

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 100304-EU

REBUTTAL TESTIMONY AND EXHIBITS
OF
THEODORE S. SPANGENBERG, JR.

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DOCUMENT NO. DATE
02901-11 4,27,11
FPSC - COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Rebuttal Testimony of
4 Theodore S. Spangenberg, Jr.
5 Docket No. 100304-EU
6 Date of Filing: April 27, 2011

7 Q. Please state your name, business address, and occupation.

8 A. My name is Theodore S. "Ted" Spangenberg, Jr. My business address is
9 One Energy Place, Pensacola, Florida, 32520. I am the Director of
10 Military Affairs and Special Projects at Gulf Power Company.

11 Q. Are you the same Theodore S. Spangenberg, Jr. that provided direct
12 testimony on Gulf Power's behalf in this docket?

13 A. Yes.

14
15 Q. Mr. Spangenberg, what is the purpose of your testimony?

16 A. My testimony is in rebuttal of the testimony of Choctawhatchee Electric
17 Cooperative, Inc. ("CHELCO") witnesses Leigh Grantham and Matthew
18 Avery. Specifically, I will point out concerns with many aspects of their
19 testimony including CHELCO's maximizing its investment to serve its
20 members, its claim of service rights due to some notion of historical
21 presence, its characterization of the "planned service area," its claim that
22 CHELCO's provision of service to Freedom Walk would put downward
23 pressure on existing members' rates, and its claim that Gulf's provision of
24 service to Freedom Walk would force CHELCO to remove its facilities on
25 the property and have members taken from CHELCO.

1 Q. Have you prepared exhibits that contain information to which you will refer
2 in your testimony?

3 A. Yes. I have three exhibits which were prepared under my supervision and
4 direction. Exhibit TSS-2 is a composite aerial photo depicting the
5 Freedom Walk development and surrounding areas. Exhibit TSS-3 is a
6 March 2008 email from Mr. Avery and Exhibit TSS-4 is CHELCO's 2009
7 Load Forecast for its Auburn substation.

8

9 Counsel: We ask that Mr. Spangenberg's Exhibits TSS-2, TSS-3
10 and TSS-4 be marked consecutively as Exhibit No.'s _____, _____,
11 and _____.

12

13 Q. Does Ms. Grantham's testimony speak to the definition or description of
14 the boundaries of the Freedom Walk development?

15 A. Yes, it does, but in a way that is contrary to CHELCO's own petition that
16 originated this dispute.

17 For instance on page 6, line 13 of her testimony, she introduces her
18 Exhibit LVG-2 as having an overlay that shows the area in dispute. While
19 that overlay contains some bold lines that should actually limit the
20 disputed area, her testimony implies that the entire area in the overlay is
21 the subject of the dispute. She further indicates, beginning on line 17, that
22 she believes that the plat given to CHELCO by the developer's consultant
23 is the appropriate reference on this matter. Finally on line 21, she claims
24 that part of the development is within the city limits and part of it is not.

25

1 All of these references to the boundary of the development are
2 inconsistent with CHELCO's petition that originated this dispute. The
3 petition plainly states that the "disputed territory" is a "proposed new
4 development known as Freedom Walk" that is depicted on Exhibit "A" to
5 the petition. (Petition Paragraph 6) The referenced Exhibit "A" plainly
6 contains bold lines that limit the definition of the development. On page 6,
7 line 17 of Ms. Grantham's testimony, as noted earlier, she references a
8 plat that she used for her Exhibit LVG-2, but she fails to note that the plat
9 she used was preliminary and has not been approved for final use.

10

11 Q. How can we know that the bold lines on Exhibit "A" to CHELCO's petition
12 were not intended to denote the city limits rather than the area in dispute?

13 A. The legend on the Exhibit makes it plain that the city limits are intended to
14 be depicted by the yellow shading rather than the bold lines.

15

16 Q. You mentioned that Ms. Grantham testified that part of the development is
17 contained within the Crestview city limits and part of it is not. Why do you
18 take issue with that characterization?

19 A. Foremost, the description is inconsistent with Exhibit "A" to the petition,
20 the boundaries of the Freedom Walk Community Development District and
21 the unqualified admissions in paragraph six of the petition that "the
22 development is within the City of Crestview's corporate limits."
23 Additionally, she fails to mention the relative size of the new out-parcels
24 under her proposed definition. In fact, under her new definition, only three
25 percent of the development would fall outside the city limits.

1 Q. Why might CHELCO be attempting to re-define the area in dispute,
2 despite the plain definitions provided in CHELCO's petition?

3 A. The most obvious reason is that the expansion of the definition of the
4 development allows CHELCO to argue that it presently serves three
5 members in the area planned for the Freedom Walk development.
6

7 Q. Are you saying that CHELCO does not currently serve any members in
8 the area in dispute, as that area is defined in CHELCO's petition?

