by constructing an overhead feeder on wood poles from its**
10 **Wiremill substation.**

11

12 **Q What would be FPL's (a) cost to provide this comparable overhead**
13 **primary service, (b) the length of time to provide the service and (c)**
14 **costs to this customer?**

15 **A (a) FPL's cost to provide comparable overhead primary service to**
16 **River City Plastics would be \$19,894.**

17 **(b) This service would be provided within four (4) weeks, at**

18 **(c) no cost to River City Plastics for this comparable overhead primary**
19 **service.**

20

21 **Q Does FPL normally construct overhead line extensions without**
22 **taking into consideration future growth?**

- 1 **A** **No, FPL would not normally provide service without taking into**
2 **consideration the future needs of this customer and future growth in the**
3 **area.**
- 4
- 5 **Q** **What additional facilities would FPL construct to provide overhead**
6 **primary service to this customer, taking into consideration future**
7 **growth and FPL's standard design practices?**
- 8 **A** **FPL would construct an underground pulloff out of Wiremill' Substation**
9 **to an overhead feeder on wood poles using larger overhead conductor to**
10 **accommodate growth. The power line route will run south out of**
11 **Wiremill Substation, then east along Rhoden Road for 1935 feet, then**
12 **north for 1015 feet for a total line length of 2950 feet to the customer's**
13 **point of service. (R A Hood Exhibit 6 ^{Co-40} 1 Overhead Job Sketch)**
- 14
- 15 **Q** **What would be FPL's (a) cost to provide this overhead primary**
16 **service accommodating growth, (b) the length of time to provide the**
17 **service and (c) costs to the customer?**
- 18 **A** **(a) FPL's cost to provide overhead primary service accommodating**
19 **growth would be \$ 39,985.**
- 20 **(b) This service would be provided within four (4) weeks, at**
21 **(c) No costs to the customer for this overhead primary service,**
22 **since it does not exceed usual and customary service per**

1 Paragraph 2.2 of FPL's General Rules and Regulations, for Electric
2 Service. (R A Hood, Exhibit 7 ^{COMP}1, Rules and Regulations)

3

4 **Q What other facilities would FPL construct to accommodate future**
5 **customer growth in the disputed area?**

6 **A To accommodate the future growth, FPL would add a new substation**
7 **feeder position in Wiremill Substation, consisting of three single-phase**
8 **voltage regulators and associated bus work.**

9

10 **Q What would be (a) FPL's cost for these substation improvements,**
11 **(b) length of time to construct the facilities and (c) cost to the**
12 **customer?**

13 **A (a) FPL would add these single-phase voltages regulators at a cost of**
14 **\$64,600.**

15 **(b) The construction could be completed within the four (4) week time**
16 **period required for the feeder construction.**

17 **(c) There would be no cost to the customer for this substation**
18 **improvement.**

19

20 **Q. Is FPL capable of providing adequate and reliable electric service to**
21 **this customer?**

22 **A Yes, FPL has existing substation capacity and capability to extend**

1 distribution facilities to provide adequate and reliable service to River
2 City Plastics.

3

4 **Q Describe the reliability provided by FPL's usual and customary**
5 **service.**

6 **A FPL's plan for standard overhead service to River City Plastics will be**
7 **very reliable. In general, the number of interruptions seen by a**
8 **customer is inversely proportional to the length of the line serving the**
9 **customer. The shorter the line, the lower the exposure to typical**
10 **interruptions. The line FPL has proposed to serve River City Plastics is**
11 **only 2950 feet from the substation breaker to the customer's facilities.**

12

13 **Q River City Plastics has expressed interest in backup or dual feed, in**
14 **what manner can FPL provide backup or dual service to River City**
15 **Plastics?**

16 **A FPL can offer River City Plastics several different scenarios for backup**
17 **or dual feed, as follows:**

18 (1) Backup generators

19 (2) Overhead feeder with overhead feeder backup.

20 (3) Underground feeder with overhead feeder backup.

21

22 **Q Describe the additional facilities FPL would construct to**

- 1 accommodate a backup or dual feed request.
- 2 A FPL would provide backup or dual feed facilities as follows:
- 3 (1) Backup generators would be provided through FPL Services.
- 4 (2) Overhead feeder with overhead feeder backup - FPL would
- 5 provide dual feed facilities to accommodate for future growth by
- 6 constructing an overhead feeder on a separate pole line. The
- 7 power line routes will run south out of Wiremill Substation, then
- 8 along Rhoden Road, then north to the customer's point of
- 9 service. (R A Hood Exhibit 8 ^{COMP} 1 Dual Service Sketch -
- 10 Overhead with overhead backup)
- 11 (3) Underground feeder with overhead feeder backup - FPL would
- 12 provide dual feed facilities to accommodate future growth by
- 13 constructing an underground feeder along the same route as the
- 14 overhead feeder. The power line routes will run south out of
- 15 Wiremill Substation, then along Rhoden Road, then north to the
- 16 customer's point of service. (R A Hood Exhibit 9 ^{COMP} 1 Dual
- 17 Service Sketch - Underground with overhead backup)
- 18
- 19 Q What would be FPL's (a) cost to provide this dual service, (b)
- 20 length of time to provide the service and (c) cost to the customer?
- 21 A For option #1:
- 22 (a) There would be no cost to FPL for this dual service.

1 (b) The length of time to provide service would be determined by the
2 customer and FPL Services.

3 (c) The cost to the customer would be determined by the customer
4 and FPL Services.

5 For option #2:

6 (a) FPL's cost for the dual feed service would be:

7 Overhead feeder costs \$ 39,985;

8 Backup overhead service costs \$ 20,550;

9 Throwover switch costs of \$ 40,000.

10 (b) This service could be provided within four (4) weeks.

11 ~~(c) CIAC of \$ 60,550 for this dual service option would have to be~~
Substitute page 15A for Lines 11-13

12 ~~collected from the customer.~~

13 ~~(\$ 20,550 for backup overhead service and \$ 40,000 switch)~~

14 For option #3:

15 (a) FPL's cost for the dual feed service would be:

16 Underground feeder service costs \$ 80,281;

17 Backup overhead service costs \$ 20,550;

18 Throwover switch costs of \$ 40,000.

19 (b) This service could be provided within four (4) weeks.

20 ~~(c) CIAC of \$ 100,846 for this dual service option would have to be~~
Substitute page 15A for Lines 20-22 pg. 15 Line 1-2 pg. 16

21 ~~collected from the customer.~~

22 ~~(\$ 40,296 OH/UG differential based on \$ 80,281 - \$ 39,985 =~~

1 "Based upon our understanding of the unique requirements of River City
2 Plastics, FPL made the decision to waive CIAC from this customer. The
3 decision was based upon the following characteristics:

- 4 1) Size of the customer's load (2000 kw);
- 5 2) Customer's high load factor (80% or greater);
- 6 3) Proximity of the customer to FPL's substation;
- 7 4) Existing substation capacity and minimal cost to provide service; and
- 8 5) Revenue Test (based on estimated non-fuel revenues from this
9 customer, FPL will recover full cost to serve in 7 months).

10

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1 ~~\$40,296, \$20,550 backup overhead service and~~
 2 ~~\$40,000 switch)~~

3
 4 **Q Describe the rates under which FPL would serve River City**
 5 **Plastics.**

6 **A FPL can serve River City Plastics under any of the following standard**
 7 **tariff rates, based on the customer's choice:**

8 **A - GSLD-2 Rate Schedule - General Service Large Demand**

9 **B - GSLDT-2 Rate Schedule - General Service Large Demand**

10 **Time of Use**

11 **C - CS-2 Rate Schedule - Curtailable Service**

12 **D - CST-2 Rate Schedule - Curtailable Service Time of Use**

13 **The rate would be based on the customer's choice.**

14 **(R A Hood Exhibits 10 -13 ^{COMP} 1 GSLD-2, GSLDT-2, CS-2 and CST-2)**

15

16 **Q Describe how these rates are similar or different from rates charged**
 17 **similar customers.**

18 **A These are standard approved rates for customers of this size and type.**

19

20 **Q Is FPL capable of providing adequate and reliable backup or dual**
 21 **service to River City Plastics?**

- 1 **A** **Yes, FPL has existing substation capacity and capability to extend**
2 **distribution facilities to provide adequate and reliable dual service to**
3 **River City Plastics.**
- 4
- 5 **Q** **Describe the reliability provided by FPL's options for dual or**
6 **backup service.**
- 7 **A** **Either of FPL's options for backup service will be extremely reliable.**
8 **Due to their short length and limited exposure to interruption**
9 **possibilities, either option will see very few interruptions. However, in**
10 **the unlikely event the preferred feed is interrupted, the customer will**
11 **automatically be switched to the backup feed within approximately 8 to**
12 **20 cycles, depending on the type of throwover switch that is used and**
13 **the customer's needs.**
- 14
- 15 **Q** **Describe the reliability provided by a generator as backup or dual**
16 **service.**
- 17 **A** **A backup generator allows electricity to be restored after a short delay**
18 **and thus, does not guarantee continuous service. It would not eliminate**
19 **momentary interruptions.**
- 20
- 21 **Q** **What would be the cost to FPL if not permitted to serve the**
22 **disputed area?**

1 **A** While it is difficult to quantify the specific costs to FPL's ratepayers if
2 FPL is blocked from access to Rhoden Road, there are several areas
3 where additional costs would be incurred.

4 If FPL were not permitted to serve River City Plastics and this
5 disputed area to the immediate east of its Wiremill Substation, FPL
6 would incur a loss of revenues from new customers in the industrial
7 park. FPL's Wiremill Substation is located in an area of Baker County
8 where development has occurred to the west, but the area to the east
9 remains undeveloped. As this area to the east is developed, FPL would
10 lose the revenues from any new customers that Wiremill Substation was
11 originally planned to serve.

12 In addition, FPL would be required to find alternate routes to provide
13 service to customers to the northeast and south of Wiremill Substation.
14 These alternate routes will be more costly and require a needless and
15 wasteful expenditure of time and money. Access to the area eastward
16 along Rhoden Road toward Macclenny is critical to FPL's ability to
17 cost effectively serve this territory.

18 Rhoden Road provides the only public right-of-way through the disputed
19 area and, therefore, it is essential that FPL retain the right to construct
20 facilities along it. Purchases of private rights-of-way or easements,
21 necessary to provide the same degree of reliability FPL typically plans
22 for and provides to its customers, would be a more costly alternative

1 than using public rights-of-way. Further, since the area is so sparsely
2 developed, it is important to avoid unnecessary use of private rights-of-
3 -way or undesirable utility crossovers.

4
5 **Q What would be the effect on FPL's ratepayers if it were not**
6 **permitted to serve the area in dispute?**

7 **A The inability to serve the area of Baker County surrounding the**
8 **Wiremill Substation reduces FPL's opportunities to cost effectively**
9 **utilize its investments in substation and distribution facilities built to**
10 **support service to the disputed area. The effect on FPL's ratepayers are**
11 **higher costs and reduced utilization of existing facilities at Wiremill**
12 **Substation and Macclenny Substations.**

13 **Q Has unnecessary and uneconomic duplication of electric facilities,**
14 **taken place in the vicinity of the disputed area?**

15 **A Clay's plan to serve River City Plastics along Rhoden Road involves**
16 **disagreement over FPL's right to construct facilities necessary to**
17 **provide service to new customers along Rhoden Road and provide**
18 **reliability to both existing and new customers in the area of FPL's**
19 **existing substations. The result of the disagreement is that Clay Electric**
20 **has constructed a single-phase overhead line to provide construction**
21 **power to River City Plastics and would need to upgrade existing**
22 **facilities to provide permanent service. This upgrade of Clay's facilities**

1 results in unnecessary and uneconomic duplication of facilities in the
2 area. Allowing Clay to make a lengthy extension adjacent to FPL's
3 existing substation will ultimately create duplication of substation
4 capacity and distribution facilities on the same road several hundred feet
5 apart.

6 If FPL is allowed to serve River City Plastics there would be no
7 uneconomical duplication of facilities.

8

9 **Q Are there other areas of potential dispute between FPL and Clay**
10 **Electric in Baker County?**

11 **A On US Highway 90, west of Macclenny, Clay has a 3-phase line**
12 **approximately 3 tenths of a mile west of FPL's 3-phase line. As this**
13 **area develops, FPL's obligation to serve and right to construct facilities**
14 **to provide service to new customers and provide reliability to both**
15 **existing and new customers in this area has the potential to conflict with**
16 **Clay's future plans to serve.**

17

18 **Q What action should the FPSC take in this docket?**

19 **A FPL believes the facts in this case support the conclusion that the best**
20 **interests of the ratepayers of both utilities would be served by an order:**
21 **(1) Requiring Clay to remove those electric facilities recently**
22 **constructed along Rhoden Road and northward to the customer's**

1 point of service.

2 (2) Require FPL to construct its electric facilities eastward
3 from Wiremill Substation to provide service to River City
4 Plastics.

5

6 **Q Do you have any concluding remarks?**

7 **A Yes.** With the growth and increased demand for reliable electric service
8 to the east of Wiremill Substation, the decision to allow FPL to serve
9 this area is timely, represents good engineering practices, and is
10 prudent for existing ratepayer' return on investment. FPL believes
11 that it has the right and obligation to provide service to those new
12 customers in the immediate vicinity of its existing substations and
13 install facilities for purposes of service reliability without having to
14 cross Clay's lines and engage in undesirable and uneconomic
15 duplication of facilities. FPL has the capacity existing at Wiremill
16 Substation and is capable of serving River City Plastics without
17 costly improvements.

18 By requiring FPL to serve the disputed area, utilization of existing
19 capital investments would be realized.

20 FPL is asking the FPSC to award service of River City Plastics to FPL.

21

22

1 **MR. LOGAN:** Thank you.

2 **Q** **(By Mr. Logan)** Mr. Hood, have you prepared
3 a summary of your prefiled direct testimony?

4 **A** Yes, I have.

5 **Q** Could you provide that for the
6 Commissioners?

7 **A** Yes. I'd like to first address the map that
8 we have here showing the general location of Baker
9 County and the different sites involved. The red dot
10 is Clay Electric substation. The green dot is River
11 City Plastics' location, as well as the industrial
12 park. And the yellow or orange dot is Florida Power &
13 Light's Wiremill substation.

14 **COMMISSIONER GARCIA:** Where is the red --
15 oh, all the way on the bottom, okay.

16 **WITNESS HOOD:** Yeah.

17 The other thing I'd like to look at is the
18 cost comparison which is the -- to us, the far left,
19 between the comparable primary services from Clay
20 Electric and Florida Power & Light to River City
21 Plastics. If you look at the top line, the cost
22 comparison for that primary service, this is basically
23 a standard three-phase service that either utility
24 would provide to any of their customers. If you look
25 at the cost to provide that service to Clay Electric,

1 it's \$98,000. These numbers come directly out of
2 their testimony, and there may be some questions later
3 on them. But out of their testimony, it's \$98,000.
4 Florida Power & Light's is 20,550.

5 If you look at the costs for additional
6 primary services -- and here each utility really has
7 taken a different approach for what they would provide
8 as an additional primary service. The first primary
9 service is pretty much an apples to apples comparison,
10 but here there's a different approach.

11 Clay would provide two generators. FP&L
12 would provide a three-phased underground service with
13 an automatic throwover with a transfer switch that
14 would transfer back and forth from one primary to the
15 other primary service in case of an outage.

16 The cost for Clay to provide their
17 additional primary service is 1,100,000. FP&L's is
18 78,547. If you look at the total cost to serve River
19 City Plastics, Clay's cost is 1,198,000. FP&L's is
20 \$99,097.

21 We also believe there are some additional
22 costs associated with service. FP&L would install a
23 larger underground service than is required to serve
24 just River City Plastics so that future customers in
25 this industrial park could be served without costly

1 upgrades at that time. That would cost FP&L \$41,734.

2 In addition, FP&L would install substation
3 regulators that would be utilized to serve at a
4 minimum the rest of the industrial park for \$64,600.
5 The total cost to FP&L for that additional service
6 would be \$106,334.

7 Clay Electric, we have a question mark
8 there. We did get some information late last week
9 that that cost would be approximately somewhere around
10 \$50,000, and I think that will be addressed later
11 also.

12 So the total cost, including providing
13 capacity for the future industrial park customers, for
14 Clay Electric is 1,198,000 plus. For Florida Power &
15 Light it's 205,431, which is a significant difference
16 in cost to serve.

17 On the right, the chart, the service
18 comparison, Clay versus FP&L, we have taken and looked
19 at the different types of outages that River City
20 Plastics could experience and put those into a
21 comparison chart. We look at the first one which says
22 "Distribution less than one minute," this is the
23 primary service to that customer. The advantages to
24 FP&L, if there was an outage on that, FP&L would
25 throwover to the backup service in .133 to .167

1 seconds. That is eight to ten cycles.

2 Clay's service would be restored when the
3 breaker closes, and I believe from Mr. Dyal's
4 testimony previously that would be somewhere between
5 12 and 20 cycles. Certainly greater than FP&L's
6 throwover system.

7 COMMISSIONER CLARK: Mr. Hood, would you
8 make that comparison? I mean, you have given us one
9 in second and the other a mechanical --

10 WITNESS HOOD: Yes, I can give it to you.
11 The Clay service would be the 12 cycles, would be .2
12 seconds, and the 20 cycles would be .333 seconds.

