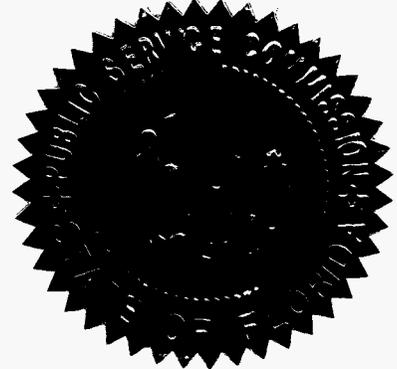


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 100304-EU

PETITION TO RESOLVE TERRITORIAL
DISPUTE WITH GULF POWER COMPANY IN
OKALOOSA COUNTY BY CHOCTAWHATCHEE
ELECTRIC COOPERATIVE, INC.



VOLUME 2

Pages 178 through 392

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PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER RONALD A. BRISÉ

DATE: Tuesday, May 17, 2011

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: JANE FAUROT, RPR
Official FPSC Reporter
(850) 413-6732

APPEARANCES: (As heretofore noted.)

DOCUMENT NUMBER-DATE

FLORIDA PUBLIC SERVICE COMMISSION 03609 MAY 24 =

FPSC-COMMISSION CLERK

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P R O C E E D I N G S

1
2 **CHAIRMAN GRAHAM:** Okay. Welcome back,
3 everyone. I hope you all had an enjoyable lunch. I
4 know I did. We are on -- we finished with Witness
5 Avery, so we are on to the third witness for CHELCO.

6 **MR. HORTON:** That is correct, Mr. Chairman.
7 And Ms. Smith -- Ms. Smith. Ms. Sullivan has been
8 stipulated, so I would, at this time, move her Prefiled
9 Direct Testimony into the record.

10 **CHAIRMAN GRAHAM:** Let it so be moved, that her
11 Prefiled Direct Testimony is entered into the record.

12 **MR. HORTON:** And she had four exhibits that
13 have been identified as Exhibits 14 through 17. I would
14 move those exhibits at this time.

15 **CHAIRMAN GRAHAM:** We will move those into the
16 record, as well.

17 (Exhibit Number 14 through 17 admitted into
18 the record.)

19 **MR. HORTON:** Ms. Sullivan also had
20 Supplemental Direct Testimony, which I would move into
21 the record at this time.

22 **CHAIRMAN GRAHAM:** Let's move that into the
23 record.

24 **MR. HORTON:** And an exhibit was attached to
25 that, which has been identified as Exhibit 18. I would

1 move that at this time.

2 **CHAIRMAN GRAHAM:** So we are moving 14 through
3 18 into the record. Okay.

4 (Exhibit Number 18 admitted into the record.)

5 **MR. HORTON:** And I would jump ahead. The next
6 witness is Doctor Blake, and Doctor Blake has been
7 stipulated, and I would ask that his Prefiled Direct
8 Testimony be inserted into the record as though read.

9 **CHAIRMAN GRAHAM:** Well, let's move his
10 Prefiled Direct Testimony into the record as though
11 read.

12 **MR. HORTON:** And he had an exhibit attached to
13 his, which has been premarked as Exhibit 19, which I
14 would move at this time.

15 **CHAIRMAN GRAHAM:** Let's move 19 into the
16 record, as well.

17 (Exhibit Number 19 admitted into the record.)

18 **MR. HORTON:** And that would conclude CHELCO's
19 witnesses.

20 **CHAIRMAN GRAHAM:** Staff, anything before we go
21 on to Gulf?

22 **MR. JAEGER:** I was wanting to make sure that
23 there were no corrections to, you know, any of
24 Sullivan's testimony or Blake's testimony.

25 **MR. HORTON:** There may be one to Doctor

1 Blake's.

2 MR. JAEGER: Doc, on Page 12, I believe, was a
3 mistaken reference to 366.04(3)(b), when it should be
4 (2)(e), is that correct, Line 15?

5 MR. HORTON: That would be correct.

6 CHAIRMAN GRAHAM: One more time.

7 MR. JAEGER: Page 12, Line 15, and the section
8 number should be 366.04(2)(e) instead of (3)(b).

9 CHAIRMAN GRAHAM: Okay. Is that the only
10 correction that we know of?

11 MR. HORTON: That's the only correction I'm
12 aware of; yes, sir.

13 CHAIRMAN GRAHAM: Okay. Let the record show
14 we will move that into the record as corrected.

15 Staff, is there anything else?

16 MR. JAEGER: No, Chairman Graham.

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DOCKET 100304-EU
DIRECT TESTIMONY OF
JACQUELYN NICOLE SULLIVAN
ON BEHALF OF CHOCTAWHATCHEE ELECTRIC COOPERATIVE, INC.

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.**

2 A. Jacquelyn Nicole Sullivan. My work address is 850 Center Way, Norcross, GA
3 30071

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am a full time consulting engineer at Patterson & Dewar Engineers, Inc.

6 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND AND**
7 **EXPERIENCE?**

8 A. I am a professionally licensed engineer in the states of SC, FL, GA, TN, KY and
9 AL. Upon graduation from the University of SC in 1994 with a BS degree in
10 engineering, I worked from 1994-1997 at Santee Cooper (a South Carolina
11 owned electric company) as an electrical engineer in the distribution planning
12 department. From 1997-2007, I worked for South Carolina Electric and Gas Co.
13 as an electrical engineer in metering. From 2007-present I have worked for
14 Patterson & Dewar as a Project Engineer doing system studies for various
15 electric cooperatives across the southeastern US.