9 A. Yes, that is precisely the case.
10

11 Q. Do portions of Mr. Avery's testimony introduce some of the same
12 confusion and concerns?

13 A. Yes, they do. On page 2, line 3 of his original direct testimony he
14 responds in the affirmative to a question as to whether CHELCO currently
15 serves members within the Freedom Walk development, but yet qualifies
16 the answer to be as to the "developer's designated boundary." Obviously,
17 the developer has put forth more than one version of the designated
18 boundaries. The one Mr. Avery chooses to reference in this answer is not
19 the final plat. It is not the set of boundaries that CHELCO used in filing its
20 petition, and it is not the one for which the developer successfully
21 requested the city to form a Community Development District.
22
23
24
25

1 Q. If it is determined that these three “excepted” out-parcels are to be
2 included in the “disputed area,” will their inclusion have any impact on the
3 nature or character of the “disputed territory?”

4 A. No, it will not. If they are included it would only be because it has been
5 determined that they will, at some point, be part of the Freedom Walk
6 development. As such, it would be my expectation that those out-parcels
7 would also be annexed into the city limits of Crestview and would have all
8 of the same urban amenities and characteristics as the rest of the
9 development.

10

11 Q. Does Mr. Avery’s testimony speak to the presence of active members and
12 facilities in these out-parcels?

13 A. Yes. It does so in a way which erroneously implies that these customers
14 and facilities are located within the defined area in dispute. Yet, they are
15 not. It is paradoxical that in the same section of his testimony in which he
16 speaks of these members being “within the Freedom Walk Development,”
17 he then acknowledges that Freedom Walk does not yet exist as it has “not
18 been developed yet.” (page 3, line 7).

19 In that same general portion of his testimony, he makes reference
20 to the single-phase services that CHELCO currently has in place and then
21 goes on to make the statement that if Gulf is allowed to serve Freedom
22 Walk “CHELCO would be forced to remove our facilities and have
23 members taken from us.” (page 3, lines 14-16). What is misleading about
24 this statement is that if Freedom Walk is developed and constructed as
25 depicted on the preliminary plats that CHELCO has now chosen to adopt,

1 these out-parcels would have to be sold to the developer, these existing
2 premises would be removed from the property, and the existing single-
3 phase services would have no legitimate use in serving the future
4 development. This will occur regardless of whether Freedom Walk is
5 served by Gulf Power or CHELCO.

6 In other words, it will be the construction of Freedom Walk, not
7 service by Gulf Power, that will require CHELCO's existing facilities in the
8 out-parcels to be removed and these members to no longer be served at
9 these currently existing premises.

10
11 Q. Does CHELCO's testimony provide information on the nature of the area
12 in dispute?

13 A. Yes, but it is contradictory. For instance, on page 8, beginning on line 9,
14 Ms. Grantham describes the Freedom Walk area as being "an
15 undeveloped wooded tract," and goes on to state that there are no roads,
16 water or sewer services. These statements appear to be provided in an
17 attempt to characterize the Freedom Walk area as having some rural
18 characteristics.

19 However, CHELCO's petition makes it quite clear that what is in
20 dispute is not a wooded tract, but the Freedom Walk development as
21 proposed to be built. It states "The disputed territory is a proposed new
22 development known as Freedom Walk" (Petition Paragraph 6). Ms.
23 Grantham's own testimony on page 6, line 1 and following confirms that
24 this dispute is over an urban development, not trees and dirt. Further, her
25 testimony on page 3, line 13, characterizes this as a "high density, high

1 revenue development.” Consequently, Ms. Grantham’s observation that
2 the property is presently wooded should have no bearing on this case.

3 Mr. Avery’s testimony introduces some of the same contradiction.
4 On page 9, beginning at line 17, he states that “Freedom Walk will not
5 develop to full build-out overnight” and so he claims that CHELCO has
6 adequate facilities in place today. Again, this is inconsistent with the
7 position articulated by CHELCO in its petition as to what is in dispute.
8 Hypothetical statements or individual opinions as to when Freedom Walk
9 will be built-out are irrelevant and distractive to the true dispute at hand,
10 and that is the full development as described in CHELCO’s petition that
11 launched this dispute.

12

13 Q. Does CHELCO’s testimony acknowledge the plans for a YMCA complex
14 as part of the development?

15 A. On page 5, line 12, Mr. Avery admits that there will be “potentially a
16 YMCA”. In fact, the developer’s plans include the YMCA and, as such, it
17 is part and parcel of what is in dispute. The YMCA of Northwest Florida’s
18 Emerald Coast, Inc. purchased its parcel in March of 2008, according to
19 the Property Appraiser’s records, and this urban recreational facility is to
20 be included within the development and the Community Development
21 District. Gulf Power’s direct testimony in this docket stated that the
22 developer owns all of the property on which the disputed development will
23 be built, but we now know the YMCA site is an exception to that.