13 COMMISSIONER CLARK: Okay.

14 WITNESS HOOD: Distribution greater than one
15 minute, again the advantage is to FP&L's dual service,
16 again the throwover. And I won't read through the
17 numbers each time, but it would throwover to that
18 backup service in those amount of seconds. Clay's
19 service is restored after one minute with the
20 generators, which they have testified before that it
21 would take approximately one minute for those
22 generators to be put into service.

23 A substation in less than one minute, in
24 this case there is no advantage to either utility. If
25 the substation is out of service less than a minute,

1 we would not go to the backup because it is would not
2 be available, and they would not go to the generators
3 because it's less than that one minute.

4 Substation greater than one minute, it's
5 definitely, it's an advantage to Clay. Their system
6 could respond after one minute with the generators.
7 FP&L would restore service as soon as repairs are made
8 to that substation. However, I need to point out
9 here, Wiremill sub has experienced one outage in five
10 years due to equipment inside the substation that
11 lasted 1 hour and 20 minutes.

12 Substation the power transformer less than
13 one minute. Again, FP&L has the advantage. Service
14 would throwover to the backup power transformer.
15 Clay's service would be restored when the power
16 transformer returned to service.

17 Substation power transformer greater than
18 one minute, FP&L's service throws over to the backup
19 power transformer in the same amount of time. Clay's
20 service would be restored in one minute when they go
21 to the generators.

22 A transmission outage less than one minute,
23 in this case again there would be no advantage. Less
24 than one minute, they would not go to the generators,
25 and we would not throw over to the other service, it

1 would not be available.

2 Transmission greater than one minute,
3 Clay's, definitely here, has the advantage. Their
4 system could respond after one minute. FP&L would be
5 restored as soon as repairs are made. I'd like to
6 also point out, this transmission has experienced
7 three outages in the past five years for a total of 19
8 minutes. One of those occurrences were 14 minutes in
9 length.

10 So if you look at the comparison, the
11 advantage, four out of the eight favors FP&L. Two are
12 even for Florida Power & Light and for Clay, and two
13 favor Clay Electric. And I guess in summary, the real
14 question is whether you would spend over a million
15 dollars to handle two situations where Clay's
16 generators have an advantage over FP&L's dual primary
17 service. You would be spending over a million dollars
18 to respond to four occurrences for a total amount of 1
19 hour and 39 minutes of outage over a five-year period.

20 I guess the question here is when you ask
21 your ratepayers or members to pay this amount of money
22 for an insignificant increase and the amount of
23 reliability, FP&L would certainly not ask its
24 ratepayers to fund this investment. If you look at
25 the comparisons, FP&L's cost to serve is significantly

1 less and the reliability of FP&L's service effectively
2 addresses the most outage situations. For these
3 reasons we believe FP&L should be rewarded the right
4 to serve this industrial park. And thank you, that
5 concludes my summary.

6 MR. LOGAN: Commissioners, I would tender
7 Mr. Hood for cross examination.

8 COMMISSIONER CLARK: Mr. Haswell.

9 MR. HASWELL: Thank you, Commissioner.

10 CROSS EXAMINATION

11 BY MR. HASWELL:

12 Q Good morning, Mr. Hood.

13 A Good morning.

14 Q Now, isn't it true that FP&L constructed its
15 Wiremill substation in 1976 to serve Florida Wire and
16 Cable; is that correct?

17 A That's correct.

18 Q And that the Wiremill substation's initial
19 capacity was 7.5 MVA; is that correct?

20 A That's correct. 7 or 7.5.

21 Q Now, prior to Wiremill, the citizens of the
22 Sanderson area, and on your -- my green light keeps
23 going on and off.

24 On the map that you've shown there, is the
25 Sanderson area the area that is east, or from your

1 vantage point, to the left of your orange dot?

2 A It's to the left, to the northwest and the
3 southwest of the Wiremill substation.

4 COMMISSIONER CLARK: Mr. Hood, can I ask you
5 to -- do you have a pointer?

6 WITNESS HOOD: Yes, I do.

7 COMMISSIONER CLARK: And if you would, turn
8 the microphone on at the end and point it, yeah, there
9 you go. And then go ahead and tell us.

10 WITNESS HOOD: This location is the Wiremill
11 sub that he questioned, and this area here and up
12 through here is an area that is Sanderson and is
13 served by FP&L. North being straight up, this would
14 be basically to kind of the northwest and the
15 north-south out toward Interstate 10.

16 Q (By Mr. Haswell) Thank you, sir. And
17 prior to 1976 and prior to the construction of the
18 Wiremill substation, the citizens that you just
19 identified were served by a substation of FP&L's that
20 was farther north?

21 A It was actually farther west.

22 Q Farther west.

23 A Yes.

24 Q And then you upgraded the substation in 1980
25 as a contingency plan to 14 MVA?

1 A That's correct.

2 Q And that was in case one of the -- the
3 existing transformer failed?

4 A That's correct. That was the contingency
5 plan, correct, in case the substation transformer
6 failed.

7 Q So by 1980 now you had two 7.5 or two 7s or
8 something like that?

9 A Correct.

10 Q What was the load at that time in 1960?

11 A I do not have that information.

12 Q Was it in excess of 7.5?

13 A It would have been somewhere around the 7, I
14 would suspect.

15 Q Okay.

16 A Because it was a contingency plan to
17 supplement the 7, not necessarily for additional load.

18 Q Okay. Now that upgrade was primarily to
19 protect Florida Wire and Cable, was it not?

20 A Well, it was primarily to protect all the
21 customers in the Sanderson area.

22 Q But isn't Florida Wire and Cable your
23 principal industrial customer? At that time it was
24 the only one?

25 A It was probably the only one in that area,

1 yes.

2 Q And then in 1991 you upgraded Wiremill again
3 to a 14 MVA transformer and a 30 for a total of 44
4 MVA; is that right?

5 A That's correct.

6 Q And as you stated, I believe in your
7 testimony, that was because if one of the 7s failed,
8 the other one would be loaded to over 130%?

9 A That's correct.

10 Q So am I hearing you saying that it's okay to
11 load a transformer up to 130%, but not go over that?

12 A That was our standards at the time to load
13 it -- we could load it up to 130%, but anytime you
14 constantly loaded at 130%, we felt like it would do
15 damage to the transformer, and we did not want that to
16 occur. And that was our standard engineering criteria
17 at the time.

18 Q What about loading them to 110%?

19 A I don't know. The standard was 130. I
20 would assume 110 would be okay, but that's an
21 assumption on my part. I do know the load that
22 particular year was 9.1 MVA when they decided to
23 upgrade the substation.

24 Q Okay. Now, in your direct testimony I think
25 you stated that the current load right now is 8.5 MVA?

1 A That's correct.

2 Q Okay. So is it true that the load then is
3 decreased from 1991?

4 A Yes, and, in fact, it has from '89. I think
5 '89 was 91. We actually -- I believe it's in a
6 testimony we filed. One year we hit a little over 10
7 MVA, and then it went back to 8.5.

8 Q Now, if the Commission were to award you the
9 River City Plastics load, then that substation would
10 have a load of approximately 10.5 MVA?

11 A I think it's 10.2 to 10.5. We filed that
12 also.

13 Q So even with the River City Plastics,
14 Florida Power & Light would still have 34 megawatts of
15 unused capacity?

16 A That would be correct.

17 Q And with your estimate of 1.2% without River
18 City Plastics, the load on that substation would be no
19 greater than about 8.6 megawatts by 2001?

20 A I believe that's correct, yes.

21 Q And with the River City Plastics load, and
22 your guesstimate of a 20% load growth by 2001, the
23 load on that substation would be somewhere around 12.6
24 megawatts?

25 A That would be close, yes, sir.

1 Q Okay. And your testimony that there would
2 be a 20% load growth, that's a guesstimate provided by
3 someone else in your company?

4 A That's correct.

5 Q Now your planing horizon is 10 years, is
6 that not true?

7 A That's correct.

8 Q So when you upgraded the substation in 1980
9 to 14 megawatts, were you planning on a load of
10 14 megawatts by 1990?

11 A I believe the -- when we upgraded that in
12 19 -- to the two 14 MVA, or actually the two 7 MVAs,
13 that was our standard size. We have one transformer
14 there, and the order from the contingency, we had put
15 in another 7, which was our smallest sized transformer
16 for power transformers that we purchased at the time.

17 Q So you didn't really put it in for future
18 load growth, you put it in based on that's what you
19 had standard size?

20 A And we put it in for the contingency for the
21 backup for the 7 MVA that was available, which was
22 loaded to somewhere probably around 7. We don't have
23 that number.

24 Q And then when you upgraded to 44 megawatts
25 in 1991, I guess based on your answer that you just

1 gave, you weren't really planning on having 44
2 megawatts there by 2000, were you?

3 A No, sir, we weren't.

4 Q And that was because you just had an extra
5 30 laying around and a 14 laying around?

6 A That's correct. In fact, we had a number of
7 substation improvements. We were adding about 115,000
8 to 120,000 customers in the company and was doing a
9 great deal of upgrading, and we had those transformers
10 that were removed from existing substations. And we
11 could have went out and spent a couple million dollars
12 for new ones, but we chose to use existing ones.

13 Q Now there are two feeders in that substation
14 currently, is that not correct?

15 A That's correct.

16 Q I believe you identified one as 1561, and
17 that's connected to the 30 MVA that serves Florida
18 Wire and Cable?

19 A That's correct.

20 Q And the 1652 which is connected to your 14
21 serves the Sanderson area?

22 A That's correct.

23 Q Now to serve River City Plastics, you would
24 add a new feeder, 1563?

25 A That's correct.

1 Q And that would be served by the 30 MVA
2 transformer?

3 A It would not be served by the 30 MVA
4 transformer. The plans for the substation would be
5 that the Florida Wire and Cable in the Sanderson area
6 would be served off of the 30 MVA transformer and
7 River City Plastics would be served the primary feed
8 off of the 14 MVA and the backup dual feed off of the
9 30.

10 Q Wait a minute. Currently, though, in other
11 words, you would switch the feeder that's currently
12 serving Sanderson over to the one that's serving
13 Florida Wire and Cable?

14 A Right. To the 30 MVA, that's correct.

15 Q Now on your dual feed backup proposal, the
16 14 that you -- the 14 would then be serving River City
17 Plastics as a dedicated feeder?

18 A Yes.

19 Q Nobody else would be on it except River City
20 Plastics?

21 A That's correct.

22 Q Okay. And with the switching that you say
23 you'd do, if that feeder failed, it would switch back
24 over to the 30, that will then be serving both Florida
25 Wire and Cable and Sanderson?

1 A That's correct. If the 14 failed for any
2 reason, it would switch over and all of the customers
3 in the Sanderson area, including River City Plastics,
4 would be served off of the 30 MVA.

5 Q Now you consider the disputed area in this
6 case to be the industrial park -- at the minimum, the
7 industrial park; isn't that correct?

8 A That's correct, yes, sir.

9 Q And you also have stated, I believe, that
10 you also consider the area immediately east of the
11 River City Plastics plant, as well as to the south?

12 A Now that would be mostly true. The north
13 and south right there along with the roads and the
14 boundaries do not run in a good parallel situation, so
15 it would probably be more to, like, the southwest
16 where we serve now, out along the 90 corridor out past
17 I-10. And as far as to the east as we could go until
18 we ran into Clay Electric's facilities.

19 COMMISSIONER CLARK: Mr. Hood, do you want
20 to point to that on the map?

21 WITNESS HOOD: This is to the east, right
22 here, and Clay Electric is somewhere -- I'm sorry,
23 this is to the east, and Clay Electric is somewhere in
24 here. I would say we'd be able to serve out that far,
25 and then to the south, we serve actually southwest

1 into this area past I-10. So I would say that that
2 would be capable, the substation would be capable, of
3 serving this entire area.

4 **COMMISSIONER CLARK:** And that's the area you
5 believe should be in dispute?

6 **WITNESS HOOD:** Actually, I believe this is
7 the area right now that should be in dispute, because
8 whoever serves this customer has to cross right by the
9 other two parcels in this industrial park to get to
10 River City. So I view this whole industrial park
11 actually as being in the area in dispute.

12 **COMMISSIONER CLARK:** Okay.

13 **Q** **(By Mr. Haswell)** But following up on the
14 Commissioner's questions, you would say that the
15 disputed area is at least to the I-10 area and along
16 the corridor of 90; is that correct?

17 **A** I would say that would be a reasonable area
18 that we would expect to serve since we are serving
19 that corridor out 90 to I-10 and branching off to the
20 south from it.

21 **Q** And isn't it also true that you've stated
22 that the original intent of the Wiremill substation
23 was that it would eventually be tied together to your
24 Macclenny substation?

25 **A** That's correct.

1 Q Along Highway 90?

2 A That's correct.

3 Q Could you show us how that would work?

4 A Yeah, we're over -- in this area we come out
5 with the Macclenny feeder. I believe it's somewhere
6 right in this area. And we would at some point in
7 time -- and as I've said in my deposition, a very
8 long-range plan, that we would come out and we would
9 tie these two feeders together for back standing from
10 the two different substations. Somewhere in this area
11 along the corridor of 90.

12 Q Now, Mr. Hood, have you seen this exhibit
13 before?

14 A I believe I've seen a shot done of that in
15 the exhibits that were presented from Clay Electric.

16 COMMISSIONER CLARK: Mr. Haswell, which
17 exhibit are you asking about, the one with the color
18 red on it?

19 MR. HASWELL: Yes, ma'am.

20 Q (By Mr. Haswell) Yes, I've just uncovered
21 an exhibit which is right out of Mr. Dyal's testimony.
22 His testimony is a reduced copy of it. And you said
23 you have seen that?

24 A I believe so, yes, sir.

25 COMMISSIONER CLARK: Could you tell us, just

1 so that the record is clear, what is the exhibit
2 attached to Mr. Dyal? What the number is --

3 MR. HASWELL: Hang on, let me find it. I
4 think it's HD-1.

5 COMMISSIONER CLARK: It does look like the
6 same one, Mr. Haswell.

7 MR. HASWELL: Thank you. That was
8 identified in his prefiled direct as HD-1.

9 Q (By Mr. Haswell) Does his depiction of the
10 service area in red of Clay Electric cut between your
11 Wiremill substation and your Macclenny substation?

12 A Yes, it does.

13 Q And is that the area that you think might be
14 an area of future dispute between the two utilities?

15 A I testified to that, yes, sir.

16 Q Now, to the best of your knowledge, you've
17 already stated that you don't know of any disagreement
18 right now between Florida Power & Light and Clay about
19 which utility should best serve customers within your
20 description of the disputed area other than River City
21 Plastics?

22 A I know of no dispute, no, sir, no
23 disagreement.

24 Q And you also agree that the area around the
25 Wiremill substation is basically a rural area?

1 A Yes, sir.

2 Q Now, in the -- to get to the Wiremill
3 substation, if Florida Power & Light were to serve it,
4 would you have to cross property that's not owned by
5 Florida Power & Light or by River City Plastics?

6 A You mean get to River City Plastics?

7 Q Right.

8 A Yes, we would.

9 Q And based on your description that you just
10 gave, is it fair to say that where your customers are
11 in the area shown on your demonstrative exhibit are in
12 the areas around Macclenny, Glen St. Mary and a third
13 pocket around Sanderson?

14 A That's correct. I apologize for the size,
15 it's the only one we had.

16 Q And haven't you already stated that within
17 three miles of the Wiremill substation and going east,
18 you think there may be 35 to 50 customers of FP&L?

19 A That's what I estimated and basically said I
20 could not really tell for sure without looking at a
21 map and the transformers and -- I said that there may
22 be.

23 Q And you at least agree that Clay does have
24 facilities east of the substation?

25 A Yes, they do.

1 Q And just to make sure I get this straight,
2 you mean that the area that the substation was built
3 to serve includes the area to the east that remains
4 undeveloped all the way to Macclenny?

5 A It could serve it if necessary, yes. I do
6 know that there was a plan eventually to tie those two
7 together. Whether we serve that whole area or not,
8 there would certainly be a dispute. We would have to
9 go along the corridor of 90 adjacent to Clay
10 Electric's facilities, and that's where I said there
11 would be a possible -- a dispute.

12 Q And in your direct testimony you referred to
13 access to the area eastward along Rhoden Road is
14 critical to FP&L's ability to serve that territory
15 east along Rhoden Road; is that not correct?

16 A That's correct.

17 Q Now your 1.2% growth that you mentioned in
18 your direct testimony, I believe you said annually.
19 Isn't it true that that 1.2% is through the year 2001?

20 A That's correct. We discovered that in our
21 late-filed and we amended that to be for the five
22 years.

23 Q Do you know if there's any other development
24 currently underway in the area immediately surrounding
25 the site of River City Plastics plant?

1 A No, sir.

2 COMMISSIONER CLARK: Well, you don't know,
3 or there isn't?

4 WITNESS HOOD: There isn't. The only
5 knowledge I have is talking directly to Ginger Barber,
6 who is with the Baker County Commerce, Department of
7 the Chamber. And she has told me as soon as River
8 City Plastics is in operation and the road is in and
9 functional, they are going to actively advertise,
10 aggressively advertise those other two parcels. But
11 as of now, there is no construction on those sites.

12 Q And your projection, FP&L's projection, of a
13 20% load growth is based on the location of River City
14 Plastics being there, is that not correct?

