

Filings@psc.state.fl.us

From: Webb, Linda C. [LCWEBB@southernco.com]
Sent: Monday, July 30, 2001 3:48 PM
To: 'filings@psc.state.fl.us'
Subject: Docket No. 010441-EU, Territorial Dispute

ORIGINAL



073001 letter.pdf



TSA Testimony.pdf



MWH Testimony.pdf



TSS testimony.pdf

Attached is the official filing of

Gulf Power Company's Prepared Direct Testimony of T. S. Anthony, M. W. Howell, and T. S. Spangenberg to be filed in Docket No. 010441-EU. A total of four files are attached.

The letter document consists of two pages.
Mr. Anthony's testimony consists of 23 pages, including exhibit.
Mr. Howell's testimony consists of seven pages.
Mr. Spangenberg's testimony consists of 17 pages.

A true and certified hard copy will be mailed to the Division of the Commission Clerk and Administrative Services. Gulf looks forward to receiving your acknowledgement that this filing has been received.

<<073001 letter.pdf>> <<TSA Testimony.pdf>> <<MWH Testimony.pdf>> <<TSS testimony.pdf>>

Linda Webb
Gulf Power Company
8-420-6254
850-444-6254

Anthony
DOCUMENT NUMBER-DATE
09281 JUL 30 05
FPSC-COMMISSION CLERK

Howell *Spangenberg*
DOCUMENT NUMBER-DATE DOCUMENT NUMBER-DATE
1 09282 JUL 30 05 09283 JUL 30 05
FPSC-COMMISSION CLERK FPSC-COMMISSION CLERK

One Energy Place
Pensacola, Florida 32520

Tel 850.444.6111



ORIGINAL

July 30, 2001

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

Re: Docket No. 010441-EI

Enclosed is Gulf Power Company's prepared direct testimony from the following to be filed in the above docket:

1. Timothy S. Anthony
2. M. W. Howell
3. Theodore S. Spangenberg

Sincerely,

The original physically signed version of this document is being retained by Gulf Power Company in accordance with the Electronic Filing Requirements of the Florida Public Service Commission

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER-DATE

09281 JUL 30 06

FPSC-COMMISSION CLERK

DOCUMENT NUMBER-DATE

09282 JUL 30 06

FPSC-COMMISSION CLERK

DOCUMENT NUMBER-DATE

09283 JUL 30 06

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to resolve territorial dispute)
with Gulf Power Company in Washington) Docket No.: 010441-EU
County by West Florida Electric Cooperative)
Association, Inc.)
_____)

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished this 30th day of July 2001 by U.S. Mail or hand delivery to the following:

Marlene Stern, Esquire
Staff Counsel
FL Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0863

Gerald Nemec
Enron Compression Services Company
1400 Smith Street
Houston, TX 77002-7361

John Haswell, Esquire
Chandler, Lang, Haswell,
& Cole, P.A.
211 N.E. 1st Street
P. O. Box 23879
Gainesville FL 32602

Bill L. Bryant, Jr., Esquire
Katz, Kutter, Haigler, Alderman,
Bryant & Yon, P.A.
106 E. College Avenue, Suite 1200
Tallahassee FL 32301

Richard Bellak, Esquire
Associate General Counsel
FL Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0863

Frank E. Bondurant, Esquire
P.O. Box 854
Marianna, FL 32447

Mr. William S. Rimes
P. O. Box 127
Graceville, FL 32440

The original physically signed version of this document is being retained by Gulf Power Company in accordance with the Electronic Filing Requirements of the Florida Public Service Commission

JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 0007455
BEGGS & LANE
P. O. Box 12950
Pensacola FL 32576
(850) 432-2451
Attorneys for Gulf Power Company

One Energy Place
Panisacola, Florida 32520

Tel 850.444.6111

RECEIVED-PPSC

01 JUL 31 AM 11:12

COMMISSION
CLERK



July 30, 2001

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

Re: Docket No. 010441-EI

Enclosed is Gulf Power Company's prepared direct testimony from the following to be filed in the above docket:

1. Timothy S. Anthony
2. M. W. Howell
3. Theodore S. Spangenberg

Sincerely,

Susan D. Ritenour (lw)

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

cc: Beggs and Lane
Jeffrey A. Stone, Esquire
Certified a True Copy.