24 Because the property for the YMCA is owned by a separate entity,
25 the development order for its construction from the city may have to be

1 obtained separately from the rest of the development, but it will still be
2 “part and parcel” of the Freedom Walk development.

3

4 Q. Do you agree with that portion of Ms. Grantham’s testimony on page 3,
5 line 10, which claims that CHELCO has made a substantial investment in
6 order to serve electric consumers in the Freedom Walk development
7 area?

8 A. I would agree that substantial investments have been made many years
9 ago, though not specifically to serve Freedom Walk. In fact, Mr. Avery’s
10 testimony indicates that the large conductor installed in 1983 which abuts
11 the property has not only been able to handle all of the load growth since
12 that time, but will be able to handle the massive 4,700 kilowatt load of the
13 disputed development. It appears that CHELCO’s investment was not
14 only “substantial,” but it was also put in place many years in advance of
15 when it was really needed. This could easily be construed as an attempt
16 to “stake out territory” in a “race to serve,” recognizing that Gulf Power has
17 long been serving customers just to the south and east of this
18 development. In fact, Gulf Power has been serving a customer located
19 immediately adjacent to this disputed development since as early as 1955.

20 Ms. Grantham’s testimony suggests that the fact that CHELCO
21 made this uneconomic investment, much of it years before it was needed,
22 gives CHELCO an intrinsic right to maximize its future use. This notion is
23 simply unfounded.

24 The Commission has no obligation to protect a rural electric
25 cooperative, or any other utility, from the consequences of investments

1 that are speculative, uneconomic at the outset, or the result of efforts to
2 “stake out territory.” In fact, in my years of experience with territorial
3 matters in Florida, there have been instances when the Commission has
4 specifically cautioned utilities about engaging in such practices.
5

6 Q. Does Mr. Avery’s testimony also imply an intrinsic right to serve?

7 A. Yes, it does. On page 11, lines 12-13, of his original direct testimony, he
8 states that the Freedom Walk development is “squarely in our existing and
9 planned service area.” To Gulf Power’s knowledge, the Commission has
10 never designated this area as being CHELCO’s existing or planned
11 service area. These are clearly presumptions that CHELCO is now
12 espousing, even in the absence of any obligation to provide service in this
13 region. If CHELCO makes its own internal judgments as to regions it
14 plans to serve without any authorization or confirmation by this
15 Commission, it does so as a normal business risk.

16 Further, I question how Mr. Avery arrived at the characterization of
17 Freedom Walk being “squarely in” CHELCO’s existing service area, as it is
18 obviously located between regions where CHELCO currently provides
19 some retail service and those where Gulf Power currently provides retail
20 service. Also, it is troubling that CHELCO would publicly claim this
21 particular region, the site of the planned development, as its current
22 “planned service area” when it is clearly within the city limits of Crestview.
23 By law, this area is certainly not a “rural” area which CHELCO would be
24 permitted to serve.
25

1 Q. Please comment on CHELCO's claim that allowing Gulf Power to serve
2 Freedom Walk will deprive CHELCO's others members of an opportunity
3 to average down their cost of service.

4 A. Ms. Grantham makes this claim on page 3, lines 18-20 of her testimony.
5 However, CHELCO fails to offer any testimony or other evidence to
6 support that claim. While Mr. Avery's testimony lists some of the
7 upgrades that CHELCO would need to perform to serve Freedom Walk,
8 no full cost accounting has been provided.

9 According to Mr. Avery's testimony, CHELCO has not yet analyzed
10 all of the upgrades and associated costs it would need to incur in order to
11 serve the development in dispute. As CHELCO has not provided the cost
12 estimates for all of the needed improvements, there is no way to
13 determine whether its service to Freedom Walk would average down the
14 cost of service to all other CHELCO members or average it up. Once all
15 operational and cost impacts are fully considered by CHELCO and
16 PowerSouth, there is the possibility that CHELCO's providing service to
17 Freedom Walk could actually cause the rates charged to all its members
18 to actually be higher than they otherwise would be.

19

20 Q. Does CHELCO make an assertion that it has had a historical presence in
21 the general area where the disputed development will be situated?

22 A. Yes. Ms. Grantham makes that assertion first on page 3 and then on
23 page 12, lines 12-13 of her testimony. She even indicates there that
24 CHELCO's claim of an exclusive historical presence is the principal
25 reason why CHELCO initiated this dispute. That testimony erroneously

1 implies that this presence is exclusive to CHELCO and does not include
2 Gulf Power, which is certainly not the case.

3

4 Q. Based on your experience with territorial matters in Florida, has the
5 Commission typically given weight to historical presence?