15 A That's correct.

16 Q The Wiremill substation is in your rate
17 base, isn't it?

18 A I would assume so, yes, sir.

19 Q And I would assume it's been there since
20 1976?

21 A I would assume so also.

22 Q So at least you've been recovering the cost
23 of that substation since then?

24 A That would be true.

25 Q Now your substation is not directly

1 connected to your transmission, Baldwin-Columbia
2 transmission line; is that correct?

3 A That's correct. There is a two-mile tap off
4 of that line.

5 Q And have you testified that there have been
6 three outages on that transmission line since 1992?

7 A I testified there had been three outages on
8 the Baldwin-Columbia lines since 1992.

9 Q I'm sorry, Baldwin-Columbia line?

10 A Right.

11 Q And factors that cause outages on a
12 transmission line, you agree those can be due to
13 weather conditions?

14 A I do, yes, sir.

15 Q And lightning?

16 A Yes, sir.

17 Q And high winds?

18 A Yes, sir.

19 Q Cars hitting a pole?

20 A Yes, sir.

21 Q And the failure of an insulator?

22 A Yes, sir.

23 COMMISSIONER CLARK: Just so I'm clear,
24 outages on the line you described, Baldwin to
25 Columbia?

1 WITNESS HOOD: Yes, ma'am.

2 COMMISSIONER CLARK: Would affect this
3 customer?

4 WITNESS HOOD: That's correct.

5 Q (By Mr. Haswell) You're reinsulating the
6 tap on -- that two-mile tap, aren't you, sometime in
7 the next year?

8 A That's correct.

9 Q What's the purpose of -- why are you
10 reinsulating?

11 A I cannot answer that. We were asked a
12 question, if there was any work being done on that
13 particular transmission line, I believe by Staff. And
14 we found out that there was being work done, but we
15 did not delve into the reason why.

16 Q But in one of your exhibits, I believe it's
17 your Exhibit 32 to Staff's production of documents,
18 didn't you indicate it was \$81,000 to do that?

19 A Exhibit 32?

20 Q Yes, sir.

21 A That's correct.

22 Q From your knowledge of the planning and the
23 management of engineering staffs and your experience
24 in transmission and distribution, why would you
25 reinsulate a line?

1 A You'd reinsulate it basically if you'd had
2 a -- I guess there's an expected life of those
3 insulators, I guess would be one reason; if there was
4 a technology improvement in the type of insulators. I
5 really am not an expert in the transmission area, I've
6 been in distribution my career with FP&L.

7 Q But it could be simply a plan improvement
8 that's been in your books for awhile?

9 A It could be a plan improvement, yes.

10 Q Just for increased reliability?

11 A It could increase reliability, although
12 there's only 19 minutes in five years so it couldn't
13 increase it too much.

14 Q Now the road that that tap runs down, is
15 that Arnold Rhoden Road?

16 A That's part of it, yes, sir.

17 Q And did you describe that as a rural country
18 dirt road?

19 A It's a rural country dirt road with the
20 exception where Baker County has just paved, and
21 actually it's a rural paved road in that area. Other
22 than the paved area, it is certainly a rural road
23 where two cars basically have to slow down to meet.

24 Q So your pole line is close to that road or
25 within an easement area of 15 to 20 feet of that road?

1 A In the new area it's probably 25 to 30 feet.
2 As you go on down in the dirt area, it varies. It
3 could vary from, I'd say, probably 12 to 20 feet.

4 Q Okay. Now your transmission line, your
5 Baldwin to Columbia, that's -- you've indicated that's
6 dual fed, it could be fed from either direction?

7 A That's correct.

8 Q And that if something fails on that, you've
9 indicated that switch is opened and closed in a matter
10 of less than a second?

11 A I testified to the fact that it closed. I
12 don't remember the time. I think I said I would have
13 to check with the system operator, but it's very
14 quick.

15 Q And that you determine an outage that you've
16 been -- I think you've mentioned outages, but FP&L
17 determines an outage to be anything above 60 seconds;
18 is that correct?

19 A That's correct.

20 Q So anything less than 60 seconds, you just
21 call a momentary?

22 A That's correct.

23 Q Now if your two-mile tap is out, your
24 Wiremill substation is out, is that not correct?

25 A That's correct.

1 Q But if your two-mile tap is out, Clay's
2 Sanderson substation would still be in service?

3 A That's correct.

4 Q And you also agree that a line that is
5 closer to a roadway is more susceptible to damage than
6 one that is farther away from traffic?

7 A I would say it could be. It also depends on
8 the traffic zones and the traffic you have there and
9 the speed. The DOT has regulations based on speed and
10 proximity if you are on the state road, so that all
11 plays a factor in it.

12 Q Now if your main Baldwin-to-Columbia
13 transmission line is out, then both Clay's substation
14 and your substation are out?

15 A That's correct.

16 Q And you said that there have been 15
17 momentaries on that transmission line and tap in a
18 five-year period since 1992?

19 A Yes, sir.

20 Q And outages at the Wiremill substation that
21 were due to any cause -- you've indicated that there
22 were four outages, isn't that not correct?

23 A That's correct. I believe that's correct.
24 I can tell you in just a second.

25 Q I haven't referred yet to your deposition,

1 but that's at Page 66.

2 A That's correct. Four in three years.
3 Actually, they were all the same outage, the same
4 occurrence. But they happened several minutes apart
5 the same day.

6 Q Okay. But they were still outages?

7 A That's correct.

8 Q And that affected Florida Wire and Cable?

9 A Right, for a total of 1 hour and 20 minutes.

10 Q All right. Now you also testified or stated
11 in your testimony that the number of interruptions
12 seen by a customer is inversely proportionate to the
13 length of the line serving the customer. And when you
14 explained that at your deposition, didn't you indicate
15 that what you really mean is there's a higher exposure
16 along the line?

17 A That's correct. It's more of a directly,
18 not inversely.

19 Q Now your service facilities, Florida Power &
20 Light's service facilities that would provide service
21 to your Wiremill substation and potentially River City
22 Plastics, if they end up as your customer, you've
23 indicated that you have service facilities in Lake
24 City and Stark; is that correct?

25 A That's correct.

1 Q Would those facilities handle substation
2 failures?

3 A Actually, no. I believe I also testified
4 that we have a Duval site where the substation crews
5 are located, and they would respond to any serious
6 substation outage.

7 Q And you've also indicated you have
8 transmission repair crews that would come from Ormond
9 Beach?

10 A Yes, sir. That's where they are located.

11 Q Okay.

12 A Could I add there, we also testified that
13 any of our journeymen are capable of working on
14 transmission facilities if they have the equipment
15 available.

16 Q Now your Duval, when you say Duval, you have
17 a crew that's 24 hours a day, 7 days a week available?

18 A No, sir. They're actually available --
19 well, they're actually at work five days a week
20 typically, but they are on call 24 hours a day.

21 Q Okay. Now your plan that you referred to in
22 your direct testimony to a throwover switch, is it,
23 therefore, your plan to prevent momentaries by using a
24 switch that would go to the backup service that you
25 earlier described in less than .14 seconds?

1 A That's correct.

2 Q And is that because River City Plastics
3 can't stand one longer than .14 seconds?

4 A It's our understanding from Mr. Dyal's
5 testimony that they can tolerate between 12 -- no more
6 than 12 to 18 cycles, which is basically .2 to .3
7 seconds, and we would use the throwover switch to
8 transfer over in not more than .167 seconds.

9 Q Okay. So, regardless, of your definition of
10 a momentary, which is anything less than 60 seconds, a
11 momentary that can cause an outage for River City
12 Plastics is one that is 8 to 12 cycles for it; is that
13 true?

14 A According to the testimony, it's 12 to 18
15 cycles.

16 Q Well, let's go back to that outage that you
17 said that Florida Wire and Cable experienced four
18 outages that occurred over, what, a one-hour period, a
19 two-hour period?

20 A It occurred over an hour and 20 minutes.

21 Q Okay. If the first outage took down the
22 River City plant -- now, this is your substation went
23 out; is that correct -- or excuse me, your substation
24 was not in service because your transmission line was
25 down?

1 A No, sir. This particular one was actually a
2 substation relay that failed. A substation regulator
3 relay. In the deposition, if you remember, it appears
4 on our distribution outage reports, not on the
5 substation, but I did testify it was inside the sub,
6 the relay was inside the sub.

7 Q Now you've indicated in your direct
8 testimony that the cost of this throwover switch and,
9 in fact, looking at your service comparison between
10 Clay and FP&L, a lot of your advantages that you claim
11 depend on this throwover switch, is that not correct?

12 A That's correct.

13 Q And you say that this switch is \$40,000?

14 A That's correct.

15 Q Now is that because you personally know its
16 \$40,000, or because someone told you it was?

17 A It's -- well, I guess someone told me, the
18 person that orders the switch told me that it was
19 \$40,000.

20 Q Okay. Now you won't charge River City
21 Plastics a contribution rate of construction. Is that
22 your testimony now?

23 A I'm sorry?

24 Q You won't charge River City Plastics a
25 contribution rate of construction?

1 A That's correct.

2 Q And that's based on the change in your
3 testimony that you just made earlier this morning?

4 A That's correct.

5 Q Isn't it true that you first offered -- the
6 service that you first offered to River City Plastics
7 was simply primary, direct primary service with no
8 backup?

9 A I not sure if I can answer that completely.
10 That was one of the options, I believe, that we had
11 put in that we could serve them by. I'm not sure.
12 The only information I have was that we would provide
13 them dual -- originally, we would provide them a dual
14 service, but it was with a cost to do that for the
15 backup.

16 Q In other words, notwithstanding the change
17 you made to your testimony, River City Plastics was
18 first advised by Florida Power & Light that you would
19 provide primary service, single feed at FP&L's cost,
20 but if the customer wanted any of the options you
21 referred to in your direct testimony, 1, 2 or 3, the
22 customer would pay for them?

23 A That's correct.

24 Q All right. Now in your costs that you've
25 listed, you haven't added any cost for acquiring

1 easements; is that correct?

2 A That's correct. Actually, we have a 15-foot
3 transmission easement that runs all the way from
4 Wiremill sub down Arnold Rhoden Road. So we already
5 have an easement. The only easement we would
6 basically need would be an easement back to River City
7 Plastics, and we have discussed that with Baker
8 County, and they have assured us they will do whatever
9 it takes to make River City stay there successful,
10 whether it be with Clay or with FP&L.

11 Q Have you acquired the easement yet?

12 A No, we have not.

13 Q Now, the backup -- Well, let me back up a
14 minute. Let me back up. The option that you say you
15 are going to provide, which is the basis of your
16 service comparison, is Option 3 in your direct
17 testimony?

18 A Yes, sir.

19 Q Now the backup on that would be on, I
20 believe you said, feeder 1562?

21 A Yes, sir.

22 Q And that backup is overhead?

23 A Yes, sir.

24 Q And that runs as underbuilt on your existing
25 transmission?

1 A Yes, sir.

2 Q Now, you do agree though, that FP&L could
3 provide the load management type generators that Clay
4 is going to provide, but if you did it, it would be
5 from FP&L Services?

6 A Yes, sir.

7 Q And additionally, it would be at the
8 customers' expense?

9 A Yes, sir. That's what I understand from the
10 testimony from Mr. Noble.

11 Q And Mr. Noble has said it would cost
12 somewhere around 1.5 million for a turnkey operation
13 for those generators through FP&L Services?

14 A Yes, sir.

15 Q Do you agree with that?

16 A I can't agree or disagree. As I stated
17 before, I really don't know that much about generators
18 and the cost to provide service or the maintenance
19 thereof. I would --

20 Q You rely on him?

21 A I rely on him, yes, sir.

22 Q Now your decision to provide the dual feed
23 service that you describe in Option 3 rather than
24 on-site generation was based on sound engineering
25 practices and was not a function of regulatory

1 constraints; is that correct?

2 A I believe that to be true, yes, sir, sound
3 engineering practices.

4 Q And is it also true that you have no reason
5 to believe or not to believe that FP&L could not
6 recover the cost of the generators in the same fashion
7 as Clay Electric?

8 A That's correct, I do not know.

9 Q Now, let me see. I believe you are -- you
10 are not a professional engineer, are you, sir?

11 A That's correct, I am not.

12 Q And is it also true that you relied on your
13 engineering department for the cost of providing those
14 different options, Options 1, 2 and 3, to River City
15 Plastics?

16 A Yes, sir.

17 Q And the only figure that you arrived at
18 yourself was the cost of the step-up transformer at
19 Clay's Sanderson substation?

20 A It wasn't the cost, it was the loading of
21 that transformer.

22 Q All right. I'd like to ask you a few more
23 questions about this throwover switch. I believe you
24 said that you could set it, or in your service
25 comparison here, you refer to some seconds or cycle

1 times. At your deposition do you remember you said it
2 could be set to 6.5 cycles?

3 A Yes, sir, it can be.

4 Q But FP&L would not recommend that it be set
5 at that, it would recommend it be set no lower than
6 8.5?

7 A I believe it's no lower than 8. I believe
8 that's correct because the original setting from the
9 factory, I believe, is 9 plus or minus 1.

10 Q Okay.

11 A Basically, I'll add onto that, the reason I
12 said that we would not recommend that, there would
13 have to be some discussion with the manufacturer of
14 the switch to -- with River City Plastics concerning
15 their equipment, and also looking at the relays and
16 all that are in the substation. So based on that up
17 front, we said we would not recommend 6 1/2. It's a
18 possibility with the factory man coming in and looking
19 at the whole situation as it is in the field, it could
20 be set to 6 1/2.

21 Q Have you seen the specifications for the
22 automatic transfer switch?

23 A Yes. The Late-filed Exhibit 1 from
24 Mr. Brill, I saw it, yes, sir.

25 Q Right. And I believe you also said that

1 it's 9 cycles plus or minus 1?

2 A That's what the factory has told us, yes.

3 Q But it refers to, I believe, a bypass mode?

4 A That's correct.

5 Q Do you know what a bypass mode is?

6 A I would assume it's similar to a relay
7 setting that any utility does in the substation, that
8 you set the relays at different stages that would
9 bypass a certain operation and go directly to another.
10 And that's my assumption, but I would believe that's
11 probably the way it works.

12 Q You would defer to Mr. Brill on that
13 explanation?

14 A Yes.

15 Q But also, I believe the specifications refer
16 to a nonbypass mode that's 12 cycles plus or minus 1;
17 is that correct?

18 A That's correct.

19 Q Okay. Well, I'm kind of confused. What is
20 the actual transfer time of the switch?

21 A There's two bypass modes, the one that we
22 referred to and would recommend would be the 8 -- the
23 9 plus or minus 1. There's other bypass which we said
24 we did not recommend that would take it to 6 1/2.

25 Q But in the specifications, it doesn't

1 mention 6 1/2, does it?

2 A I'm not sure.

3 Q Okay. Do you have a copy of those with you?

4 A Yes, I do, right here. Now, in the actual
5 detectable specifications that are listed here, again
6 it is the 9 cycles plus or minus one. And that's in a
7 bypass mode.

8 Q Well, now, if River City Plastics' equipment
9 could not stand a cycle interruption or interruption
10 longer than 8 1/2 cycles, would the bypass mode always
11 switch over in 8.5 cycles or less, or is this telling
12 us that it might be 9, it might be 10, or it might be
13 8?

14 A I could not answer that.

15 Q Have you ever installed any of these
16 switches anywhere in your system?

17 A I haven't. I'm assuming we have, but I
18 can't answer that in detail. I've never asked that
19 question.

20 Q Do you know whether or not any of these
21 switches exist in Florida Power & Light's system?

22 A No, I don't.

23 Q Is this switch commercially available to
24 other utilities?

25 A It's my understanding right now there's only

1 two utilities in the United States that this switch is
2 available to, Florida Power & Light and Texas
3 Utilities. We actually, I believe, had some part in
4 helping to develop this switch.

5 Q Do you know if it's under production right
6 now?

7 A I do know it's under production, and I don't
8 know if we have any in the field. I know there's been
9 ordered, but as far as installed in the field, I don't
10 know that answer. Never asked it. I do know it's our
11 standard switch. So I would assume that that's what
12 we would be installing now.

13 Q And if you don't know -- do you have
14 throwover switches in your system?

15 A Yes. We actually have one of these that
16 we've tested in our possession, that we've tested that
17 actually threw over an 8 1/2 cycles, but that's not
18 what the manufacturer says, 9 plus or minus one, which
19 would cover the 8 1/2.

20 Q Do you have those? If I not mistaken, the
21 Staff asked for test results as part of Mr. Brill's
22 late-filed exhibit. Do you have those test results?

23 A No, those were not certified tests. That
24 was just installed in the field and we took some
25 notes.

1 Q Would your company rely on noncertified
2 tests prior to installing a new newly designed switch?

3 A Basically, we rely on the factory
4 certification, and that's working with the factory to
5 ensure that what they tell us is correct.

6 Q Do you have a copy of the factory certified
7 tests?

8 A I do not, no.

9 Q Do you know if any exist?

10 A I do not. I would assume they are -- I know
11 that our engineer, that of our engineering department
12 spent several days, he told me, several months ago
13 with the factory doing those tests, so I would say
14 that the test results do exist with the factory.

15 COMMISSIONER CLARK: Excuse me, Mr. Haswell.
16 I just want to be clear. The switch you propose to
17 use for River City is not in service in any utility
18 service area in the United States.