Linda G. Malone
ASST. Secretary
GULF POWER COMPANY

This document was transmitted electronically to the Commission for official filing on July 30, 2001. This is a true and certified copy of the document filed electronically on July 30, 2001.

CCA note: Documents detached - letter only placed in correspondence. *lf*

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to resolve territorial dispute)
with Gulf Power Company in Washington)
County by West Florida Electric Cooperative)
Association, Inc.)
_____)

Docket No.: 010441-EU

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 30th day of July 2001 by U.S. Mail or hand delivery to the following:

Marlene Stern, Esquire
Staff Counsel
FL Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0863

John Haswell, Esquire
Chandler, Lang, Haswell,
& Cole, P.A.
211 N.E. 1st Street
P. O. Box 23879
Gainesville FL 32602

Richard Bellak, Esquire
Associate General Counsel
FL Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0863

Gerald Nemec
Enron Compression Services Company
1400 Smith Street
Houston, TX 77002-7361

Bill L. Bryant, Jr., Esquire
Katz, Kutter, Haigler, Alderman,
Bryant & Yon, P.A.
106 E. College Avenue, Suite 1200
Tallahassee FL 32301

Frank E. Bondurant, Esquire
P.O. Box 854
Marianna, FL 32447

Mr. William S. Rimes
P. O. Box 127
Graceville, FL 32440



JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 0007455
BEGGS & LANE
P. O. Box 12950
Pensacola FL 32576
(850) 432-2451
Attorneys for Gulf Power Company

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 010441-EU

PREPARED DIRECT TESTIMONY

OF

T. S. SPANGENBERG, JR.

JULY 30, 2001



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

09283 JUL 30 2001

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Prepared Direct Testimony of

4 T. S. (Ted) Spangenberg, Jr., P.E.

5 Docket No. 010441-EU

6 Territorial Dispute in Washington County – Enron Compression Services

7 Date of Filing: July 30, 2001

8 Q. Please state your name, address and occupation.

9 A. My name is T. S. ("Ted") Spangenberg, Jr., and my business address is ,
10 1230 East 15th Street, Panama City, Florida, 32405. I am Gulf Power
11 Company's District Manager for the general area of Florida lying between
12 the Appalachicola and Choctawhatchee Rivers, including Washington
13 County. In that role I have responsibility for the Administrative, Customer
14 Service, External Affairs, and Marketing areas, as well as serving as the
15 management team leader for all functions in the district. Additionally, I
16 have Company-wide responsibilities related to antitrust compliance and
17 territorial matters.

18 Q. Please describe your professional background and experience.

19 A. I have a Bachelor's of Electrical Engineering degree and a Master's of
20 Electrical Engineering degree, both from Auburn University. I am a
21 licensed Professional Engineer, with active licenses in Alabama, Florida,
22 and Georgia. I have been employed by Gulf Power or other affiliates of
23 Southern Company for the past 25 years, with professional and/or
24 managerial responsibilities in the Load Research, Market Research,
25 Forecasting, District Operations, Cogeneration, Power Delivery,
Transmission, Substations, Marketing, and Executive areas.

1 Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to present Gulf Power's position and
3 provide facts and information to the Florida Public Service Commission
4 ("Commission") regarding the issues identified in this territorial dispute
5 docket. My testimony, along with the testimony of Mr. Howell and Mr.
6 Anthony, will support Gulf Power's contention that Enron Compression
7 Services ("ECS") should not be denied the right or opportunity to receive
8 economical, reliable electric service at Station 13A in Washington County
9 from Gulf Power as the customer has requested. My testimony will
10 address the boundaries of the disputed area, the nature of that area, the
11 type of utilities seeking to serve the area, and the general character and
12 future expectations for that area for other utility services. My testimony
13 will also speak to whether Gulf Power's service to ECS would cause
14 uneconomic duplication of any facilities and my perspective as to the
15 implications that all of these facts, issues, and conclusions should have
16 upon the Commission's resolution of this dispute.