6 A. No, it has not. A utility's mere presence in a general area in past years,
7 even if it was exclusive, has been given little consideration in the
8 resolution of territorial disputes. Simple presence does not speak to the
9 nature of the area, the nature of the utilities seeking to serve the area, the
10 adequacy or cost of the facilities necessary to provide the requested
11 service, or customer preference. Hence, historical presence is not listed
12 in the elements for consideration in the Commission's rules with respect to
13 resolving territorial disputes.

14

15 Q. Have there been specific instances when the Commission has rejected a
16 bona-fide claim of historical presence as an element for consideration in
17 the resolution of a territorial dispute?

18 A. Yes. The most recent instance was in Docket No. 010441-EU in which I
19 served as a territorial dispute resolution policy and practices witness.

20 In that territorial dispute, there was a new customer with unique
21 service needs at a specific location. The general area surrounding that
22 location for several miles was clearly and extensively rural in nature. A
23 rural electric cooperative served all of the existing customers within that
24 general area – some of them within a few hundred feet or less of the
25 prospective customer. Gulf Power's nearest retail customer was

1 approximately six miles away. The nature of the load to be served, a large
2 motor load, was such that each utility would have to build essentially the
3 same facilities in order to provide service. The customer preferred that
4 Gulf Power provide the needed service.

5 In that case, all other factors were essentially equal with the
6 exception of historical presence and customer preference. Gulf Power
7 acknowledged the exclusive historical presence of the rural electric
8 cooperative but argued that historical presence had no relevance in the
9 resolution of the dispute. In its Order No. PSC-01-2499-FOF-EU, the
10 Commission agreed with Gulf Power and awarded it service. The rural
11 electric cooperative appealed the decision to the Florida Supreme Court
12 with its principal claim on appeal being its exclusive historical presence in
13 the area. In its Order No. SC02-176 the Court rejected the cooperative's
14 argument and upheld the Commission's earlier decision. That
15 precedential case serves as a reminder that what should be dispositive in
16 the resolution of disputes is what is to be served in the future, not what
17 was served in the past.

18
19 Q. In this present dispute, does CHELCO have an exclusive historical
20 presence or even one that pre-dates Gulf Power's presence?

21 A. No, it does not. Gulf Power has been providing continuous service in the
22 city of Crestview since 1928—nearly thirteen years before CHELCO's
23 formation. Moreover, as I noted earlier, Gulf Power has been serving a
24 customer situated immediately adjacent to the disputed development
25 since 1955. Gulf Power is certainly not "trying to move into an area," as

1 Ms. Grantham states on page 12, line 12, but has, in fact been there for
2 quite a long period of time.

3 Page 1 of my Exhibit TSS-2 to this rebuttal testimony provides a
4 composite depiction of the area of and around Freedom Walk. The
5 disputed Freedom Walk development is labeled with the letter "A". The
6 immediately adjacent residence that Gulf Power has been serving since at
7 least 1955 is labeled on this photo/map with the letter "B". Contrary to Ms.
8 Grantham's assertion that CHELCO has been exclusively "serving the
9 area" (page 12, line 14), all of the residential dwellings seen in this aerial
10 photo to the south of Freedom Walk are served by Gulf Power. That
11 general residential area is labeled on this map with the letter "C."

12 The Davidson Middle School is labeled with the letter "D." A major
13 shopping center is labeled with the letter "E" and Crestview High School
14 with the letter "F". There is a plethora of mixed commercial enterprises
15 located in this same general area continuing on south to the region
16 labeled with the letter "G." The Crestview Post Office, several bank
17 buildings, and a variety of other commercial enterprises are in these
18 regions. All of these are located within approximately one-half mile or less
19 of the boundary of the disputed development and are served by Gulf
20 Power Company.

21 To assert that CHELCO has an exclusive historical presence in this
22 area, and to rely upon that assertion as the basis for filing a territorial
23 dispute with this Commission in this instance is ill-founded and without
24 merit.

25

1 Q. Does CHELCO's testimony proffer any mischaracterizations of Gulf
2 Power's regulatory construct?

3 A. Yes, on page 11, line 4, Ms. Grantham states that Gulf Power is
4 "guaranteed a rate of return," and that is certainly not the case. Rather,
5 Gulf Power and other investor owned utilities providing service throughout
6 Florida under the regulation of this Commission are provided the
7 opportunity to earn a rate of return within an allowable range. There is no
8 guarantee that an investor owned utility will achieve a rate of return within
9 the allowed range, and, in fact, Gulf Power's achieved return is currently
10 below the bottom of its allowed range.

11 Additionally, on page 11, lines 10-12, Ms. Grantham makes an
12 erroneous, unsubstantiated claim that "Gulf Power's other customers will
13 suffer incrementally higher rates to cover the costs the developer did not
14 pay" with respect to Gulf Power's Line Extension Policy. Gulf Power's
15 Line Extension Policy that addresses underground distribution facilities is,
16 in fact, intended to specifically ensure that Gulf's customers do not provide
17 any subsidies or incur higher rates because of a developer's decision to
18 install underground facilities for the benefit of his future lot or home
19 purchasers.