19 WITNESS HOOD: I've basically said I'm not
20 sure. I do know that both Florida Power & Light and
21 Texas Utilities are the two utilities that use this
22 switch.

23 COMMISSIONER CLARK: And you think it's
24 because that they had some part in developing it and,
25 therefore, have the rights to use it.

1 **WITNESS HOOD:** I know that we had some part
2 in it, and they may have, I'm not sure about their
3 part. But I do know it's available to them, and I
4 suspect would become available to other parties.

5 This catalog number that Powell-ESCO refers
6 to here is a Florida Power & Light because we had
7 certain things that we wanted this switch to be
8 capable of. They may provide them to Clay Electric to
9 meet their specs or any other utilities at a later
10 date, but they would have to deal with those utilities
11 on what they needed to serve their customers.

12 **COMMISSIONER CLARK:** All right. I guess
13 then it sounds to me like switches can be customized.

14 **WITNESS HOOD:** That's correct, yes, ma'am.

15 **COMMISSIONER CLARK:** Okay.

16 **Q** **(By Mr. Haswell)** You've indicated that
17 the, quote/unquote, "throwover switch" is \$40,000. Is
18 that the standard cost for a throwover switch on your
19 system that currently exists?

20 **A** No, actually this switch costs a little bit
21 more than the current switches that we were using. I
22 believe they were closer to the 30,000.

23 **Q** Have you seen an invoice or a catalog price
24 for this switch?

25 **A** No, sir, I have not.

1 Q If I pick up the phone today and called
2 Powell-ESCO, could I order one of these switches for
3 Clay Electric?

4 A I would doubt it without having a
5 specification for them to go by.

6 Q Would it surprise you that Clay, in fact,
7 did call and was told that these switches are
8 proprietary to Florida Power & Light only?

9 A It would not surprise me if this catalog
10 number was used, no, because it is a Florida Power &
11 Light catalog number as Texas Utilities has a catalog
12 number.

13 Q And that means no one else can order it?

14 A No one else can order this switch with this
15 catalog number.

16 MR. HASWELL: Give me just one minute,
17 Commissioner.

18 COMMISSIONER CLARK: Mr. Hood, you indicated
19 that to put a generator on site, that the regulated
20 site of FP&L would not put that generator on; is that
21 correct?

22 WITNESS HOOD: That's correct.

23 COMMISSIONER CLARK: And that you would
24 refer --

25 WITNESS HOOD: I'm sorry. To my

1 understanding, that is correct.

2 COMMISSIONER CLARK: But you would refer it
3 to, what is it, Energy Services?

4 WITNESS HOOD: FP&L Services.

5 COMMISSIONER CLARK: You wouldn't go
6 elsewhere to get a bid to do that?

7 WITNESS HOOD: The customer certainly could.
8 I don't think we would, but we would give the customer
9 a bid. If they wanted the generators and the
10 associated equipment, we would give them a bid and
11 compete with anyone who he wished to -- or they wished
12 to go and get generators from.

13 COMMISSIONER CLARK: Just so I'm clear, the
14 customer would then own these generators?

15 WITNESS HOOD: That's correct, yes. That's
16 my understanding of it.

17 MR. HASWELL: I have no further questions at
18 this time.

19 COMMISSIONER CLARK: Staff.

20 CROSS EXAMINATION

21 BY MS. JAYE:

22 Q Good morning, Mr. Hood.

23 A Good morning.

24 MS. JAYE: At this time Staff is going to
25 hand around a copy of FP&L's response to Clay's

1 Interrogatories 3, 13 and 18. This exhibit is
2 intended to address cost to serve and terms of lost
3 revenue and historical loads at FP&L's Wiremill
4 station.

5 **COMMISSIONER CLARK:** Let's go ahead and mark
6 this as Exhibit 2, and its title is Florida Power &
7 Light Company's response to Clay Electric
8 Cooperative's First Set of Interrogatories 3, 13, and
9 18.

10 (Exhibit 2 marked for identification.)

11 **MS. JAYE.** Thank you Commissioner.

12 **Q** (By Ms. Jaye) Mr. Hood, have you had an
13 opportunity to review these documents?

14 **A** Yes, the first part of them, yes. Okay.

15 **Q** Mr. Hood, this document indicates that the
16 highest peak load at the Wiremill substation was 10
17 MVA. Could you please explain what caused this peak?

18 **A** No, not really. It would either be a very
19 high load in the summertime due to air conditioning,
20 or it would be a very cold day in the wintertime. It
21 was load from the customers that would have caused the
22 peak. And I don't know the time of year that was, so
23 I don't know which one it was.

24 **Q** I'd also ask you, does FP&L have a spare
25 transformer at the Wiremill substation?

1 A They have two transformers at the Wiremill
2 substation, both of them are being utilized. One is
3 the 14 MVA and one's the 30 MVA.

4 Q Thank you. If we could look at your direct
5 testimony for a moment. On Page 9, Lines 2 through
6 10.

7 A Which page was that?

8 Q It's Page 9, Lines -- pardon me, Lines 2
9 through 10.

10 A Okay.

11 Q You indicate the expected five-year growth
12 rate is 24.7%. Does this include any future new loads
13 in the industrial park adjacent to the Wiremill
14 substation?

15 A That would only include River City Plastics
16 and the existing growth of that 1.2% through the year
17 2001 of any residential customers, the normal growth
18 pattern.

19 Q Would it seem reasonable and prudent to
20 assume that there will be no growth in that industrial
21 park area for the next five years?

22 A I would not assume that, no.

23 Q So how would this impact the growth in the
24 load on the substation itself if there is going to be
25 growth in that park?

1 A It would really depend on -- there's two
2 other parcels in that park. It would depend on the
3 type customer. It could be anything, I guess, from
4 another River City Plastics to, you know, any other
5 type of small manufacturing company, or any other
6 business for that matter, industrial-type business.
7 So you would really have to know what customer was
8 going to locate on those parcels to be able to say how
9 it would affect the load. It would increase it, but
10 how much, you could not answer, or I couldn't.

11 Q Turning now to the three options that you
12 have given in your direct testimony for providing
13 service to River City Plastics, how much would FP&L
14 spend to provide an overhead primary feeder to serve
15 River City Plastics?

16 A \$20,550.

17 Q Could you explain, please, what FP&L's usual
18 and customary service for an industrial customer such
19 as River City Plastics is?

20 A Such as River City, I would say that usual
21 and customary would be something similar to what we
22 addressed as the overhead service to that customer.
23 And then I think you would have to take -- that would
24 be to any normal, I think, industrial customer. If
25 you looked at the uniqueness of River City Plastics,

1 you would typically, I think, look at maybe providing
2 an underground feed into that customer as being usual
3 and customary based on the reliability requirements.

4 Q Is this the service that was offered to
5 River City Plastics?

6 A I believe that what I've seen in the
7 Exhibit A, I believe it was, of Henry Barrow's
8 documents that they were offered an underground feeder
9 and a backup from that at a cost for that backup
10 overhead.

11 Q So it would be primary underground?

12 A Primary underground and a backup primary
13 overhead.

14 MS. JAYE: Staff will now hand around a copy
15 of FP&L's response to Staff's Interrogatories Nos. 1
16 through 7. This exhibit will explore the issue
17 addressing cost to serve and also reliability
18 concerns.

19 COMMISSIONER CLARK: We will mark Florida
20 Power & Light Company's response to Staff's First Set
21 of Interrogatories 1 through 7 as Exhibit 3.

22 (Exhibit 3 marked for identification.)

23 Q (By Ms. Jaye) Mr. Hood, have you had time
24 to review these documents?

25 A Yes.

1 Q You can take some time if you need to.

2 A I'm familiar with them. If we talk about
3 different pages and lines I'll know what it is.

4 Q Okay. If you would please turn to FP&L's
5 response to Question 1, Section C. If you would
6 notice that the cost to both Clay and FP&L to provide
7 on-site generation is identical. Could you please
8 explain on what engineering and/or economic bases this
9 exhibit was prepared by you to come up with this
10 identical number?

11 A Actually, I believe this was prepared by
12 Mr. Brill, and Mr. Brill would be best equipped to
13 answer this question.

14 Q Okay.

15 A That's the cost of the generators, correct?

16 Q Yes, it is.

17 A Yeah.

18 COMMISSIONER CLARK: Mr. Hood, if this
19 customer insists on on-site generation, will you put
20 it on there?

21 WITNESS HOOD: No, we would not, except
22 through FP&L Services, if he chose to go that route,
23 which according to the documents, he would pay -- the
24 customer would pay for the generators.

25 COMMISSIONER CLARK: And under Clay's

1 suggestion, they would pay for it and lease it.

2 **WITNESS HOOD:** They would pay for it and
3 lease it for \$10 a year and provide all the fuel, or
4 most of the fuel and the maintenance on it, yes.
5 That's what I've talked about in my opening summary.
6 We could not see our way to ask our ratepayers to fund
7 that type investment.

8 **COMMISSIONER CLARK:** So if they insist on
9 that, are you just as happy to have Clay serve them?

10 **WITNESS HOOD:** No, I do not believe it is in
11 the best interest of the customer to have Clay serve
12 them.

13 **COMMISSIONER CLARK:** Well, let me just ask
14 you this. Does the customer have the right to insist
15 on on-site generation if he feels it's necessary for
16 the reliability of his plant?

17 **WITNESS HOOD:** I guess I would probably have
18 to refer that to the attorney as to what the law is
19 concerning that. But I guess anyone has the right to
20 want a particular type service.

21 **COMMISSIONER CLARK:** Okay.

22 **Q** (By Ms. Jaye) Mr. Hood, at this time Staff
23 is going to hand around a copy of FP&L's response to
24 Staff's request for production of documents, Nos. 1
25 through 6.

1 **COMMISSIONER CLARK:** Ms. Jaye, do you have
2 any more for this witness, any more exhibits?

3 **MS. JAYE:** I believe this will be all.

4 **COMMISSIONER CLARK:** I just have a
5 suggestion. If at the beginning you send them all
6 out, then we don't need to wait until he hands them
7 out.

8 **MS. JAYE:** Very good.

9 **COMMISSIONER CLARK:** How about if we label
10 this No. 4, and it is Florida Power & Light's answers
11 to Staff's First Request for Production of Documents 1
12 through 6.

13 (Exhibit 4 marked for identification.)

14 **Q** **(By Ms. Jaye)** Mr. Hood, do you need a
15 moment to review that?

16 **A** If you refer to the page, I think I'd be
17 familiar with it.

18 **Q** If you could look at the Question No. 3,
19 please. This would be on Page 4.

20 **A** Yes, ma'am.

21 **Q** Turning now to subparts, Roman numerals I,
22 II and III, on Pages 5, 6, and 7. Should these
23 answers be changed to reflect the change in your
24 testimony to not require CIAC from River City
25 Plastics?

1 A Yes, they should be.

2 Q Could you tell us what the new answers
3 should be?

4 A Actually, that -- on top of Page 6, it says
5 CIAC of 60,550, but that option was not chosen so you
6 could say that you would scratch the 60,550 if that
7 option would have been selected. Immediately below
8 there is a CIAC of 100,846, which that option also --
9 that was the, I believe, the selected option so that
10 should be scratched also, yes. It should be changed,
11 that's correct.

12 Q Should any other responses be changed to
13 reflect the decision not to charge CIAC to River City
14 Plastics?

15 A I'm not sure if any of the other exhibits
16 indicate that there would be CIAC. If there are any
17 such exhibits, they should be changed, yes.

18 MS. JAYE: That concludes my questions,
19 Mr. Hood.

20 COMMISSIONER CLARK: Commissioner Garcia,
21 any questions?

22 COMMISSIONER GARCIA: (Shaking head.)

23 COMMISSIONER CLARK: Redirect?

24 MR. LOGAN: Thank you, Commissioner Clark.
25

1 A They have told me directly that they will be
2 as soon as the road is in and River City Plastics is
3 operational. In fact, the term she used would be
4 "aggressively advertising."

5 Q Can you show me on the map where those two
6 sites are?

7 A They would be -- the River City Plastic site
8 is at the rear of the industrial park, and they would
9 be, the two parcels, would be located to the front
10 along Arnold Rhoden Road back to River City Plastics.

11 Q Thank you. Now I believe, Mr. Hood, you
12 also identified, moving eastward from the FP&L
13 substation, that Clay had some facilities in response
14 to a question from Mr. Haswell. Could you show me on
15 the map where those facilities are and describe what
16 those facilities are leading back to the Clay
17 substation?

18 THE COURT REPORTER: Mr. Hood, would you use
19 the microphone?

20 MR. LOGAN: It might be at the base.

21 WITNESS HOOD: I'll talk loud. Before --
22 prior to the dispute, or as it exists now?

23 Q (By Mr. Logan) Both, please.

24 A Well, prior to the dispute, it's
25 approximately probably a third mile back or so from --

1 in fact, you can see where there's some cleared area
2 here. Clay Electric had a single-phase primary line
3 which ran back actually through the passive area, down
4 in the area somewhere along here. And then down
5 Arnold Rhoden Road to the corner of Bill Davis where
6 it turned to three phase, which the three phase then
7 ran back to the sub some 2.25 miles, to the Sanderson
8 Clay sub. And then, now there's a -- of course, the
9 three-phase line exists, and since that time they have
10 been building a three-phase line to here, crossed
11 under back our transmission line, and then have built
12 the three phase down and into the River City Plastics'
13 site.

14 Q And that's been during the pendency of this
15 dispute?

16 A That's correct.

17 Q Can you also show me where the radial tap
18 Mr. Haswell asked you about -- there's a two-mile tap
19 from the Baldwin-Columbia transmission line. Can you
20 show us where that is on the map?

21 A Our radial tap is in the proximity of right
22 here that runs up through and across. Actually, I
23 believe that's actually Clay's tap that runs down
24 through here. Our tap is over here and runs up and
25 runs in, in this section.

1 Q And that's a transmission facility?

2 A That's a transmission facility, yes.

3 Q Are those facilities different than
4 distribution facilities?

5 A Yes, they are much different, much bigger
6 poles, much bigger wire size.

7 Q Do you know if there's been any outages
8 experienced on that two-mile radial tap?

9 A To my knowledge and the records, there have
10 not been.

11 Q Do you know if there have been any vehicle
12 incidents with respect to the transmission facilities
13 that run along that line you just suggested and along
14 Rhoden Road as well?

15 A There's no record of it back to 1976 when it
16 was constructed.

17 Q Mr. Hood, Mr. Haswell asked you about some
18 comments you made, I believe, in your prefiled
19 testimony and deposition as to the relationship
20 between what you can expect as far as the frequency of
21 outages and the distance of lines involved for
22 distribution services. And is it your testimony that
23 there is a linear relationship?

24 A Yes, the farther the distance of the
25 facilities, the greater the opportunity for exposure

1 to a type outage, yes.

2 Q And in this case the distance between FP&L's
3 substation is less than that of the distance between
4 the Clay substation. Is that your understanding?

5 A Yes, there's a difference of a little over
6 three miles.

7 Q Okay.

8 COMMISSIONER CLARK: Mr. Logan, I'm sorry,
9 let me ask him a question and you can conduct redirect
10 if it's something we haven't touched before. Is there
11 any area where FP&L has provided a customer with
12 on-site generation that you know of?

13 WITNESS HOOD: I think there is, yes, under
14 a rate that used to be available. But that rate is no
15 longer available.

16 COMMISSIONER CLARK: Okay.

17 Q (By Mr. Logan) Mr. Hood, let me follow up
18 on that. Is it your understanding that there's ever
19 been a circumstance where FP&L or, say, FP&L Services
20 has provided generators for free under those
21 circumstances?

22 A No, sir, I do not believe there has been.

23 Q Turning now to Mr. Haswell's questions about
24 the proposed throwover switch, is there any reason to
25 assume that this switch will not work as claimed by

1 the manufacturer?

2 A Absolutely not.

3 Q And you testified that this was a joint
4 project between FP&L and the manufacturer?

5 A Correct, because of the specifications that
6 we needed met on this switch.

7 Q Does FP&L intend to use this as a standard
8 switch?

9 A It is now -- actually, an engineering
10 bulletin came out several months ago that this is now
11 FP&L's standard throwover switch and will be the only
12 throwover switch that we purchase.

13 Q And you said that the price for that switch
14 was approximately \$40,000?

15 A That's correct.

16 Q Do you have any understanding as to how many
17 of these switches FP&L will buy from Powell-ESCO or --

18 A I do not, no.

19 Q So you wouldn't know if there were certain
20 economies of scale that would be passed on by
21 virtue --

22 A Well, in almost any material or equipment
23 that you purchase, the more that you are able to
24 purchase and utilize, the lesser cost per item.

25 Q Now, Mr. Haswell asked you about the

1 technical specifications and, specifically, there were
2 some different modes or bypass positions that the
3 switch could be set in. Do you recall those
4 questions?

5 A Yes, sir.

6 Q Why would there be these different bypass
7 and nonbypass positions?

8 A Well, different customers could require
9 different -- have different requirements. In
10 addition, they have to be also matched up with your
11 substation and your substation breaker relays to
12 ensure that the time to operate is in sync with the
13 breaker operation in the substation. That's why I
14 stated that to get to the 6 1/2 seconds, a
15 manufacturer would have to come down and provide some
16 assistance to ensure that the situation with the
17 customer's equipment and FP&L's equipment would be
18 able to do that.