17

18 Q. What is the area that the Commission should designate as the "disputed
19 area" in this docket?

20 A. The Commission should designate only the confines of the equipment
21 comprising ECS's electric load at Station 13A as the area in dispute. The
22 concept of a "disputed area", in my opinion, exists within the
23 Commission's territorial dispute rules for the more traditional situation
24 where there are two utilities vying to serve the same group of customers in
25 a larger, general area, such as a proposed residential development. That

1 is not the situation in this case. As a matter of practical application,
2 electric utilities actually serve end-use customers rather than prescribed
3 geographic areas. In reality, this dispute is not over which utility is to
4 serve an area, but which utility is to serve a particular customer at a
5 particular location, ECS at Station 13A.

6 Gulf Power is only seeking to serve the ECS electric load at Station
7 13A; it has no intentions of serving any present customer of West Florida
8 Electric Cooperative Association, Inc. ("WFEC") or any future prospective
9 customer where such service would constitute uneconomic duplication of
10 WFEC's facilities. Because Gulf Power has no such intentions, no
11 additional disputes in the general or larger area around Station 13A are
12 reasonably foreseeable.

13
14 Q. What electric utility currently provides service to the area comprising
15 Station 13A?

16 A. There is no utility currently providing electric service to Station 13A and
17 there are no customers currently in that area (as the construction of
18 Station 13A is not yet complete as of the date of this testimony). WFEC
19 has a small, three-phase distribution feeder on the opposite side of River
20 Road, which is the nearest public road to Station 13A. It is from this same
21 feeder that WFEC provides service to the maintenance facilities of Florida
22 Gas Transmission Company ("FGT"), whose gas pipeline monitoring and
23 treatment facilities are in close proximity or immediately adjacent to where
24 Station 13A is to be located.

25

1 Q. Are the electric facilities in the general vicinity of FGT and Station 13A
2 capable of serving the new electric load to be developed in the disputed
3 area?

4 A. No, they are not. Not only are the existing electric facilities in the general
5 vicinity not capable of serving the ECS electric load at Station 13A, those
6 facilities are not capable of serving as the source of origin for facility
7 extensions or upgrades for use in serving Station 13A. The disputed area
8 will contain only one customer, ECS, and, as discussed in the testimony
9 of Gulf Power's other witnesses, this customer is of the size and type that
10 it must be directly served from the low-side buss of a distribution
11 substation. It is doubtful whether WFEC's existing distribution facilities in
12 the vicinity of Station 13A could serve a customer even one-tenth the size
13 of ECS's electric load at Station 13A.

14 This highlights the very reason that the disputed area should be
15 limited to just the area containing Station 13A. With the exception of
16 FGT's existing maintenance facilities that are being served and will
17 continue to be served by WFEC, the area around Station 13A is largely
18 undeveloped. To designate a "disputed area" that encompasses any area
19 outside of Station 13A presents a potential for prematurely awarding
20 service rights regarding an undeveloped area to one utility or the other. In
21 fact, it would eliminate the flexibility the two utilities and this Commission
22 need to determine which utility is in the best economic position to extend
23 service in an undeveloped area when development is ready to occur.

24 Designating an area larger than that of Station 13A as the disputed
25 area would unnecessarily "draw lines on the ground" leading to a potential

1 uneconomic duplication of facilities in the future. As the Commission
2 found in its Order No. PSC-98-0174-FOF-EU (at page 10):

3 “ . . . drawing lines on the ground would result in centralized
4 planning by this Commission which is not the most economic
5 way to determine the service areas because it does not take
6 into account market forces which will dictate the manner in
7 which some of the expansion of facilities is going to take
8 place.”

9
10 Q. You stated earlier that you have Company-wide responsibilities for
11 territorial matters. From that perspective, what conditions have caused
12 this dispute?

13 A. As indicated in the testimony of Mr. Anthony, this dispute developed
14 because WFEC objects to a customer’s decision to choose Gulf Power as
15 its electric supplier. Gulf Power has done all the work necessary to get
16 this customer to bring a new electric load to the area, a load that can only
17 be served by extending facilities from Gulf Power’s existing 230 kilovolt
18 transmission line, the only 230 kilovolt transmission line in the area.