20

21 Q. Does Ms. Grantham's testimony offer an untenable position with respect
22 to the developer's role as a proxy or prospective agent for the future
23 customers that will comprise Freedom Walk?

24 A. Yes. On page 11, lines 13-14, her testimony specifically points out that
25 "the developer is not the electric customer at Freedom Walk." She further

1 states that the “people that that buy the lots and houses from the
2 developer are the customers.” Those statements imply that the developer
3 is not a legitimate agent for those future residents on any matter, which
4 would include the expression of a preference for an electric supplier.

5 As indicated in Gulf Power’s direct testimony, most specifically that
6 of Witness Johnson, the developer is the only entity that can practically
7 make decisions about such critical elements as the infrastructure for a
8 development.

9 Under Ms. Grantham’s view, at the time a development might be
10 the subject of a dispute over an infrastructure provider, there could be no
11 ultimate customer to express a preference. Moreover, accepting her
12 notion that the developer is not the customer or a bona-fide agent of the
13 ultimate customers would render moot the portion of the Commission’s
14 own rules with respect to consideration of customer preference in a
15 territorial dispute. Clearly, there is Commission precedent in the
16 resolution of territorial disputes where the developer’s preference for a
17 utility provider was given appropriate weight.

18
19 Q. Does Ms. Grantham’s testimony erroneously suggest that the developer of
20 Freedom Walk has expressed its preference for Gulf to serve the
21 development because Gulf will charge less than CHELCO for
22 infrastructure within the development?

23 A. Yes. However, no evidence has been offered in support of this allegation
24 and I do not believe it to be true. Further, based on Gulf Power’s review of
25 correspondence between CHELCO and the Freedom Walk developer, it

1 appears that the developer's preference for service from Gulf Power was
2 likely influenced by the developer's previous negative experience with
3 CHELCO. A copy of an email that demonstrates this is included as page
4 1 of my Exhibit TSS-3 attached to this rebuttal testimony.
5

6 Q. Does the testimony of any CHELCO witness make any specific allegation
7 as to any uneconomic duplication of CHELCO facilities that would ensue
8 should Gulf Power serve the Freedom Walk development?

9 A. No, there is no allegation of any specific duplication of facilities, much less
10 uneconomic duplication. On page 13, line 3, Ms. Grantham implies that
11 "duplication of service" will exist, but provides no evidence in support of
12 this suggestion. CHELCO has not provided any quantification of
13 duplication, nor any identification of what elements of duplication on Gulf's
14 part would be uneconomic. Further, nowhere in the testimony of any
15 CHELCO witness is there submitted any proposed method for determining
16 duplication, much less uneconomic duplication, for disputes in general or
17 this dispute in particular.
18

19 Q. Do you agree with Mr. Feazell's rebuttal testimony, particularly those
20 portions in which he describes CHELCO's plan to allow PowerSouth to
21 operate much of their Auburn substation equipment at 97% of its rated
22 capacity?

23 A. Yes, I believe that he has accurately portrayed the loading that CHELCO
24 has planned, and properly contrasted that to the rating of the equipment.
25

1 Q. Do you believe it constitutes prudent engineering and operating practice
2 for CHELCO to propose that PowerSouth operate elements of its Auburn
3 substation at 97% of their rated capacity in order to serve the Freedom
4 Walk development?

5 A. No, I do not. Based on my prior experience as the Manager of
6 Transmission for Gulf Power, which included oversight of the Substation
7 Department and the System Control Center, and my years of experience
8 as the Substation Manager for Southern Company Services, I am
9 surprised that CHELCO would propose that PowerSouth operate that
10 equipment with such inadequate operating margins. Frankly, I have
11 serious doubts that PowerSouth would ever agree to such inadequate
12 operating margins.

13 While it is CHELCO that would suffer the poor reliability, customer
14 dissatisfaction, and other operating issues that would be put at risk in such
15 an ill-advised plan, it is PowerSouth who would suffer the equipment
16 damage, equipment loss, and repair, replacement and reconstruction
17 costs that would unnecessarily and unwisely be put at risk under such a
18 plan.

19 It would be paradoxical, in the extreme, if CHELCO were to hold to
20 its position that upgrading a section of its 394 AAAC feeder would
21 otherwise be needed and performed when only projected to be loaded at
22 63% of its capacity, while also holding to a position that critical substation
23 elements with projected, probable loadings of 97% would not need to be
24 upgraded or otherwise addressed. Compounding this paradox is the fact
25 that the feeder section only serves a portion of the load in that general

1 area while the critical substation elements are essential for service to
2 every single member and account served by CHELCO out of the Auburn
3 substation.
4

5 Q. What factors cause you to state that planning to operate certain
6 components of a substation at 97% of their rated capacity would constitute
7 an inadequate operating margin?