19 Q So assuming that this switch works as the
20 manufacturer claims it will, then there would be on
21 the customer end, he would -- a customer would not
22 experience a momentary interruption of anything under
23 the limits of the switch; is that correct?

24 A Anything under the limits of the switch,
25 or --

1 Q I'm sorry, in excess of the limits of the
2 switch, because the switch would be engaged at that
3 point.

4 A That's correct.

5 Q And, again, if the customer's equipment was
6 not sensitive to anything under the limits of the
7 switch, he wouldn't experience any impact upon their
8 facilities in that circumstance?

9 A That's correct.

10 Q With respect to the process that the
11 customer, River City Plastics, went through in making
12 its determination, is it your understanding that the
13 customer came into that process requesting generators
14 because they were a critical component of his
15 manufacturing process?

16 A From the testimony that I've read, I believe
17 from the customer, that it was offered on two --
18 several other occasions, according to the testimony,
19 from Clay at one time it was asked for, and another
20 time or so it was offered. But I believe the customer
21 said in their rebuttal testimony that it was offered
22 by Clay.

23 Q So that the customer did not come to FP&L,
24 as far as you understand it, and say, "We would like
25 generators because they are a critical component of

1 our manufacturing process"?

2 A That's my understanding.

3 Q Now, Mr. Haswell also asked you about some
4 calculations in your experience as far as, I guess,
5 the testimony in this docket and preparation of cost
6 estimates. And you are the principal witness for FP&L
7 on this direct case, are you not?

8 A That's correct.

9 Q Is it your understanding that FP&L has used
10 a FERC-approved accounting system in generating those
11 costs?

12 A That's correct. In fact, we have -- excuse
13 me -- an automated system that we call MECA II that
14 units are put in and the cost is automatically
15 assigned to those particular units to provide service.
16 It's not a hand-calculated preparation by an
17 individual engineer, it is done systematically by a
18 computer so that all estimates for similar material
19 are the same and approved by FERC and, I believe, also
20 by the Commission.

21 Q And with that system, for example, if you
22 were using a used transformer in service as part of
23 one of these cost estimates, it would assign a value,
24 a depreciated value, to that piece of equipment?

25 A I would assume so, yes.

1 Q I believe Staff asked you some questions
2 about the type of feeder, whether it would be overhead
3 or underground that FP&L would use to serve River City
4 Plastics. Do you recall those questions from
5 Ms. Jaye?

6 A Yes, I do.

7 Q And you indicated that there would probably
8 be a preference for an underground feeder given River
9 City Plastics' situation. Was that your testimony?

10 A Yes, sir.

11 Q Now, in your summary, in the top figures for
12 cost for comparable primary service, you had indicated
13 a figure of \$20,550?

14 A That's correct.

15 Q That would not include an underground feed
16 into River City Plastics, would it?

17 A No, there's no underground included in that.
18 It's strictly an overhead feeder.

19 Q Now is that the same -- strike that. What
20 is your understanding as to Clay's proposal for that
21 same type of service, would they use an overhead or an
22 underground feeder into the facility?

23 A I believe they are coming in with an
24 overhead feeder, and that's included in their \$98,000
25 cost. It's strictly overhead cost from the documents

1 that I reviewed.

2 MR. LOGAN: That will do it for us. Thank
3 you, Commissioner.

4 COMMISSIONER CLARK: Thank you. You have
5 rebuttal testimony, right?

6 WITNESS HOOD: Yes.

7 MR. HASWELL: Commissioner, I do have a few
8 questions. I'll recross, if I may.

9 COMMISSIONER CLARK: Well, you know, we
10 usually don't allow that. Was it something that --
11 tell me what you want to cross examine on. Is it
12 something I brought up or that Staff brought up?

13 MR. HASWELL: Something that the witness
14 brought up in response to both Staff questions and
15 questions by --

16 COMMISSIONER CLARK: All right, Mr. Haswell,
17 go ahead, and then we'll allow Mr. Logan to do
18 re-redirect. And then we'll take a break.

19 RECROSS EXAMINATION

20 BY MR. HASWELL:

21 Q Mr. Hood, Mr. Logan asked you questions
22 regarding the switch and its limits. Is it fair to
23 say that the limits at that switch, whether the switch
24 does any good or not, depends on the customer's needs
25 and the customer's equipment and what kind of an

1 interruption it can stand?

2 A That's correct, yes.

3 Q Who is Whipp and Bourne?

4 A That's the name of the switch. It's
5 Powell-ESCO, I believe, is the one that manufactures
6 it. But the name on the switch, if I understand
7 right, it says Whipp and Bourne. So I don't know if
8 it's a subsidiary or what.

9 Q Because in prior testimony you'd indicated
10 that it was manufactured by Whipp and Bourne.

11 A From my understanding, the statement on it
12 says it's a Whipp and Bourne, but --

13 Q Are they --

14 A They might be a subsidiary, I'm not sure.

15 Q Are they in the United States?

16 A I would assume so, yes. I'm not sure.

17 Q You also indicated in your redirect that
18 FP&L is not going to be giving away free generators.
19 Is it your understanding after reviewing the testimony
20 of Clay Electric and the exhibits that have been
21 furnished in production of document requests and
22 interrogatories that Clay is giving away the cost of
23 these generators, there is no cost benefit to Clay for
24 them?

25 A I would not go that far. I believe they

1 demonstrate some -- at least have identified a number
2 that they say is a cost benefit. I do not have
3 anything that substantiates that it's right or wrong.
4 So I would say they have identified savings.

5 Q But you haven't done a cost/benefit analysis
6 for Florida Power & Light, have you?

7 A No, sir.

8 MR. HASWELL: That's it.

9 COMMISSIONER CLARK: Mr. Logan?

10 MR. LOGAN: We have no re-redirect.

11 COMMISSIONER CLARK: Thank you. You are
12 excused for now, Mr. Hood, and we will take a
13 ten-minute break until -- it's really 11:25. Thank
14 you.

15 (Witness Hood excused.)

16 - - - - -

17 (Brief recess.)

18 - - - - -

19 COMMISSIONER CLARK: Let's go back on the
20 record. I forget to do something. Do we want to move
21 the exhibits in?

22 MR. LOGAN: Yes, please, Commissioner Clark.
23 FP&L would move the --

24 COMMISSIONER CLARK: Exhibit 1.

25 MR. LOGAN: Exhibit 1, thank you.

1 **COMMISSIONER CLARK:** Without objection

2 Exhibit 1 is admitted in the record.

3 (Exhibit 1 received in evidence.)

4 **MR. HASWELL:** Yes, ma'am. Also the Staff
5 advised us they had withdrawn an exhibit -- Exhibits
6 4, 5, and 6 which were late-filed exhibits to
7 Mr. Hood's deposition that they were going to offer,
8 and since they are not going to do it, we would prefer
9 offering it as an exhibit.

10 **COMMISSIONER CLARK:** Well, we'll take care
11 of that. Let's just deal with what we have admitted,
12 and you need to talk to Mr. Logan about getting those
13 exhibits identified and admitted.

14 **MR. HASWELL:** All right.

15 **COMMISSIONER CLARK:** Staff, I take it you
16 move 2, 3, and 4?

17 **MS. JAYE:** Yes, Commissioner, that's
18 correct.

19 **COMMISSIONER CLARK:** They'll be admitted
20 without objection. I believe it's you, Mr. Haswell.

21 (Exhibits 2, 3 and 4 received in evidence.)

22 **MR. HASWELL:** I'd like to call Mr. William
23 C. Phillips as our first witness.

24

25

1 **WILLIAM C. PHILLIPS**
2 was called as a witness on behalf of Clay Electric
3 Cooperative, Inc. and, having been duly sworn,
4 testified as follows:

5 **DIRECT EXAMINATION**

6 **BY MR. HASWELL:**

7 Q Would you state your name please, sir?

8 A William C. Phillips.

9 Q And are you the same William C. Phillips who
10 has filed direct testimony in this cause?

11 A Yes.

12 **COMMISSIONER CLARK:** Let me ask you, is the
13 mike on? The light has to be off.

14 **WITNESS PHILLIPS:** Is that on now?

15 **COMMISSIONER CLARK:** It is.

16 Q (By Mr. Haswell) Mr. Phillips, do you have
17 any additions, deletions or corrections to your direct
18 testimony?

19 A No.

20 Q If I were to ask you those same questions
21 today, would your answers be the same?

22 A Yes.

23 Q Okay. And attached to your testimony are
24 three exhibits; is that correct?

25 A Yes.

1 Q Okay. And I believe that's WCP-1, 2 and 3?

2 A That's correct.

3 MR. HASWELL: I would tender the direct
4 testimony of Mr. Phillips to be -- or request that it
5 be entered into the record as though read.

6 COMMISSIONER CLARK: The direct testimony of
7 Mr. William Phillips will be entered in the record as
8 though read.

9 MR. HASWELL: And I would ask, Madam
10 Chairman, that the Exhibit WCP-1, 2 and 3 be
11 identified -- marked for identification.

12 COMMISSIONER CLARK: All right. The exhibit
13 attached to his direct testimony, WCP-1 through 3,
14 will be marked as Composite Exhibit 5.

15 MR. HASWELL: Thank you.

16 (Exhibit 5 marked for identification.)
17
18
19
20
21
22
23
24
25

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 ^{COMP}6 (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 ^{COMP}5 (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 ^{COMP}5 (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 $\frac{1}{2}$ to a $\frac{1}{4}$ 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 COMP
5

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 ^{COMB}5 (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.

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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.

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

3 A Yes. River City Plastics, a new customer,
4 after deciding to relocate to an industrial park in
5 Baker County was made aware that there were two
6 utilities that served in the immediate area, Clay
7 Electric Cooperative and Florida Power & Light. River
8 City Plastics made application -- or made both
9 utilities aware of their service requirements and
10 asked that each utility would give them proposals to
11 provide electric service. While both utilities can
12 provide, quote, "adequate electric service," River
13 City Plastics requested a different character of
14 service, and this was to meet the demands of their
15 manufacturing process. Clay Electric offered to
16 provide this character of service through its load
17 management generator program.

18 After thoroughly reviewing proposals from
19 both utilities, River City Plastics felt that Clay
20 Electric Cooperative best met its service
21 requirements, and they made an application to us.

22 I heard earlier a comparison of apples to
23 apples. I think that River City Plastics said that we
24 need an orange; and Florida Power & Light said, no, we
25 think you need an apple; and Clay Electric Cooperative

1 says, well, we'll give you an orange. And that
2 concludes my comments.

3 MR. HASWELL: I tender the witness for cross
4 examination.

5 COMMISSIONER CLARK: I'm sorry, say that
6 again?

7 WITNESS PHILLIPS: I think, as best as I can
8 understand and summarize, River City Plastics said
9 that we need an orange. I'm just comparing that --

10 COMMISSIONER CLARK: Oh, okay.

11 WITNESS PHILLIPS: -- now because of the
12 comment that was made about we need to compare apples
13 to apples.

14 COMMISSIONER CLARK: Got you.

15 WITNESS PHILLIPS: Do I need to carry on?

16 COMMISSIONER CLARK: Yeah, and FP&L said
17 we'll give you an apple, and Clay said we'll give you
18 the orange.

19 WITNESS PHILLIPS: You need an orange, but
20 we'll give you an apple, and Clay Electric said, well,
21 we have an orange, and we'll give you the orange that
22 you need to operate.

23 COMMISSIONER GARCIA: The Commissioner just
24 wanted to know the reliability of those specific
25 fruits.

1 **WITNESS PHILLIPS:** 10-4.

2 **MR. HASWELL:** I tender the witness for cross
3 examination.

4 **MR. LOGAN:** Hopefully, I don't have to
5 continue the fruit analogy further than we've gone
6 already.

7 **CROSS EXAMINATION**

8 **BY MR. LOGAN:**

9 **Q** Good morning, Mr. Phillips. How are you
10 today?

11 **A** Fine, Mark.

12 **Q** Mr. Phillips, you stated in your summary
13 that River City came to Baker County, correct?

14 **A** That they came to Baker County?

15 **Q** They decided to relocate a facility to Baker
16 County?

17 **A** Yes.

18 **Q** Have you had a chance to review
19 Mr. McCartney's prefiled rebuttal testimony or his
20 deposition transcript?

21 **A** No, I haven't.

22 **Q** Would it surprise you to know that River
23 City -- one of the factors that River City looked at
24 in locating in Baker County, and specifically at the
25 industrial park, was the proximity of the location to

1 the FP&L substation?

2 A I wasn't aware of that.

3 Q Now, you stated that River City asked for
4 proposals for service; is that correct?

5 A That's my understanding, yes, that they
6 contacted both utilities.

7 Q Isn't what they really asked for was
8 information on available rates?

9 A To the best of my knowledge, not. They
10 requested information on electric service to a plant.

11 Q Did you ever see a written request for
12 proposal?

13 A No, I did not.

14 Q And do you recall that River City employed a
15 consultant to review information with respect to the
16 provision of service, is that --

17 A Yes, I'm aware that they did.

18 Q But do you recall seeing a request for a
19 proposal from a consultant as to service at the
20 facility?

21 A During the staff meetings and from my staff,
22 from Henry Barrow and, specifically, Herman Dyal, I
23 was informed that River City Plastics through their
24 consultants or through their own abilities had
25 requested information on providing electric service to

1 their plant.

2 Q In the initial request for that information,
3 did River City Plastics request a proposal with
4 respect to the provision of backup generators?

5 A No, I don't think so.

6 Q That was the service that was offered by
7 Clay and ultimately accepted by River City; is that
8 correct?

9 A Yes, that's true, whenever River City
10 advised us of the needs of their plant.

11 MR. LOGAN: Thank you. I have no further
12 questions.

13 COMMISSIONER CLARK: Staff?

14 CROSS EXAMINATION

15 BY MS. JAYE:

16 Q Good morning, Mr. Phillips.

17 A Good morning, ma'am.

18 Q I have a few questions for you. What is the
19 purpose of the load management generators from Clay's
20 perspective?

21 A From Clay's perspective, it's an innovative
22 way to do two things, it lowers our demand cost to our
23 wholesale power supplier, it saves all of our members
24 money, and it also provides backup service to some of
25 our larger loads, which they appreciate very much; but

1 it is a money saving thing. It allows us to offset
2 investment and plant. It saves us money. It saves
3 all our members money.

4 Q Do all customers with load management
5 generation receive a \$4 per kilowatt credit for their
6 load management generators?

7 A No, ma'am, those credits vary based on the
8 characteristics of the load. And I don't recall
9 exactly what they are. I do recall that they vary and
10 that credit is derived by our engineering department
11 after reviewing what the particular service
12 characterist'cs, the load factor, and that type of
13 thing is on these individual accounts.

14 Q So then load management, as it regards the
15 load management generators, the credit that you would
16 pay for that to the customer who had requested load
17 management generation, would be a negotiated rate?

18 A Yes, ma'am, it would depend on the
19 characteristics of the service.

20 Q So Clay does not have a set formula that it
21 applies to determine the amount of generator credit?

22 A No, ma'am. My understanding and Herman
23 Dyal, our engineer, may be able to clear it up even
24 better, but my understanding is because of the
25 characteristics, the operating hours, the load factor

1 and so forth of these plants, it would be extremely
2 difficult to arrive at one credit that would fit all.
3 Much different than our residential load management
4 program.

5 Q Are you a member of the board of directors
6 for Clay Electric Cooperative?

7 A No, ma'am. They are my bosses.

8 Q So you report directly to them?

9 A Yes, ma'am.

10 Q So was the issue of leasing the load
11 management generators to River City Plastics at \$10 a
12 year and granting a demand credit at \$4 per kilowatt
13 presented to Clay's board of directors?

14 A Yes, ma'am.

15 Q When was this presented to them?

16 A I don't have the exact dates, but we had
17 discussed it in several board meetings, and I don't
18 know the exact -- they approved the overall policy,
19 and I'm sure it was brought up to date, you know, that
20 we were -- they were brought up to date that we were
21 offering this, but I don't know the date of the
22 particular meeting.

23 Q To your knowledge was Clay's board of
24 directors presented a cost/benefit analysis of
25 providing load generators to River City Plastics?

1 A I don't know on -- specifically, on River
2 City Plastics, no, ma'am. I know that they were
3 brought up -- whenever we originally went to the
4 program, they approved the program. I know that they
5 were made aware of River City Plastics and the rate
6 that we were offering and the additional agreement for
7 the load management generators to be installed.

8 I don't know if that was an approval type
9 thing. After they had approved the overall program, I
10 don't think that would have been necessary. But
11 rather than an approval, it was an information type
12 thing, but that should be reflected in our board
13 minutes, but I don't know the exact date.

14 Q Would Mr. Dyal know this information?

15 A I really don't -- I don't know. I don't
16 remember of any reference to it, you know, until this
17 time.

18 MS. JAYE: I have no further questions.

19 COMMISSIONER CLARK: Mr. Phillips, do you
20 have a copy of the service comparison Clay versus
21 FP&L? I guess it's that chart immediately behind you.

22 WITNESS PHILLIPS: I don't have a copy of
23 it, no, ma'am, but I -- thank you, Mark. (Witness
24 tendered copy.)

25 COMMISSIONER CLARK: I had understood the

1 concerns of this customer to be that they can't even
2 stand a minor glitch in service and that's why they
3 want the on-site generators.