19 This is simply a case of free enterprise at work. Gulf Power and
20 WFEC have both served customers in Washington County for many
21 years. A very large and unique prospective customer, ECS expressed
22 interest in obtaining electric service for electric motor driven natural gas
23 compressors that would be installed as part of a gas pipeline expansion
24 across northwest Florida. This electric powered compression would be
25 installed at a new Station 13A in lieu of natural gas fired compression

1 such as that which has been traditionally used along the existing pipeline.
2 Gulf Power, with adequate capabilities to extend the necessary facilities
3 and knowledge that its service to such a customer would not constitute
4 the uneconomic duplication of any other utility's facilities, responded to the
5 customers' interest and ultimately received a request for electric service
6 from the customer. Gulf, fully meeting its statutory obligation to serve
7 under such circumstances, entered into a contract with ECS to provide
8 electric service as requested by the customer.

9 Just prior to ECS's selection of Gulf Power to provide service to the
10 customer's electric load at Station 13A, WFEC provided ECS with written
11 notice that WFEC may dispute both ECS's right to choose its electric
12 supplier and Gulf Power's entitlement to provide electric service in
13 response to that choice. Immediately following its selection of Gulf Power
14 as its electricity provider, ECS, along with Gulf Power, considered ways of
15 permanently securing and protecting the customers choice of Gulf Power
16 as electric supplier in light of WFEC's threatened litigation. ECS and Gulf
17 jointly initiated a docket with a request to the Commission for a
18 declaratory statement regarding the right of the customer to choose Gulf
19 Power as the electric supplier in this case and the obligation of Gulf Power
20 to provide electric service pursuant to that choice. The "Joint Petition for
21 Declaratory Statement" of ECS and Gulf was scheduled to be considered
22 by the Commission in Docket No. 010265-EI in May of this year. In spite
23 of the decision of ECS to choose Gulf Power to serve Station 13A, and in
24 apparent disregard of the Commission's established concepts regarding
25 customer choice in the absence of uneconomic duplication, WFEC filed its

1 petition in this docket, thus delaying Commission resolution of the
2 question presented by ECS and Gulf in their joint petition for declaratory
3 statement. WFEC's action flies in the face of established precedent that
4 honors the Customer's choice of electric supplier under circumstances
5 that do not lead to uneconomic duplication of existing electric facilities.
6

7 Q. What is the nature of the disputed area?

8 A. Station 13A, or the piece of property that is the site of this prospective
9 customer's electric load, is a vacant piece of land. It has no population
10 and no other utility customers, presently or projected. It can best be
11 characterized as a prospective industrial site particularly suited to natural
12 gas pipeline interaction and/or ancillary services because of its location in
13 close proximity to two existing pipelines and FGT's Station 13. The area
14 has no urbanization, but is located within approximately ten miles of the
15 urban centers of Caryville, Bonifay, and Vernon, Florida, all of which
16 receive their electric utility service from Gulf Power.

17 While Station 13A is to be situated at a location that will be largely
18 surrounded by an area that is clearly rural in nature – with scattered
19 farms, a small electric load density, etc., – Station 13A, itself, is to be an
20 extremely large and dense electric load center. Hence, the site of Station
21 13A is not rural; rather, it is industrial in nature, and will be equivalent, in
22 terms of total electrical load, to a city with a population of approximately
23 10,000 people.
24
25

1 Q. Why should the degree of urbanization of a disputed area be of interest to
2 the Commission in this proceeding?

3 A. The degree of urbanization, as well as the type of utilities seeking to serve
4 an area, are specifically included in the list of parameters or issues the
5 Commission may consider in resolving a territorial dispute pursuant to
6 Section 25-6.0441 of the Florida Administrative Code. I believe this
7 element was listed in this section of the Commission's rule on territorial
8 disputes because it speaks to the total size and density of the electrical
9 load that can be expected in an area and the public policy expectations for
10 the type of utility that should serve it. If the size and density of load is
11 large and high enough, I believe there exists a reasonable presumption
12 that the provision of electrical service to such an area can be expected to
13 be provided under a free enterprise and/or profit driven and supported
14 approach, such that no social welfare approach to the provision of utility
15 service is necessary.