8 A. I readily agree with CHELCO's System Design and Operational Criteria
9 that states that the maximum loading conditions for circuit breakers,
10 reclosers, busses and switches should be 100% of the winter continuous
11 rating.

12 A 97% planned loading condition for the winter peak load is
13 irresponsible, because it fails to account for the wide variations in actual
14 loading that can be caused by weather extremes. CHELCO's own
15 experience in recent loading at the Auburn substation provides an
16 excellent case in point, and specifically demonstrates the wide variations
17 in load that the customers uniquely served by this substation can cause on
18 the distribution system.

19 In its response to Gulf Power's Third Request for Production of
20 Documents (Page 211, attached hereto as Exhibit TSS-4), CHELCO
21 indicated that its official 2009 Load Forecast projected that the probable
22 loading of the Auburn substation in the winter of 2009-2010 would be
23 17,790 kilowatts. This is contrasted with the actual load that CHELCO
24 experienced at the Auburn substation on January 11, 2010 (winter of
25 2009-2010) of 20,495 kilowatts. In other words, the actual load at the

1 Auburn substation was a full 15% higher than what had been projected
2 less than a year earlier. This was almost certainly due to weather
3 extremes with the low temperatures being well below those that were
4 expected for a probable winter peak. While a 15% variation due to
5 weather extremes is a little unusual, and could be attributed to a quite rare
6 weather event, my prior experience as Gulf Power's Supervisor of
7 Demand Forecasting and my training in weather and econometric
8 modeling techniques assures me that variations of 10% on projected
9 winter peak loads must be readily considered in projecting a need for
10 facility upgrades. The probability that any particular peak winter load
11 could be as much as 10% above the base-line projection is high enough
12 that facilities that can handle such variations must be in place.

13 Some of CHELCO's customers might have some willingness to
14 accept the necessity of "brown-outs" during a 100-year weather event, but
15 I doubt that many would have such an understanding for a 5-year or 10-
16 year weather event.

17 Even CHELCO's own System Design and Operational Criteria
18 anticipates that the 100% rated loading limits on substation breakers,
19 reclosers, switches, and busswork should be applied for "extreme load
20 forecasts." Typically, an "extreme load forecast" would take into account
21 the possibility of extreme weather variations and would have a planning
22 load that is higher than the "probable" load forecast. However, it appears
23 that Mr. Avery's references in his direct and supplemental direct testimony
24 to substation equipment limitations was in the context of "probable"

1 loadings rather than the "extreme" loadings contemplated by CHELCO's
2 System Design and Operational Criteria.

3

4 Q. Does this concern over operating margin get worse over time or better?

5 A. It clearly gets worse. If CHELCO's normal load growth in the area served
6 by the Auburn substation continues as CHELCO expects, then by the
7 winter of 2014-2015 it would be experiencing 100% loading on these
8 same substation components with just normal weather. This would be the
9 case if CHELCO were serving the Freedom Walk development; therefore,
10 the upgrades would certainly need to occur in order to provide that
11 service. Without serving Freedom Walk, the loading on those same
12 Auburn substation components would only be 70% of rated capability and
13 no upgrades would be required.

14

15 Q. What impact does this conclusion have on the facilities that CHELCO
16 would have to put in place in order to adequately serve Freedom Walk in
17 addition to their normal load growth in the general area?

18 A. This conclusion leaves no doubt that the components of the Auburn
19 substation that Witness Feazell has identified as requiring upgrade must
20 certainly be upgraded if CHELCO is to plan to provide adequate and
21 reliable service to the Freedom Walk development. This is true whether
22 the development reaches full build-out in 2014, 2015 or sometime
23 thereafter. The costs of those upgrades must be included in the costs for
24 CHELCO to provide adequate and reliable facilities to the development.
25 The costs of those upgrades must be included in any quantification of the

1 extent of duplication of facilities, and provide ample and further evidence
2 that CHELCO's provision of service to Freedom Walk would cause a
3 duplication Gulf's facilities, not the other way around.
4

5 Q. Would the cost for the substation upgrades be incurred by PowerSouth
6 rather than by CHELCO?

7 A. Yes, it is my understanding that some, if not all, of the up-front costs of
8 substation upgrades or modifications are paid for by PowerSouth,
9 CHELCO's power supplier. However, the cost of that investment must
10 ultimately be borne, over time, by PowerSouth's members. This then
11 causes the wholesale power costs charged to all of CHELCO's members
12 to increase to cover that added investment. In the determination of any
13 duplication of facilities it is most appropriate to treat all necessary facility
14 upgrade costs as if they were directly incurred by the utility seeking to
15 provide service.
16

17 Q. Earlier you mentioned the risk of substation equipment damage or loss
18 when relying upon inadequate operating margins. Could you please
19 explain that risk?