4 **WITNESS PHILLIPS:** No, ma'am, that's not
5 my -- or at least let me put it this way, that hasn't
6 been my understanding. And I was in at least one
7 meeting that I know of with River City Plastics at our
8 headquarters office in Keystone. And the gentleman
9 that was in charge of River City Plastics -- and this
10 isn't a consultant, this is the man that was in charge
11 of River City Plastics, the general manager -- I
12 wanted to be sure that we understood what we were
13 talking about exactly with our engineering staff. And
14 we sat down at the table, and one of the things that
15 was said was "You know you are going to have momentary
16 outages." And he said, "Oh, yes." He said, "But the
17 problem that I have is when ever there's a momentary
18 outage and we drop the thing and then we try and pick
19 it up and we can't pick it back up, there's another
20 momentary outage."

21 And I said, well, if you understand that,
22 then certainly the application of the generators will
23 solve their specific problem, I would think.

24 **COMMISSIONER CLARK:** Well, then, you would
25 agree with a comparison of service that when service

1 is restored through the use of the generators, it's a
2 minute; it will wait one minute before it starts up;
3 is that correct? That's how I read this chart.

4 **WITNESS PHILLIPS:** Yes, ma'am. I haven't
5 really studied this chart. It's a little bit busy for
6 me to say what it says. But, yes, the generator -- in
7 other words, we made them aware that there would be --
8 if there was an outage, that there would be a period
9 of time the generator would have to ramp up to pick
10 back up, but then he could decide to run on the
11 generator on his own and know he had the generator
12 running and the power on.

13 **COMMISSIONER CLARKE:** Do you know what length
14 of time they can stand in a service interruption
15 before they have the problems they've described as far
16 as having to redo the pipe?

17 **WITNESS PHILLIPS:** No, ma'am. Not
18 specifically to tell you the time frame. I know it's
19 very short, but I think one of the main things was,
20 was whenever he had an outage, from the meeting that I
21 had with him, whenever he had an outage, what he
22 wanted to do was to assure himself that he would have
23 power then to be able to come all the way back up and
24 not get halfway or a third of the way or two thirds of
25 the way through and have the same thing happen again.

1 **COMMISSIONER CLARK:** Okay.

2 **WITNESS PHILLIPS:** And then maybe try and
3 get back up and have the same thing happen again over
4 and over and over.

5 **COMMISSIONER CLARK:** So he was concerned
6 about repeated outages.

7 **WITNESS PHILLIPS:** Yes, ma'am. And his
8 ability, if he had an outage, to get back up and to
9 get on line and to know he would have the lights on.

10 **COMMISSIONER CLARK:** I take it that you call
11 this load management generators?

12 **WITNESS PHILLIPS:** Yes, ma'am.

13 **COMMISSIONER CLARK:** Have you installed them
14 anywhere else in your service territory?

15 **WITNESS PHILLIPS:** Yes, ma'am, we have. I
16 think we have six. In fact, that was in my testimony.
17 I believe there was -- I believe we have six of them
18 now. We have a Food Lion warehouse, the Humana
19 Hospital in Orange Park, Putnam Community Hospital in
20 Putnam County --

21 **COMMISSIONER CLARK:** Where is it in your
22 testimony?

23 **WITNESS PHILLIPS:** I can't -- well, I'm --
24 oh, I'm sorry. The typical large power loads, that
25 says, "Typical large power loads," and it's Humana

1 Hospital, Food Lion Distribution Center, Gilman Paper
2 Company, Orange Park Mall, Spartan Electronics,
3 Florida State Prison in Raiford and Florida Rock
4 Industries. Out of those, let's see, there's one,
5 two, three, four, five, six, seven of those there --

6 COMMISSIONER CLARK: Hold up just a minute,
7 Mr. Phillips. Where are you in your testimony?

8 MR. HASWELL: This is WCP-1.

9 WITNESS PHILLIPS: WCP-1 --

10 COMMISSIONER CLARK: Okay, it's the exhibit.

11 WITNESS PHILLIPS: -- typical large loads.

12 I'm sorry. What I was going to point out is out of
13 that seven, we have load management generators
14 installed on four of those and have had for a period
15 of time: Humana Hospital, Food Lion Distribution
16 center, Spartan Electronics and Florida State Prison
17 in Raiford.

18 COMMISSIONER CLARK: And tell me what -- you
19 use them for load management, too, right? I take it
20 when you see demand on your system creeping up, they
21 go to self generation.

22 WITNESS PHILLIPS: Yes, ma'am. We can
23 operate them when we are notified by our Seminole
24 Electric Cooperative, our wholesale power supplier,
25 that we need to shed load, we start dropping our

1 residential water heaters, air conditioners, and we
2 also crank up these load management generators and
3 shed load with those also at that time.

4 COMMISSIONER CLARK: And you control them?

5 WITNESS PHILLIPS: Yes, ma'am.

6 COMMISSIONER CLARK: Okay, thanks.

7 Redirect?

8 MR. HASWELL: No redirect.

9 COMMISSIONER CLARK: Exhibits.

10 MR. HASWELL: We would move the exhibits.

11 Exhibit --

12 COMMISSIONER CLARK: 5.

13 MR. HASWELL: 5.

14 COMMISSIONER CLARK: Without objection,

15 Exhibit 5 will be admitted in the record.

16 (Exhibit 5 received in evidence.)

17 MR. HASWELL: Thank you, Mr. Phillips.

18 COMMISSIONER CLARK: Thank you,

19 Mr. Phillips, you are excused.

20 (Witness Phillips excused.)

21 - - - - -

22 COMMISSIONER CLARK: Mr. Barrow.

23 MR. HASWELL: Our next witness is Mr. Henry

24 D. Barrow.

25

1 **HENRY D. BARROW**

2 was called as a witness on behalf of Clay Electric
3 Cooperative, Inc. and, having been duly sworn,
4 testified as follows:

5 **DIRECT EXAMINATION**

6 **BY MR. HASWELL:**

7 **Q** Mr. Barrow, please state your name for the
8 record?

9 **A** My name is Henry D. Barrow, Jr.

10 **Q** And, sir, are you the same Henry Barrow that
11 prepared direct testimony that has been prefiled in
12 this case?

13 **A** That's right.

14 **Q** Do you have any additions, deletions or
15 corrections?

16 **A** No, I do not.

17 **Q** Okay. If I ask you the same questions
18 today, would your answers be the same?

19 **A** Yes.

20 **Q** And have you also submitted some exhibits, I
21 believe it's HDB-1 through HDB-8?

22 **A** That's right.

23 **MR. HASWELL:** I respectfully request that
24 the direct prefiled testimony of Mr. Barrow be entered
25 into the record as though read.

1 **COMMISSIONER CLARK:** The prefiled direct
2 testimony of Mr. Henry Barrow will be inserted in the
3 record as though read, and his Exhibits HDB-1 through
4 8 will be marked as Composite Exhibit 6.

5 (Exhibit 6 marked for identification.)
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1 Q Please state your name and business address:

2 A Henry Barrow, and my business address is Post Office Box 308, Keystone Heights,
3 Florida.

4

5 Q What is your occupation?

6 A I am the Director of Member and Public Relations at Clay Electric Cooperative, Inc.

7

8 Q How long have you been employed by Clay?

9 A For 21 years.

10

11 Q What other positions have you held at Clay Electric Cooperative, Inc.?

12 A I have held the following positions: Safety Director, Manager of Personnel, District
13 Manager at Keystone Heights, District Manager at Orange Park, and Director of
14 District Operations.

15

16 Q What is your educational level?

17 A I received a Bachelor of Science degree in Agriculture from the University of
18 Georgia in 1968.

19

20 Q What is the purpose of your testimony?

21 A To discuss the events leading up to the request for service we received from River
22 City Plastics to serve its new facility in our Baker County service area, and the
23 reasons expressed to me by River City Plastics for its decision.

24

25 Q How did you first learn of River City Plastics' plan to relocate to Baker County?

1 A I received a call, on May 2, 1995, from Ginger Barber with the Baker County
2 Chamber of Commerce regarding her efforts to lure River City Plastics, a plastic pipe
3 manufacturing company, to Baker County. Ginger wanted to know if Clay would be
4 interested in providing electric service to River City Plastics and if so, I should
5 contact Stafford McCartney with River City Plastics in Jacksonville and she gave me
6 his telephone number. I asked Ginger to give me the proposed plant location and
7 she said she would fax it to me. I received the fax including a map of the proposed
8 plant site on May 2, 1995. Exhibit ^{COMO}6 (HDB-1).

9

10 Q What did you do next?

11 A I attempted to call Stafford McCartney with River City Plastics the same day, May
12 2, 1995, and subsequently left a message for him to call me. On May 3, 1995,
13 Stafford McCartney with River City Plastics returned my call. I indicated to Stafford
14 McCartney that Clay Electric Cooperative, Inc. was definitely interested in providing
15 electric service to the plant and had a discussion regarding plant location,
16 construction time table, load profile, miscellaneous requirements and Clay Electric's
17 general service policies. I suggested a meeting be held as soon as possible with
18 him, Russell Lea, our Director of Engineering, and myself to further discuss River
19 City Plastics' service requirements. Mr. McCartney offered to fax me a copy of a
20 recent Jacksonville Electric Authority (JEA) bill, his current electric supplier, and his
21 April 1994 through November 1994 billing history which he indicated would give us
22 some idea of the load profile and kWh consumption in order for Clay Electric to
23 formulate our recommendation regarding service. He also asked about our various
24 rate schedules and classifications. I informed him that I would have Russell Lea
25 work on some optional rate schedules and that we would be ready to discuss our

1 proposals with him at the meeting. At that time, we agreed to meet at the River City
2 Plastics plant in Jacksonville at 10:00 a.m. on May 9, 1995.

3

4 Q What took place at the meeting on May 9, 1995?

5 A Russell Lea and I asked Mr. McCartney a number of questions regarding the nature
6 of the PVC plastic manufacturing process, especially the hours of operation, effects
7 of down time due to power loss and continuity of service. One of our rate schedules,
8 LGSDT/LM, is a load management rate that involves an irregular curtailment of
9 service. The LGSDT/LM rate can provide for a very low cost per kWh if the nature
10 of the operation can accommodate running at prescribed hours only. Mr. McCartney
11 informed us that River City Plastics is a 24-hour a day operation and any rate with
12 a curtailable or interruptible feature would be out of the question. Mr. Lea and I then
13 proposed the LGSD rate. The LGSD rate can be made available to qualifying loads
14 with back-up generators leased by the customer. During the meeting, Mr. Lea and
15 I determined, from the information gathered from River City Plastics, that its load
16 profile would qualify for the load management generator installation. Mr. Lea then
17 offered back-up generators as part of the service. Mr. McCartney said that,
18 operationally, the LGSD rate with generators was far and away the most desirable
19 for River City Plastics due to the sensitive nature of his operation. He said that
20 dependable power 24 hours a day without interruption was of the utmost importance
21 to River City Plastics. He then took us on a tour of the plant. The meeting
22 concluded at 12:00 noon with Mr. McCartney stating he would be in touch.

23

24 Q When were you next in contact with River City Plastics?

25 A Over the next several months, I called Mr. McCartney periodically to see how things

1 were going and to ask if I needed to do anything—the exact dates I do not recollect—
2 but I do know that nothing of substance came from these conversations and nothing
3 else happened until March 27, 1996.

4
5 Q What happened on March 27, 1996?

6 A In a telephone conversation with Stafford McCartney, he offered to fax updated
7 usage history from JEA.

8
9 Q When was your next contact with River City Plastics?

10 A I called Mr. McCartney on April 3, 1996. He asked for a current "rate analysis" that
11 would show up-to-date power cost adjustments (PCAs) on Clay Electric's proposals.
12 I had Tom Page in Engineering run this and I faxed it to him on April 3, 1996.

13
14 Q When was your next communication with River City Plastics?

15 A I received a call from Stafford McCartney on May 3, 1996. He said that River City
16 Plastics had hired Post Buckley Engineering, to evaluate the proposals from Clay
17 Electric Cooperative, Inc. and Florida Power & Light (FPL) and report their findings
18 with a recommendation. He said Peter Trevin, P.E. with Post Buckley in Miami
19 would be calling shortly and to cooperate with him. I said I would be glad to help in
20 any way and I looked forward to Mr. Trevin's call. Pete Trevin called later that day
21 and requested copies of our LGSDT/LM rate. He also requested information on the
22 current and most recent PCAs. I faxed this to him on May 3, 1996.

23
24 Q Did you communicate further with Pete Trevin?

25 A Yes. I will not go into all the details of every communication but, on May 7, 1996,

1 Mr. Trevin requested, by telephone, a sample calculation of electric charges using
2 Clay Electric's LGSD rate plus a \$4/kW generator credit. This was faxed to Pete
3 Trevin on May 7, 1996, Exhibit ^{COMP}6 (HDB-2). During this conversation Pete Trevin
4 and I discussed numerous aspects of Clay Electric's proposal as denoted by Mr.
5 Trevin in his report to River City Plastics on May 21, 1996, Exhibit ^{COMP}6 (HDB-3).

6
7 Q When did you next communicate with Mr. Trevin?

8 A I faxed an updated rate proposal using (August 1996 PCA) to Mr. Trevin on August
9 16, 1996. I also copied Mr. McCartney via fax this information on May 16, 1996,
10 Exhibit ^{COMP}6 (HDB-4).

11
12 Q When did you next hear from River City Plastics?

13 A I had placed other calls periodically to Mr. McCartney during the fall of 1996. He
14 informed me that they were going forward with the plant and had no need for
15 anything else from Clay Electric but would let me know if we were needed.

16
17 Q Did you know Joe Fiore with River City Plastics?

18 A Yes. Mr. Fiore is a Project Manager with River City Plastics and he faxed a request
19 to me on January 20, 1997. This fax is included as Exhibit ^{COMP}6 (HDB-5).

20
21 Q What did you do about Mr. Fiore's fax?

22 A As the questions were of a technical nature, I referred them to Mr. Russell Lea.

23
24 Q What happened on January 27, 1997?

25 A I had placed a routine call to Mr. McCartney. He indicated to me that Clay Electric

1 had been selected to provide electric power service to the new River City Plastics
2 plant in Baker County. He told me he felt Clay Electric's proposal was superior to
3 that of Florida Power & Light and River City Plastics wanted Clay Electric to serve.
4 He said he would put this request for service in writing and in a few minutes, I
5 received an application for service from River City Plastics signed by Stafford
6 McCartney via fax, Exhibit ^{COMP} 6 (HDB-6), on January 27, 1997.

7
8 Q Did you send Stafford McCartney an Agreement for Purchased Power for the new
9 River City Plastics plant in Baker County?

10 A Yes. The Agreement for Purchased Power was mailed to Stafford McCartney on
11 February 18, 1997. Exhibit ^{COMP} 6 (HDB-7)

12
13 Q Where there any other documents mailed to Stafford McCartney?

14 A Yes. On February 27, 1997, I mailed the Equipment Lease and Load Management
15 Agreements to Stafford McCartney. Exhibit ^{COMP} 6 (HDB-8)

16
17 Q Did River City Plastics sign the Purchased Power Agreement and the Equipment
18 Lease and Load Management Agreement?

19 A Yes.

20
21 Q Are you aware of any discussions between River City Plastics and Florida Power &
22 Light (FPL) regarding service to River City Plastics?

23 A Only through discussions with Mr. McCartney. He advised me that representatives
24 of FPL were adamant that FPL should serve the site but FPL did not offer to provide
25 the same quality and character of service that Clay offered. If FPL had made a

1 similar offer to River City Plastics, he would have seriously considered it, but
2 because they did not, Mr. McCartney felt, based on all available information and his
3 engineer's report, that his only viable avenue was to pursue service from Clay.
4

5 Q Why would River City Plastics want service from Clay and not FPL?

6 A Well, their own engineers recommended Clay after a study of proposals from both
7 utilities [see Exhibit ^{COMP}6 (HDB-3)]. Mr. McCartney also met with me, Bill Phillips,
8 our General Manager, and Herman Dyal, our Director of Engineering, at our office
9 in Keystone Heights, and he indicated that FPL had told him that it would dispute any
10 service by Clay. His biggest concern is interruption of his manufacturing process
11 caused by even minor glitches, particularly when a storm or lightning approaches
12 the plant. He told us that even a minor glitch lasting a second or two or less causes
13 his equipment to shut down and ruin all the pipe that is "in process". He said he has
14 had numerous such problems with his service in Duval County even though he has
15 dedicated service from a JEA substation. His plant needs on-site generation to
16 provide not only back up in the event of an outage, but also, for the ability to operate
17 the generators when weather and lightning threaten the plant's operations. What
18 FPL proposed was no more reliable than his current service from JEA, which he said
19 was not acceptable. He told us the plastic pipe manufacturing process is unique and
20 operates economically and efficiently only when it is an uninterrupted continuous
21 process 24 hours a day. A minor glitch causes shutdowns, labor costs, delays in
22 meeting production schedules, storage of ruined pipe, and regrinding - recycling
23 costs. He restated his resolve that Clay provide electric service to the new site.
24

25 Q Does this conclude your direct testimony?

1 A Yes it does, however, I may have additional testimony after we receive our discovery
2 responses from FPL and review its direct testimony.

3

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1 Q (By Mr. Haswell) Mr. Barrow, would you
2 give us a brief summary of your testimony?