16
17 Q. As one of two utilities seeking to serve the disputed area, what type of
18 utility is Gulf Power?

19 A. Gulf Power is an investor-owned utility and, pursuant to Chapter 366,
20 F.S., is an electric utility with an obligation to serve customers in Florida to
21 the extent such service would not constitute the uneconomic duplication of
22 the facilities of another utility. The investment in facilities, operation and
23 maintenance of facilities, quality and character of electric service, rate
24 structure, rate level, and various other aspects of Gulf Power's electric
25 utility business operations in Florida are regulated by the Commission.

1 Other than the prohibition of uneconomic duplication of another utility's
2 facilities, there are no statutory or regulatory restrictions that would
3 prevent Gulf Power from serving any customer, regardless of the type of
4 customer or nature of the area in which they are located, with retail
5 electric service. In fact, the obligation of service mentioned earlier
6 requires Gulf Power to serve "all-comers" so long as Gulf's service to such
7 new customers would not constitute uneconomic duplication of existing
8 facilities belonging to another utility capable of providing the electric
9 service requirements of the new customers.

10

11 Q. What assurances does the type of regulation under which Gulf Power
12 operates provide to Gulf Power customers?

13 A. Because of the Commission's policies and governance with regard to rate
14 structure and rate level, a customer with electric load requirements such
15 as ECS's at Station 13A that receives service from Gulf Power is offered
16 full public policy protection from pricing discrimination or other inequities
17 related to its retail electric service. The rate schedule under which ECS
18 will receive service from Gulf Power at Station 13A is a standard tariff
19 under the full and complete jurisdiction of the Commission, and is a tariff
20 that exists to serve customers with large loads similar to the character and
21 nature of ECS's electric load at Station 13A. ECS, as well as Gulf
22 Power's other customers, can and do take comfort and financial security
23 in the stability and protection that such regulation affords.

24

25

1 Q. What type of utility is WFEC?

2 A. WFEC is a rural electric cooperative, organized, existing, and operating
3 under Chapter 425, the Rural Electric Cooperative Law, found in Title XXX
4 of the Florida Statutes which is entitled "Social Welfare." As such, WFEC
5 is empowered to distribute and sell electric energy only in "rural areas,"
6 i.e. areas not within the boundaries of a town or village (whether or not
7 incorporated) "having a population in excess of 2,500" (Ch. 425.03 F.S.).
8 Unlike Gulf Power, WFEC's investment in facilities, operation and
9 maintenance of its facilities, and rate level are not regulated by the
10 Commission. The oversight over a cooperative's operations and service
11 pricing rests largely, if not entirely, within its member-owners through a
12 one member – one vote polity.

13 This lack of Commission regulation over the level of WFEC's rates
14 could be very significant for a customer such as ECS at Station 13A.
15 Should Gulf Power be denied the right to serve ECS at Station 13A and
16 that right is awarded to WFEC, the Station 13A electric load would
17 represent a significant portion of WFEC's total load (i.e. in excess of ten
18 percent); however, ECS's role in the governance over WFEC's actions
19 would simply be one member-vote out of the approximately 24,000
20 member-owners of WFEC. This proportion of ECS's load at Station 13A
21 to the total WFEC load means that the revenue WFEC would receive from
22 ECS would be a significant percentage of WFEC's total operating
23 revenue. In other words, there is a huge chasm in the character of ECS
24 as a customer at Station 13A and in the projected magnitude of the power
25 bills of ECS at Station 13A versus those of WFEC's typical customer.

1 Q. Does this difference in the character of customers and magnitude of
2 customer bills present any unusual business risk to ECS at Station 13A?