20 A. Yes, I can. Substation breakers and switches have a natural loss of life
21 from normal operating conditions. When they are overloaded, this loss of
22 life is accelerated. For a switch in particular, the failure from the
23 accelerated loss of life could result in a catastrophic failure. Catastrophic
24 failures for switches normally occur in one of two forms. They either form
25 an arc, that can "arc weld" the conducting path away until the arc finds a

1 path to a different potential, at which point a fault occurs and the protective
2 devices should clear the fault. The other form of failure occurs when the
3 insulators on the switch fail. Typically, when the insulators fail, there is a
4 violent spraying of porcelain which can damage nearby equipment,
5 causing additional failures. In other words, you get a cascading effect
6 and the damage of multiple pieces of equipment.

7 The failure of a breaker is a much more serious situation. Breakers
8 are part of the protection schemes in place to deal with fault conditions. If
9 the rating of the breaker is exceeded, it can compromise its ability to
10 interrupt faults, which can lead to failures of other equipment inside the
11 substation due to the original fault conditions not being cleared. The
12 failure of not clearing faults inside substations has led to catastrophic
13 failures of transformers, which typically means the entire substation must
14 be rebuilt.

15 As you might imagine, in addition to the resulting immense cost of
16 literally rebuilding the substation, there is also the accompanying extended
17 outage. Such an outage would be aggravated by the fact that the
18 overloading that initiated this sequence would have been at the time of
19 peak load. The resulting restoration time for all customers would likely be
20 a matter of days rather than just hours.

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1 Q. Earlier in your testimony, you referred to 394 AAAC reconductor work. Is
2 it your understanding that CHELCO will have to perform this work in order
3 to serve Freedom Walk?

4 A. Yes, both CHELCO witnesses Avery and Sullivan confirm that this
5 upgrade work must be done in order to serve Freedom Walk. Mr. Avery's
6 testimony specifically indicates that CHELCO would need to complete this
7 work in 2011, rather than 2014, as a result of Freedom Walk.

8

9 Q. Is it CHELCO's assertion that, even absent Freedom Walk, it had planned
10 to already do this work in 2014?

11 A. Yes, CHELCO claims that this work was already planned for 2014
12 because its normal load growth in the general area, before it even knew
13 about Freedom Walk, would cause the conductor to be loaded to 63%,
14 and hence, an upgrade had been planned.

15

16 Q. Do you believe that this reconductor work will be needed even by 2014 if
17 CHELCO is not awarded the rights to serve Freedom Walk?

18 A. No, I do not. Again relying on my prior forecasting training and
19 experience, what CHELCO has failed to do is re-forecast "normal load
20 growth" if CHELCO does not serve Freedom Walk. CHELCO's projection
21 of normal load growth, by its own admission, included the consideration
22 that the tract of land on which Freedom Walk would be built, as well as
23 other parcels in the general area, both inside and outside of the city limits
24 of Crestview, was part of its "planned service area."

25

1 If the service rights to Freedom Walk are awarded to Gulf Power,
2 the “normal load growth” that was inherently expected on that tract of land
3 would need to be excluded from its load forecast to be served by this
4 section of conductor on Auburn Circuit 03. This would also be true for any
5 other parcels that CHELCO inappropriately include in its “planned service
6 area.”

7 Further, the general market appeal of Freedom Walk, with its urban
8 amenities and proximity to the commercial districts of Crestview will tend
9 to consolidate residential real estate market activity within that
10 development for several years. In other words, Freedom Walk will
11 compete with the more outlying tracts and, through natural market forces,
12 will reduce the new residential construction that would have otherwise
13 occurred on those more outlying and rural parcels absent Freedom Walk
14 being developed. CHELCO’s “normal load growth” forecast on which it
15 based its original plan to upgrade the feeder because of 63% loading, is
16 clearly and significantly overstated. If Gulf Power is awarded the right to
17 serve Freedom Walk, it is highly improbable that the subject portion of
18 CHELCO’s feeder will exceed 60% loading by 2014, or otherwise need
19 upgrading. CHELCO could avoid this unnecessary investment of over
20 \$227,000, on just this upgrade alone, should Gulf Power be permitted to
21 serve Freedom Walk.

1 Q. Is it your testimony that all of the upgrades and associated costs listed in
2 Witness Feazell's Exhibit WMF-5 to his rebuttal testimony will need to be
3 incurred if CHELCO is awarded the right to serve Freedom Walk?

4 A. Yes, it is. I have reviewed CHELCO's load forecasts with and without
5 service to Freedom Walk. I have reviewed the loadings on the Auburn
6 substation equipment with and without Freedom Walk. I have reviewed
7 the engineering studies provided by Witness Sullivan. Based on my
8 review of all of this information, it is clear to me that Witness Feazell has
9 captured the minimum upgrades that would be required, and that the cost
10 estimates listed there are conservative so as to avoid any suggestion of
11 bias in their estimation.