3 A Yes. As director of member and public
4 relations at Clay Electric Cooperative, I have a
5 primary responsibility to recruit new business for the
6 cooperative. In particular, I am charged with making
7 sales presentations to prospective industrial
8 customers, such as River City Plastics.

9 Sales presentations for large industrial
10 customers are presented ordinarily by myself and the
11 director of engineering. During our sales
12 presentations with prospective customers, we listen
13 attentively to the customer as to his needs for his
14 electric service. We also obtain information from the
15 customer as to his load sizing, type of operation,
16 hours of operation, power quality requirements or any
17 other requirements deemed important by the customer.
18 We then are prepared to offer the customer the most
19 cost-effective electric service consistent with his
20 desires.

21 On May 2, 1995, I was contacted by
22 Ms. Ginger Barber with the Baker County Chamber of
23 Commerce, announcing the relocation of River City
24 Plastics from Duval County to Baker County.
25 Ms. Barber asked that I contact Mr. Stafford McCartney

1 with River City Plastics regarding providing electric
2 service.

3 During a telephone conversation with
4 Mr. McCartney, I scheduled a sales presentation with
5 River City Plastics for May 9, 1995. During the
6 meeting of May 9th, Mr. McCartney discussed the nature
7 of the PVC pipe business and in particular the high
8 demands that type manufacturing process places on the
9 electric service provider. We were informed that
10 River City Plastics was a 24-hour a day operation and
11 projected an over 80% load factor. Mr. McCartney said
12 that even momentary interruptions in power will cause
13 costly downtime on his PVC lines. Mr. McCartney said
14 that he would be only interested in the most reliable
15 proposal we could offer and at the lowest possible
16 rates.

17 Mr. Russell Lee, director of engineering,
18 and I discussed our lowest cost rate to lower his
19 general service demand time of day load management
20 with Mr. McCartney, but were informed that because
21 this rate is curtailable in nature, it would be out of
22 the question for him to consider a rate involving the
23 ability to be curtailed.

24 We then proposed our standard large general
25 service demand rate with the installation of the

1 backup generators as part of the service package.
2 This proposal was based on the load profile and
3 operational characteristics as presented to us by
4 River City Plastics.

5 Upon consideration of the large general
6 service demand rate with the backup generators,
7 Mr. McCartney indicated that this proposal would be
8 the most desirable for River City due to the sensitive
9 nature of his operations and his extremely high
10 reliability demands. On May the 3, 1996,
11 Mr. McCartney asked that I cooperate with their
12 consulting engineer, Post Buckley, as they had been
13 hired to evaluate the power suppliers and make a
14 recommendation. I later had numerous conversations
15 with Mr. Pete Trevin, P.E, Post Buckley, Miami,
16 subsequently providing quite a bit of information he
17 had requested for his report.

18 On January 27, of 1997, I called
19 Mr. McCartney and he informed me that Clay Electric
20 had been selected as the power supplier. I asked that
21 he put his request for service in writing, and I
22 received a signed application for service letter via
23 fax the same day.

24 In February of the same year, I sent
25 Mr. McCartney an agreement for purchased power and the

1 load management agreement for the new River City plant
2 which was subsequently signed and returned to Clay.

3 Mr. McCartney has indicated to me on
4 numerous occasions his resolve for Clay Electric to
5 provide a service primarily because of the character
6 of service and the reduced downtime avoided by the use
7 of the generators.

8 As FP&L has not offered to provide the
9 generators at no cost to River City Plastics,
10 Mr. McCartney has told me Clay's service package is
11 far superior to FP&L's and that FP&L's proposal simply
12 does not measure up to Clay's from his perspective as
13 the customer.

14 MR. HASWELL: I tender the witness for cross
15 examination.

16 COMMISSIONER CLARK: Mr. Logan.

17 MR. LOGAN: Thank you, Commissioner.

18 CROSS EXAMINATION

19 BY MR. LOGAN:

20 Q Good morning, Mr. Barrow.

21 A Good morning, Mark.

22 Q Mr. Barrow, you indicated that when you
23 first became aware that River City Plastics was
24 relocating its facility, you undertook a review of
25 their current situation with the Jacksonville Electric

1 Authority; is that correct?

2 A After I had made contact with Mr. McCartney
3 initially, prior to our meeting, he had furnished me
4 with a load history for the past year on his current
5 operation with JEA, yes.

6 Q And so did you have an opportunity to review
7 how River City's existing plant in Duval County was
8 being served by Jacksonville Electric Authority?

9 A Only from the standpoint the information
10 gleaned by the sample electric bills.

11 Q So you just reviewed the bills, JEA's
12 available bills?

13 A That's correct, and I passed it along to
14 engineering for their review at that time, yes.

15 Q Okay.

16 A It was simply a history, a billing history,
17 showing kilowatt hours, that type of -- and dollar
18 amounts of the bill.

19 Q In your first meetings with River City
20 Plastics, did any of their representatives discuss the
21 need for backup generation?

22 A Not until we offered it, then it was
23 discussed quite a bit. But they were not aware that
24 we were going to be offering that.

25 Q So would it be an accurate statement that

1 River City Plastics, at least initially, came to you
2 looking for the lowest charge for electrical service
3 that they could garner?

4 A The lowest charge, as well as the most
5 cost-effective rates, and they also told me right off
6 the bat about their high reliability standards.

7 Q So they were seeking high reliability and
8 low bills --

9 A True.

10 Q -- which is a pretty common customer
11 request?

12 A Yes, yes. That's not out of the ordinary.

13 Q And in response to that you prepared rate
14 information; is that correct? What your available
15 rates that could be used to serve River City Plastics?

16 A The available rates were the large general
17 service demand, time of day, which is curtailable, and
18 our largest general service demand rate. We only had
19 two rates that would be applicable.

20 Q And the large general service demand, or the
21 LGSD, is that a tariff that's filed with the Florida
22 Public Service Commission by --

23 A Yes, it is.

24 Q Are you familiar with that tariff?

25 A Yes, sir.

1 Q And I'd like to show you a copy of it,
2 unless you have it in front of you.

3 A I've got it, I think.

4 Q And I think this was in response to Staff's
5 Interrogatory No. 12. So you have that document?

6 A I have got a copy of our eighth revised
7 sheet No. 10.0, effective July 1, '94.

8 Q And that's the --

9 A That's a copy of our filed tariff.

10 Q And that's the LGSD rate schedule?

11 A That's correct.

12 Q Can you show me where on that document there
13 is contemplation of the provision of load management
14 or backup generation services?

15 A No, sir.

16 Q So there's nothing on that document that
17 provides that?

18 A No, sir.

19 Q How about with respect to the calculation of
20 a generator credit that would be available to a
21 customer?

22 A No, sir.

23 Q So there's nothing on that document that
24 shows that?

25 A No.

1 Q So how does a customer ascertain what rate
2 is available under this LGSD filed tariff?

3 A He would simply request our available rates
4 from Clay Electric, and as a proposed customer, we
5 would be happy to furnish him a copy of the rate.

6 Q Well, let's talk about the generator credit.
7 How do you determine what, if any, generator credit
8 would be offered?

9 A I think we've addressed that in my
10 deposition in that it is a review of the operational
11 characteristics of the particular load, and with an
12 engineering review on it, they make the determination
13 whether or not they qualify, not only for the
14 applicability of a generator program, but the level of
15 the credit.

16 Q Is the availability of that rate at the
17 discretion of Clay Electric?

18 A Yes. The availability of that rate -- let
19 me back up just a moment here. The applicability of
20 the rate is available to all customer classes who meet
21 the character of service and the limitations. All.
22 The LGSD is available to all customers.

23 Q I'm sorry, let me restate that question and
24 ask if the availability of a generator credit in any
25 amount is something that is at the discretion of Clay

1 Electric?

2 A That's correct.

3 Q Now, do you have different generator credit
4 figures that are currently being used by customers
5 availing themselves of a LGSD rate?

6 A Yes.

7 Q And what is the variance in those rates?

8 A It varies from zero to \$4 per month.

9 Q Is there any formula used to calculate the
10 rate?

11 A I not aware of any prescribed formula. As
12 stated earlier, each case is addressed individually.

13 Q And I assume that the generator credit or
14 the LGSD would not be available to residential
15 customers?

16 A That's correct.

17 Q Mr. Barrow, if you can turn to Page 8 of
18 your direct testimony?

19 A Okay. Page 8.

20 Q I'm sorry.

21 A There's not very much on it.

22 Q No, no. Let me strike that.

23 Let me ask you, Mr. Barrow. With respect to
24 other customers that are availing themselves of the
25 LGSD rate with the added feature of backup generation,

1 are there any of those customers that are using those
2 generators in a manner similar to what River City
3 Plastics intends to use them?

4 A Could you be more specific in terms of
5 defining how you are proposing for River City Plastics
6 to use them?

7 Q Well, all right, let me ask you this.

8 A Now, you said just simply for backup in the
9 event of an outage where they can come on line if
10 we're out?

11 Q No. Is it one of your -- is it your
12 understanding that one of the purposes River City
13 Plastics will use these generators for is to avoid the
14 occurrence of momentary interruptions associated with
15 weather-related events?

16 A I think it's important to emphasize again
17 that it's to avoid the occurrence of additional and
18 repeated interruptions.

19 Q So they don't have any desire to avoid the
20 first interruption?

21 A I would certainly think that they would
22 desire to avoid all interruptions, but I think the
23 reality of the situation is that no one can assure a
24 foolproof system in terms of the interruptions. We
25 are not purporting to be able to do that.

1 Q Well, in your discussions with them, with
2 River City Plastics, did they ever indicate their
3 desire -- once you told them of the availability of
4 these generators, did they ever state their intention
5 to use the generators to anticipate inclement weather
6 and then isolate themselves from Clay's system in
7 order to avoid momentary interruptions?

8 A Yes, they indicated they would like to be
9 able to do that.

10 Q So they do have a desire to avoid that
11 initial momentary interruption?

12 A Here again, it would be under the
13 circumstances. Perhaps they may not have -- the
14 weather system is impending for whatever reason, and
15 it would be a judgment call on their behalf. But
16 certainly, if they felt like they needed to turn them
17 on, and they'd call us, we'd turn them on.

18 Q Now, back to the other customers that you
19 serve under this rate. Do any of those customers
20 currently operate in that -- under that scenario?

21 A It would be possible, yes.

22 Q Do you have any personal knowledge of any
23 them that do?

24 A I do not.

25 Q Would they --

1 A You are speaking specifically in advance of
2 momentary interruptions. I'm not aware that any of
3 them are operating in that mode, but it could be
4 happening.

5 Q Okay.

6 A Our engineers or others in our company might
7 keep more detailed records of that.

8 Q But you have no personal knowledge of any of
9 those customers operating in that fashion?

10 A I'm aware that during an outage situation
11 that I do have personal knowledge of some of them
12 operating in that mode, yes.

13 Q Mr. Barrow, can you turn to Page 7 of your
14 testimony?

15 A All right.

16 Q On Line 10, you can tell me if this
17 statement is accurate where you said "His," and I
18 believe that's River City Plastics --

19 A Yes.

20 Q -- "biggest concern is interruption of his
21 manufacturing process caused by even minor glitches,
22 particularly when a storm or lightning approaches the
23 plant. He told us that even a minor glitch lasting a
24 second or two or less causes his equipment to shut
25 down and ruin all the piping that is 'in process.'"

1 Is that an accurate statement?

2 A Yes, sir.

3 MR. LOGAN: No further questions.

4 COMMISSIONER CLARK: Staff?

5 CROSS EXAMINATION

6 BY MS. JAYE:

7 Q Mr. Barrow, how are you today?

8 A Fine, Ms. Jaye.

9 Q I have a few questions for you. You
10 indicated in your summary that you offered River City
11 Plastics your standard LGSD with generator rate; is
12 this correct?

13 A I offered them -- I worded it a little
14 different. We offered them the standard LGSD rate
15 with the installation of the load management backup
16 generators. Yes, we offered that.

17 Q And you indicated that there is not a tariff
18 filed that actually includes the generators as part
19 of --

20 A The load management is a contractual
21 relationship between Clay Electric and the individual
22 customer. And as of this point, we have not filed
23 that as part of the tariff on the LGSD rate. We have
24 not done this previous.

25 Q I'd like to try to understand the generator

1 credit a little bit more. Why is it \$4 for a customer
2 such as River City Plastics? Why not 250 or \$10 or
3 what have you? How is that arrived at?

4 A Ms. Jaye, it's arrived at by an evaluation
5 by our engineers into the cost benefit associated with
6 Clay Electric providing this type of investment in
7 terms of the benefit back to us from the standpoint of
8 the operating of a load management. Different loads
9 are -- there are none the same size. Some are larger,
10 some are smaller, some have real high load factors,
11 some have average load factors, all these variables
12 can enter into it. And the engineering department
13 takes all these factors into consideration and, you
14 know, they can go into a lot of detail where you may
15 be specific about which ones to switch, but I'm not
16 aware of any exact form that we just plug it in and
17 you get the magic answer. It's all that on a
18 case-by-case basis because we are dealing with a very
19 limited number of applications here, contrary to our
20 residential program, for example. And we cannot
21 afford to get into this and make this available unless
22 there is a cost benefit to Clay Electric. We assure
23 ourselves of that before the offer is made.

24 Q Would you ever see a scenario where the
25 generator credit would be greater than \$4?

1 A It's conceivably possible.

2 Q Why did Clay offer River City Plastics load
3 management generation?

4 A We thought it would serve their purposes, it
5 would be something that would be attractive to them
6 operationally, as well as it would be to the benefit
7 in building our total load management program for the
8 benefit of all Clay Electric customers.

9 Q But you didn't offer this to them at first
10 at the beginning of your negotiations?

11 A No, not until we found out how their demand
12 was going to be and how many hours of the week they
13 were going to operate. And as a result -- looking at
14 their load factor and their operational
15 characteristics, we absolutely would not have offered
16 that and would not offer that to anyone until we were
17 totally up to speed on the numbers.

18 MS. JAYE: At this time Staff is going to
19 hand around two exhibits. This will be a late-filed
20 deposition exhibit Derivation of the Dollar Amount Per
21 Kilowatt Credit, as well as a Late-Filed Deposition
22 Exhibit 2, Annual Revenue Requirements for Generators.
23 And Mr. Barrow when you have a chance to look at
24 these, I'd ask you if have seen these documents
25 before.

1 A Yes.

2 Q Were these documents prepared by you or by
3 someone under your direction?

4 A These documents were submitted as a result
5 in my deposition by our engineering department. I did
6 not have personal involvement in the preparation of
7 these documents in response, although it did come off
8 my -- as a result of my deposition.

9 Q To the best of your knowledge though, the
10 information they contain is true and correct?

11 A Insofar as I am able to determine, yes.

12 Q Okay.

13 MS. JAYE: Commissioner Clark, I'd ask that
14 these be marked.

15 COMMISSIONER CLARK: We will mark Late-Filed
16 Deposition Exhibit No. 1 derivation of Dollar Per
17 Kilowatt Credit as Exhibit 7. And Late-filed
18 Deposition Exhibit No. 2, Annual Revenue Requirements
19 for Generators, as Exhibit 8.

20 (Exhibits 7 and 8 marked for
21 identification.)

22 MS. JAYE: Thank you.

23 Q (By Ms. Jaye) If you'd look at the
24 Derivation of the Dollar Per Kilowatt Credit, this
25 would be Late-Filed Exhibit 1 marked as No. 7, I want

1 to ask you some questions about this. Now, you did
2 some of the negotiations leading to signing River City
3 Plastics up with Clay, correct?

4 A That's correct.

5 Q Did you determine that they would not take
6 service from Clay unless Clay offered a \$4 per
7 kilowatt demand credit?

8 A No, I would not say that.

9 Q If you would please review your deposition
10 Late-filed Exhibit 1 and tell me when was the first
11 time that you reviewed this table?

12 A Are we talking about the same document now?

13 Q Yes.

14 A Exhibit 1?

15 Q Yes.

16 A The first time I reviewed this table, it
17 would have been shortly after my deposition, and I
18 believe that was about a month ago, so it's
19 probably -- about three weeks ago maybe.

20 Q Could you tell me, are capital credits
21 generally considered a benefit to the customer?

22 A They are owned by the customer.

23 Q Could you explain how that works then when
24 they are actually given back to the electric provider?

25 A Okay. In the cooperative form of business,

1 our members are our owners. Each electric customer of
2 Clay Electric Cooperative, or other cooperatives, is a
3 member owner. During the course of the year, our
4 margins, which is our excess revenues over expense of
5 operations, are credited to what we call margins and
6 assigned as member capital, and it's kept up with on a
7 pro rata basis based on how much electricity was used
8 by the individual members.

9 Obviously, over a period of time, a large
10 industrial customer would accumulate sizable amounts
11 of capital credit compared to a small residential
12 customer, someone on a water pump. This money is
13 retained for a period of time at the -- subject to the
14 financial condition of our cooperative as determined
15 by our board of directors. It's used for capital
16 improvements and to offset borrowing high cost money
17 to build lines and maintain our operation.

18 When the board of directors makes a
19 determination that it is in the financial interest of
20 the cooperative to declare a refund, they do so. I'm
21 happy to say that for the last many, many years, on an
22 annual basis, our cooperative has refunded sizable
23 amounts. This past year it was approximately \$4
24 million of our margins back to the customers in the
25 years that were applicable at that time. So that's

1 how the capital credit system works.