3 A. Yes, it does. If ECS receives service at Station 13A from WFEC, ECS will
4 face an unusually high business risk whenever WFEC requires additional
5 operating revenue. When such additional revenue is needed, there would
6 be a natural temptation and tendency to place a disproportionately large
7 amount of the increased revenue burden upon a large customer such as
8 ECS at Station 13A. Although inappropriate by public policy norms, the
9 only real, practical protection that ECS would have from such
10 discriminatory rate-setting practices by WFEC would be an appeal to the
11 management, Board of Directors, or general membership gathered in
12 annual meeting as a single member-owner seeking relief versus the
13 interests of the remaining 24,000 member-owners not desiring any
14 revenue increase burden at all. There would be no objective, non-vested,
15 public policy interest, such as this Commission, to which ECS, or any
16 other customer could appeal such debilitating actions.

17 Regulation that is fully fair and objective must be present if it is to
18 serve as an effective surrogate to competition yielding reasonable price
19 controls in a monopoly market setting; the populist form of self-regulation
20 may serve the typical cooperative member in fine fashion, but it could
21 reasonably be expected to be ineffective and inadequate for this unique
22 customer. The rural electric cooperative's form of rate setting and general
23 governance structure can reasonably be construed to present an
24 unacceptably high financial risk for a very large and unique customer such
25 as ECS at Station 13A. This type of "captive customer" concern makes

1 the type of area or customer in dispute versus the type of utilities seeking
2 to serve it a clear and compelling reason for the Commission to uphold
3 Gulf Power's right to serve ECS at Station 13A.

4
5 Q. Do you believe there are any operational concerns that arise because of
6 the types of utilities seeking to serve this type of customer?

7 A. Yes, I do. As Mr. Howell indicates in his testimony, the load or electrical
8 equipment at Station 13A for which ECS has requested electric service
9 from Gulf Power will principally consist of two very large electric
10 compressor motors. The operation of these motors will produce a total
11 peak demand that Gulf Power expects may reach as high as 19,000 or
12 20,000 kilowatts. Gulf Power has at least two other customers with
13 motors in this size class, has large motors in its own generating facilities,
14 has several other customers with peak demands in excess of 10,000
15 kilowatts, and has many other customers that are the singular or majority-
16 load customer being served from the low-side buss of a distribution
17 substation. Gulf Power knows of and understands the operational
18 concerns of these types of customers and has a long history of
19 competency in attending to these concerns.

20 WFEC, by contrast, has no customer with motors this large. In
21 fact, there is no customer served by WFEC with electric motors that even
22 begin to approach this size. Similarly, it does not have even one
23 customer that is the singular customer being served from the low-side
24 buss of a distribution substation. This lack of operating and customer
25 care experience with this type of customer and service arrangement can

1 reasonably be construed to present an unacceptably high operational risk
2 for such a very large and unique customer as ECS at Station 13A. This
3 concern is yet another clear and compelling reason, simply upon its own
4 merit, for the Commission to uphold Gulf Power's right to serve Station
5 13A because of the type of area or customer in dispute compared to the
6 type of utilities seeking to serve it.

7
8 Q. Are there any other aspects of the types of utilities seeking to serve the
9 disputed area that should be considered in resolving this dispute?

10 A. Yes. There is at least one other aspect that should lead this Commission
11 to uphold Gulf Power's right to serve this customer. As a distribution
12 cooperative WFEC simply owns distribution feeders and taps and the
13 associated poles, wire, meters, etc. WFEC has no transmission lines, no
14 transmission switching stations, no distribution substations, no distribution
15 substation power transformers, and no low-side distribution substation
16 busses. Yet this customer, ECS, because of the large size of its load at
17 Station 13A, will have its customer-owned service cables connected
18 directly to the low-side substation buss of the planned Hinsons
19 Crossroads substation. While, presumably, WFEC would have its
20 wholesale power provider, Alabama Electric Cooperative ("AEC") or other
21 wholesale entity construct, own, operate, and maintain such a substation
22 buss and the other necessary up-stream facilities, WFEC itself would
23 have no ownership of any facilities directly used to provide electric service
24 to Station 13A if it was to provide electric service to ECS at Station 13A.
25 In essence, WFEC would be the retail service provider of record and