12 All of those costs, in excess of \$377,000, are costs that CHELCO
13 could and should avoid if Gulf Power is permitted to serve Freedom Walk.

14

15 Q. Does this conclude your testimony?

16 A. Yes. This concludes my testimony.

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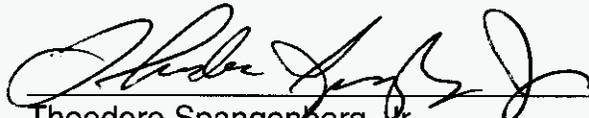
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STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

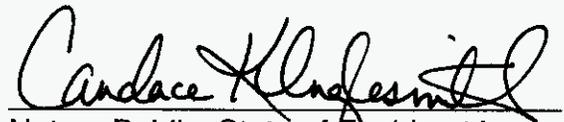
Docket No. 100304-EU

BEFORE me, the undersigned authority, personally appeared Theodore Spangenberg, Jr., who being first duly sworn, deposes and says that he is the Director of Military Affairs and Special Projects for Gulf Power Company, a Florida corporation, that the foregoing is true and correct to the best of his knowledge, information and belief. He is personally known to me.



Theodore Spangenberg, Jr.
Director of Military Affairs and Special Projects

Sworn to and subscribed before me
this 26th day of April, 2011.



Notary Public, State of Florida at Large

(SEAL)





Legend

-  Freedom Walk Property
-  Crestview City Limits
-  Railroad
-  Water
-  Roads



Scale
 0 380 760 1,520 Feet

Gulf Power does not warrant or guarantee the accuracy, completeness, or reliability of any facility maps or data provided by Gulf Power and disclaims any and all liability that results from the use of these maps or data. Any subsequent disclosure of such information is forbidden without the express written authorization of Gulf Power.



Mike Kapotsy

From: Matthew Avery
Sent: Monday, March 17, 2008 7:54 PM
To: Bruce Houle (bhoule@ncfone.com)
Cc: Mike Kapotsy (mkapotsy@chelco.com); Leigh Grantham; Amanda O'Neal (aoneal@ncfone.com)
Subject: CHELCO__Freedom Walk

Hello Bruce

I spoke with Amanda today and she informed me you are out of the country. I wanted to touch base with you in regards to Freedom Walk and CHELCO's intent to serve all your electrical needs for this development. After speaking with Mike Kapotsy, I understand CHELCO did not leave the best taste in your mouth from your past experience with The Preserve at Campton. I also was very frustrated with the duration of that project and I apologize for not being more personally involved from the very beginning.

It is our goal to stay one step ahead of you in Freedom Walk to prevent any delays in which we have control. When your projects are successful, CHELCO is a success! In the near future, I would like to set up a time where a team from CHELCO can meet with you to discuss all of the services available to you and address any of your concerns. You are in great hands with Mike Kapotsy. Mike is a true professional and I know he will serve you well.

I look forward to working with you on Freedom Walk.

Matthew

J. Matthew Avery
Manager of Engineering
CHELCO
P.O. Box 512
DeFuniak Springs, FL 32435
850-892-5069 Ext. 312
mavery@chelco.com

2009 LOAD FORECAST
 CHOCTAWHATCHEE ELECTRIC COOPERATIVE
 SUBSTATION WINTER NCP DEMAND ALLOCATIONS (MW)

SUBSTATION	2004-06*	2006-06*	2006-07*	2007-06*	2008-07*	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	
LAUREL HILL INT.	4.72	4.78	4.10	4.52	4.30	4.73	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80
BAKER INT.																									
PORTLAND INT.																									
FREEPORT INT.																									
RED BAY INT.																									
VILLA TASSO INT.																									
PAXTON INT.																									
AUBURN INT.	14.77	14.70	15.00	17.40	18.24	17.70	18.50	19.12	19.85	20.85	21.37	22.00	22.00	23.70	24.74	25.61	26.46	27.20	28.14	29.00	29.90	30.70	31.64	32.52	33.40
DEFUNIAK SPRINGS INT.																									
GLENDALE INT.																									
BLUEWATER BAY INT.																									
SOUTH WALTON WHL.																									
EASTERN LAKE WHL.																									
MOSSY HEAD INT.																									
BLACK CREEK INT.																									
SANTA ROSA BCH. WHL.																									
ALABAMA INT.																									
GRAYTON BCH. WHL.																									
HOLT WHL.																									
PT. WASHINGTON WHL.																									
HAMMOCK BAY INT.																									
SUBTOTAL INTEGRATED																									
SUBTOTAL WHEELED																									
TOTAL																									

* Actual Historical Data.
 26-Jun-09

Docket No. 100304-EU
 CHELCO's 2009 Load Forecast
 Exhibit TSS-4, Page 1 of 1

CHELCO

6/26/2009