2 In a private company we call it profits.
3 For example, in an investor-owned environment, the
4 excesses or the profits would ultimately go back in
5 earnings per share to the stockholders of the
6 corporation. Our stockholders are members, and we
7 keep up with it kind of on a similar basis, but it's
8 kept in their account and refunded to them when
9 conditions permit.

10 **MS. JAYE:** Okay, thank you. I would now ask
11 for you to turn to your Exhibit HDB-3. I believe this
12 has come in as part of Composite Exhibit 6.

13 **A** Okay, I'm there.

14 **Q** Did you include several rate comparisons in
15 this exhibit?

16 **A** Yes.

17 **Q** Who prepared these rate comparisons?

18 **A** Different people. This exhibit contains a
19 lot of different information. To my knowledge, there
20 is material contained in here presented by Clay
21 Electric, by Florida Power & Light directly, by
22 Jacksonville Electric Authority directly, as well as
23 through a third party, if you will, Post Buckley's
24 engineering report is formatted in an additional form.
25 So it's from at least four different sources. But I

1 submitted it under my request for documents because it
2 was in my possession in the file.

3 Q Could you tell me if all of the amounts
4 listed on these pages for rate comparisons are
5 correct?

6 A All are not correct, that's correct. All
7 are not correct.

8 Q Could you please tell which ones need to be
9 corrected?

10 A The only one that I could think of right off
11 the bat here is the report on -- from Post Buckley.
12 It's listed as an Appendix F. And if you could bear
13 with me, there are more than one Appendix F. I think
14 you and I went down this road before. But if you look
15 over there under Appendix F, it says typical power
16 bill using Clay Electric Cooperative with generators,
17 rate schedule, and this is in quotes, "LGSD W/GEN,"
18 close quote.

19 On that one, there is an arrow in the
20 calculation of the primary voltage credit per kWh. On
21 that document it's listed as the cost -- as a credit
22 of \$13,906.75. That is an error. The
23 environmental -- or, excuse me, the energy primary
24 voltage credit per kWh should be 5% of that amount.
25 That information was furnished to Post Buckley. This

1 document was generated by Post Buckley, and they
2 simply missed taking the 5%. The correct amount
3 should be \$695.34, not 13,906.75. That is the only
4 instance that I'm aware of, Ms. Jaye, of any errors in
5 the rates. Although I cannot testify on behalf of
6 JEA's or the rates furnished directly by FP&L. I
7 assume them to be correct.

8 Q This error seems to have been repeated on
9 all of the Clay pages, and I don't know if this is
10 Post Buckley who made this error or --

11 A Post Buckley.

12 Q On all of them?

13 A All of the forms that are in that format,
14 Ms. Jaye, that look like that, if you will -- I
15 believe they are even copied to you with a May 9, '96,
16 fax date.

17 Q Yes, that is correct.

18 A Anything, basically, in that ballpark, those
19 are Post Buckley rate charts, and they made that error
20 consistently, although some of them are on different
21 rates that are really not applicable here.

22 Q Were there any other problems with this
23 exhibit, to your knowledge, especially as it relates
24 to the FP&L bills?

25 A Not that I'm aware of. The error here

1 concerned me when I first received it. However, this
2 report, again, was produced by Post Buckley. It came
3 into my possession via River City, and River City had
4 possession of this report quite some time before I
5 did, and they were very much aware that the error had
6 been made and had taken that into account.

7 COMMISSIONER CLARK: Ms. Jaye, let's just
8 take a moment so Rowena can change her paper.

9 (Brief recess.)

10 - - - - -

11 COMMISSIONER CLARK: All right we're back on
12 the record.

13 MS. JAYE: If we could have a moment?

14 COMMISSIONER CLARK: Yes.

15 MS. JAYE: I think we found the appropriate
16 page. This exhibit can be a little bit daunting.
17 Once again, looking at Appendix F, I have a few
18 questions for you. It looks like Post Buckley has
19 included the demand charge per kilowatt demand on the
20 typical power bill using Florida Power & Light rate
21 schedule GSLD-2 as being 1,955. I wonder if you could
22 tell me if that is a correct number?

23 A You said Florida Power & Light schedule --

24 Q Yes?

25 A -- you're talking about Clay, aren't you?

1 Q No, sir.

2 A You want to go to the Florida Power & Light
3 one, right.

4 Q Yes, sir.

5 A Give me a moment. Under which rate, GSD-2?

6 Q Yes. That's the one.

7 A Okay.

8 Q It will be CS-2 and GSLD-2, they both show
9 the same number.

10 A On the 1,955?

11 Q Yes, sir.

12 A Okay, yes.

13 Q And then if you would turn over to
14 Exhibit 3, rate schedules received from Mr. Dave Cobb
15 of the Florida Power & Light Company and look under
16 application.

17 A Is this on their file tariffs?

18 Q Yes, it is.

19 A Okay. Which one?

20 Q This would be for both of them, the GSLD-2
21 and the CS-2. Under application the language is the
22 same. If could you read that second sentence.

23 A Where it says "for electrical service
24 required for commercial and industrial lighting," and
25 so forth?

1 Q Yes.

2 A Okay, go ahead.

3 Q "And customers with demands of less than
4 2,000 kW," the second sentence.

5 A Okay. Go ahead.

6 Q If would you read that in the record, I
7 would appreciate it.

8 A You want me to read where it says
9 "application"?

10 Q Yes, sir.

11 A "For electric service required for
12 commercial and industrial lighting power and any other
13 purpose to any customer with a measured demand of
14 2,000 kW or more. Customers with demands of 2,000 kW
15 may enter -- of less than 2,000 kW may enter into an
16 agreement for service under this schedule based on a
17 demand charge for a minimum of 2,000 kW."

18 Q Given that, would the Post Buckley sample
19 bill here need to be changed, the typical power bill
20 using the GSLD-2 and the CS-2 for Florida Power &
21 Light?

22 A It's my understanding -- you know, these are
23 all hypotheticals, but you want to try to get them as
24 close as you can at this. We don't know, no one could
25 predict exactly how many kW they are going to use on a

1 monthly basis, but we try to get close.

2 In terms of the calculations, we try to get
3 as close as we can based on their past history and
4 everything our engineers know about it. And in this
5 case, I don't know exactly where Mr. Trevin from Post
6 Buckley got the figure 1,955, but I suspect it was
7 probably off a sample one month bill from somewhere,
8 from maybe existing service with JEA.

9 So you could have figured it at 1,955, but
10 that same customer could have used 2,155 the next
11 month or 2,055. They do vary.

12 I have been in this business 21 years, and
13 if I see one that has the same thing ever month,
14 there's something going wrong.

15 Q What would this change mean for the totals
16 at the bottom of the page?

17 A I would ask you on Florida Power & Light's
18 bill to ask them about that because this is their
19 bill, not mine. Obviously, in that situation though,
20 if you used less kW, all other factors being equal, it
21 would lower the price of it.

22 Q Also in Exhibit HDB-3, you include two
23 letters sent to Wayne Lasch by Pete Trevin; is this
24 correct?

25 A That's correct. Those are the letters sent

1 from Mr. Trevin to Mr. Lasch in Jacksonville.

2 Q And these two letters are dated May 8, 1996,
3 and May 16, 1996; is that right?

4 A Yes, that's correct.

5 Q Do these letters contain a recommendation as
6 to which utility should serve River City Plastics in
7 Baker County?

8 A Just a moment. Yes.

9 Q Which is recommended?

10 A Clay Electric Cooperative.

11 Q Was this recommendation based upon the
12 erroneous information contained in the bill
13 comparisons?

14 A No.

15 Q Mr. Trevin's recommendation was based in
16 part on a savings of \$21,475 a month over FP&L. Can
17 we agree that that was an erroneous assertion?

18 A That part of it is erroneous. But even with
19 the corrected number, it's still a positive number in
20 our favor, so it didn't change the outcome.

21 Q When did you become aware of the error in
22 both Clay and FP&L's bill comparisons?

23 A When I received this from River City
24 Plastics, this entire document.

25 Q Did you notify River City Plastics of the

1 error?

2 A Yes.

3 Q What was their response?

4 A They said they knew all about it, no big
5 deal.

6 Q Now, if would you turn to Exhibit 2 that was
7 handed out to you earlier. I believe it's marked as
8 No. 8, Annual Revenue Requirements for Generators.

9 A Okay.

10 Q Please review your exhibit. Do you indicate
11 that peakers, which normally would be located at the
12 substations, are being located on customers' private
13 property?

14 A Again, Ms. Jaye, I can answer that question,
15 yes, they are being located on private property. This
16 document, again, was produced by our engineering
17 department in response to a question in my deposition.
18 I did not produce this document. But it's my
19 understanding, I do know for a fact they are being
20 placed upon private property.

21 Q Then my question would be, why does Clay
22 offer the customer any credit at all when Clay allows
23 the customer to use the generators whenever they need
24 to?

25 A It's a benefit to our customer. It benefits

1 them. And our customers own us, and so it's in our
2 best interest to do everything we can for the benefit
3 of our owner-members.

4 COMMISSIONER CLARK: I'm sorry, Ms. Jaye,
5 ask your question again?

6 Q (By Ms. Jaye) Why does Clay offer the
7 customer any credit at all when Clay allows the
8 customer to use the generators whenever they wish?

9 A It's a two-prong question actually, but we
10 allow them to use the generators, not quite whenever
11 they wish. It's got to be within the contract. We do
12 maintain control over generators, so it's not like
13 they exactly have a carte blanche, you know, just any
14 matter of time and no matter what. Everything is
15 looked at. And it's in the contract when they can use
16 them and when they can't.

17 As far as why do we give the credits,
18 because we are sharing the benefit. This is a benefit
19 to Clay Electric customers as a whole. It's a benefit
20 to them, and we share the cost savings by reducing our
21 peak kW demand with the customer who is allowing us to
22 put it on his private property, and we want him to
23 share in that.

24 Q My question then would be subject, of
25 course, to the contract which would govern the

1 behavior of both parties when load management
2 generators are at question --

3 A That's correct.

4 Q -- it is my understanding, at least in as
5 far as the contract goes in the case we are presently
6 dealing with, that River City Plastics can basically
7 isolate itself whenever it feels the need to: it can
8 isolate itself from the grid by giving the call and
9 turning on the generator.

10 A Whatever the contract says.

11 Q Is there a minimum load requirement for a
12 customer to qualify for on-site generation?

13 A Yes.

14 Q What is that?

15 A I don't have an exact number on it, but it
16 would be substantial.

17 Q Is the group of customers to whom Clay
18 offers on-site load management generators
19 distinguishable from Clay's nonqualifying customers by
20 load?

21 A Are you saying the ones that have the
22 generators, how they're distinguished from the ones
23 that don't?

24 Q Yes, sir.

25 A Sometimes there's no difference at all. We

1 have a number of customers that we've made proposals
2 to entice them to go with the generators, that for one
3 reason or another -- for example, Home Depot wanted it
4 real bad. But the only place they had to put it was
5 in their parking lot next to an apartment complex and
6 they were concerned about the noise. And so, they
7 elected not go with it, for that reason, but they
8 wanted it. So there's a case of somebody who has
9 turned us down. We've had many others turn us down
10 because they don't want to enter into any kind of a
11 contract.

12 Q Yes, but the way you make the distinction
13 between those to whom you offer the generators and
14 those to whom you do not is by load, at least in part?

15 A Load and total operational characteristics,
16 hours of operation, load factor, yes, all of these
17 things.

18 Q Would consumption also factor into this?

19 A Yes. These generators are quite large and
20 something very, very small just wouldn't be
21 cost-effective to put it on a real small load.

22 Q Okay. At this time I'm going to ask Staff
23 to hand around a copy of Rule 21-9.051(7) and (8).
24 And I would ask if you are aware that according to
25 this rule what you have just defined is a rate class?

1 A Okay, I have not seen this. What's your
2 question?

3 Q That if you would turn to the very bottom of
4 the page, it's Rule 29-9.051.

5 A Okay.

6 Q Subsections (7) and (8).

7 A I don't have that.

8 Q It's may be on the back sheet.

9 A It's in 25-9.050?

10 Q 051.

11 A 1, (7), okay.

12 Q (7) and (8) at the bottom.

13 A All right, go ahead.

14 **COMMISSIONER GARCIA:** I think he wanted you
15 to ask the question again.

16 **WITNESS BARROW:** I think so.

17 Q (By Ms. Jaye) Are you aware that the
18 exercise we just went through asking how you
19 distinguish between customers to whom you offer load
20 management generation and those to whom you do not
21 offer load management generation as the definition of
22 a rate class under the rule?

23 **MR. HASWELL:** I would object to the
24 question, that it is calls for a conclusion, that the
25 counsel is suggesting the answer to the question also.

1 This is also -- I object on the basis that Mr. Barrow
2 is not here as a rate structure or a rate specialist,
3 nor is he an attorney.

4 COMMISSIONER CLARK: Staff, you would like
5 to respond?

6 MS. JAYE: We will move on.

7 COMMISSIONER CLARK: I take it you withdraw
8 the question?

9 MS. JAYE: Yes.

10 COMMISSIONER CLARK: All right.

11 Q (By Ms. Jaye) Would you then agree that by
12 identifying a select group of customers who are
13 eligible for a credit, a generator credit, that rate
14 structure is impacted?

15 A I don't see how it impacts rate structure.
16 We don't identify these people until we are able to
17 sit down with them. And I guess you are saying
18 subsequent after we have determined that they might be
19 eligible for it. This is a load -- part of our load,
20 simply part of our load management program. We don't
21 view it as, or have not up until this time reviewed it
22 as, having any impact on our rate structure. We look
23 at it as part of our load management program. And in
24 a load management program, one shoe doesn't fit all.

25 Q I understand, but you've also said that it's

1 not only a benefit to Clay in that it reduces the load
2 that they carry from Seminole, but it is also
3 something that the customer itself may turn on when it
4 needs under a contract to meet its own needs?

5 A That's correct.

6 Q And if that is the case, would the
7 availability of on-site generation not impact rate
8 structure? Because some customers are getting a
9 benefit, some are not, direct benefit.

10 A Well, most all of our residential customers
11 are offered the opportunity to participate in our load
12 management program. We have -- approximately 50% of
13 our residential customers do elect to participate in
14 that program. It is not mandatory. We do not force
15 someone to take our residential program. The same way
16 we don't force anyone, obviously, to -- we don't go
17 out there and tell them we're putting in a generator.

18 So it's customer choice in both cases, but
19 we, up to this point, have not felt like we were
20 affecting the structure. The rate that they are
21 billed on is specifically on the LGSD-2. Their bill
22 does not reflect this credit. The credit is submitted
23 after the fact, after we determine what the billing
24 is. It doesn't have nothing to do with the bill.

25 Q Okay. I believe earlier it was stated that

1 when -- you must go on load management because
2 Seminole has given a call that you would curtail or in
3 some way go on some sort of a load management program
4 with your residential customers by cutting their water
5 heating and their air conditioning, etcetera. Do
6 those residential customers have the option of having
7 generators in their homes to which they may turn in
8 the event they are cut from the grid?

9 A They have an option to install a generator
10 to the house, yes.

11 Q Would this generator be provided by Clay
12 Electric?

13 A No, it would not.

14 Q So they would not have the option of load
15 management generation?

16 A No, they would not.

17 Q But Clay Electric, because it must run 24
18 hours a day, 7 days a week, would have this option
19 even if you had to cut them from the grid, you would
20 give them a call and they could turn on the generator?

21 A You are speaking of the large accounts now,
22 the ones that we have the generator on?

23 Q Yes.

24 A Yes.

25 MS. JAYE: No further questions.

1 **COMMISSIONER CLARK:** Commissioner Garcia?

2 Redirect.

3 **MR. HASWELL:** Yes, thank you.

4 **REDIRECT EXAMINATION**

5 **BY MR. HASWELL:**

6 **Q** Mr. Barrow, to your knowledge did Clay know
7 there was a cost benefit favorable to Clay prior to
8 offering the generator service to River City Plastics?

9 **A** Repeat that again, John, please?

10 **Q** I'm referring to Exhibit 7.

11 **A** Okay.

12 **Q** That Staff referred to. And I believe you
13 indicated you saw this several weeks after your
14 deposition or after your deposition was taken?

15 **A** That's correct.

16 **Q** Do you know whether -- did Clay Electric
17 Cooperative know there was a cost benefit favorable to
18 Clay prior to offering the generator service to River
19 City Plastics?

20 **A** Absolutely. Yes.

21 **Q** Now, also, Ms. Jaye asked questions about
22 the customer getting a credit even when they just
23 asked for use of the generators at their own call.
24 Isn't it true that -- excuse me, that's a direct
25 question.

1 **MR. LOGAN:** Chairman Clark, I would think
2 that would be a pretty tight schedule. Optimistic
3 we'll finish today.

4 **MR. HASWELL:** I think 5:00 is very
5 realistic. We were thinking it might even be before
6 5:00.

7 **COMMISSIONER CLARK:** All right. I think it
8 is going just fine. I was just inquiring. What we
9 will do is go ahead and take a lunch break until -- I
10 guess it's really -- 10 after 1:00 we will come back.
11 Okay. Thank you.

12 (Thereupon, lunch recess was taken at
13 12:35 p.m.)

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15 (Transcript continues in sequence in
16 Volume 2.)

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