1 would collect all the retail revenues from ECS for such service to
2 Station 13A, but WFEC would have no investment in any facilities used
3 for such service, with the possible exception of metering equipment
4 (although that is also typically owned by AEC). In essence, WFEC would
5 just be serving as a front for AEC, with the vast majority of the retail
6 revenues collected by WFEC from ECS at Station 13A in turn flowing
7 directly on to AEC. Although WFEC may be the entity that launched this
8 dispute, the vested interest for their position in this dispute, for the most
9 part, lies elsewhere – with operations even further removed from the
10 regulatory influence of the Commission. This, also, presents a significant
11 operating risk for ECS.

12

13 Q. Would Gulf Power's provision of electric service to ECS at Station 13A
14 constitute the further uneconomic duplication of electric facilities?

15 A. No, it would not. WFEC has no facilities currently in place, either on the
16 site of Station 13A or in the vicinity of Station 13A, that could provide the
17 needed service. In fact, WFEC, in and of itself, has no facilities anywhere
18 in its electric system that are capable of serving as a source of origin from
19 which additional facilities could be constructed that could provide the
20 needed service, regardless of where Station 13A was located, much less
21 with a Hinsons Crossroads location. Neither WFEC nor AEC has any
22 facilities that would be duplicated in any fashion, much less
23 uneconomically duplicated, as a result of Gulf Power providing service to
24 ECS at Station 13A.

1 Historically, the Commission has used a comparison of the first
2 cost of construction of each utility's required distribution and
3 subtransmission facilities extension as a convenient, quantitative proxy to
4 indicate whether one utility's facilities have been duplicated by another,
5 and then would determine whether such duplication was uneconomic.
6 The determination that one utility would have a projected construction cost
7 greater than another utility has been used as the primary indicator that the
8 other utility must have had an originating point for its added facilities at a
9 closer distance to the customer or with other relevant advantages and,
10 hence, the portion of the existing facilities that were closer than the other
11 utility's would, presumably, be uneconomically duplicated.

12 As noted in the testimony of Mr. Howell, in order to meet this
13 customer's need for electric service, the uniqueness of the service
14 required and the uniqueness of the required type of facilities from which
15 an extension must originate dictates that either utility must originate its
16 extension from Gulf Power's Smith – Shoal River 230,000-volt
17 transmission line. Otherwise, for WFEC/AEC to build its own 230,000-volt
18 source feed down from its own facilities in Alabama, such action, in itself,
19 would constitute duplication of Gulf Power's 230,000-volt facilities. If there
20 is a prima facie acknowledgement or admission that either utility would
21 have to extend any required facilities from the exact same existing facility
22 as the origin of such extension, no cost comparison is required. The cost
23 of each utility's extension becomes irrelevant for the purpose of awarding
24 service rights, as neither utility's provision of service could constitute
25 duplication of the other utility's non-existent facilities.

1 Because each utility would originate its extension from the same
2 general area of the same transmission line and no duplication could occur
3 or would result, this Commission should not have to concern itself with
4 whether a utility is sacrificing long-term operating and/or maintenance
5 costs in order to achieve a “low-ball” first cost of construction that is lower
6 than the first cost of construction for the competing utility. This should
7 remove any temptation to depart from lowest full, life-cycle ownership
8 costs in each utility’s selection of the type of construction, type of
9 materials, size of right-of-way, or other issues that can represent trade-
10 offs between “first costs” versus “full costs.”

11 As I indicated earlier, cost comparisons serve as a convenient,
12 quantitative proxy to aid in resolving the issue of whether and how much
13 duplication of facilities has occurred. If the absence of any duplication of
14 facilities is clear and determinative on the basis of other undisputed facts,
15 a comparison of up-front construction costs is irrelevant and unnecessary
16 in the resolution of a territorial dispute.

17

18 Q. Which utility does the customer prefer to serve the disputed area?

19 A. It is clear, through the execution of its contract with Gulf Power, that ECS
20 prefers to receive its electric service at Station 13A from Gulf Power.

21

22 Q. Does this conclude your testimony?

23 A. Yes, it does.

24

25