16 **Q. WHAT ARE YOUR RESPONSIBILITIES WITH PATTERSON &**
17 **DEWAR?**

18 A. I provide electrical distribution engineering services to electric cooperative
19 clients that Patterson & Dewar serves in the southeast. My job primarily

1 consists of completing distribution planning studies such as Long Range System
2 Studies (typically 10 or 20 year studies) and Construction Work Plans (CWP)
3 (typically 2, 3 or 4 year plans) and sectionalizing studies. But, as a consulting
4 engineer, my clients call on me for various other tasks and studies as they relate
5 to the distribution side of the electric cooperative. Some other studies I have
6 done for clients are Arc Flash Assessment studies, substation design, capacitor
7 placement and voltage regulator studies, cost of service studies, and peak load
8 reduction studies.

9 **Q. HAVE YOU TESTIFIED BEFORE THIS COMMISSION?**

10 A. No.

11 **Q. ARE YOU FAMILIAR WITH THE DISPUTE BETWEEN CHELCO AND**
12 **GULF POWER THAT IS THE SUBJECT OF THIS DOCKET?**

13 A. Yes.

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15 A. To share the results of the study I completed for CHELCO for the new Freedom
16 Walk development and to address generally other work I have performed for
17 CHELCO.

18 **Q. IN ADDITION TO THE STUDY FOR THE FREEDOM WALK**
19 **DEVELOPMENT, WHAT OTHER WORK HAVE YOU DONE FOR**
20 **CHELCO?**

21 A. I have done some load studies for proposed substations in their service territory
22 and I completed their 4-year 2011-2014 CWP on May 18, 2010. The CWP
23 recommends projects system-wide over the next 4 years (through 2014).

1 Q. YOU SAY THE CWP "RECOMMENDS" PROJECTS SYSTEMWIDE.
2 DOES THE CWP BECOME A PLANNING DOCUMENT FOR
3 CHELCO?

4 A. Yes, CHELCO's CWP serves as a "working document" for their engineering
5 and operations department. In addition to the other daily operations and
6 maintenance that their engineering department is responsible for, they also do
7 projects to strengthen their system and prepare it for future growth and those
8 projects come from their CWP.

9 Q. DID THE CWP INCLUDE THE FREEDOM WALK PROJECTED
10 LOAD?

11 A. No. I was not aware of the Freedom Walk development or any development or
12 load under any other name for the area where the Freedom Walk development is
13 to be located. The first I heard of Freedom Walk was sometime in July 2010,
14 about 2 months after the CWP was completed.

15 Q. WERE THERE ANY PROJECTS RECOMMENDED NEAR THE AREA
16 OF THE FREEDOM WALK DEVELOPMENT?

17 A. Yes, there is one project in the CWP that is near this development.

18 Q. EXPLAIN BRIEFLY THAT PROJECT AND WHY THERE WAS A
19 NEED FOR IT.

20 A. The project is coded as 300-RU10-01 in the CWP and it calls for upgrading 1.3
21 miles of existing 394 AAAC conductor to 741 AAAC along Hwy 85, on Auburn
22 Substation circuit 03, south of the sub.

1 CHELCO has a System Design and Operational Criteria (SDOC) that
2 they use as a guide to determine when to upgrade, add or change conductor,
3 substation and other devices on their system. In that guide it states "Primary
4 conductors are not to be loaded for long periods of time, over 60% of operating
5 capacity for summer loading conditions and 75% for winter." The 1.3 miles of
6 394 AAAC noted above exceeded the SDOC summer guideline in 2014 at 63%
7 loaded. The SDOC serves as a guide and this was close, but we (CHELCO and
8 I) decided it would be wise to do this project because the conductor feeding this
9 394 AAAC is already 741 AAAC and for only another 1.3 miles, they could
10 upgrade to 741 AAAC to where the circuit splits. Doing this would remove the
11 "weak link" which is the 394 AAAC.

12 **Q. DO YOU KNOW IF CHELCO HAS PROJECT 300-RU10-01 IN THEIR**
13 **SYSTEM UPGRADE PLANS?**

14 **A.** Yes, the project is scheduled for the year 2014.

15 **Q. IS THIS RECOMMENDATION IN THE CWP WITH RESPECT TO THE**
16 **PROJECT YOU IDENTIFY TO SERVE PROJECTED GROWTH OR**
17 **FOR FREEDOM WALK?**

18 **A.** The project was for projected load growth using normal growths per the 2009
19 Load Forecast. It was not for Freedom Walk.

20 **Q. DO YOU HAVE AN EXHIBIT OF THE CWP YOU REFERENCE?**

21 **A.** Yes. Exhibit JNS-1 is an extract of pages from the CWP that pertain to the
22 Auburn and Laurel Hill substations.

1 **Q. IN ADDITION TO THE CWP, WERE YOU REQUESTED TO PROVIDE**
2 **AN ANALYSIS AND RECOMMENDATION AS A RESULT OF THE**
3 **ADDITION OF FREEDOM WALK?**

4 A. Yes, but not at the same time. CHELCO contacted me about 2 months after I
5 completed their CWP to do an analysis for Freedom Walk development.

6 **Q. COULD YOU EXPLAIN HOW YOU CONDUCTED THIS STUDY**

7 A. I used CHELCO's SDOC and their electric models (6 in all) from their 2011-
8 2014 CWP to complete the study.

9 The SDOC is the same SDOC that I used in the CWP (that I discussed in
10 the preceding question).

11 The 6 models from that CWP are explained as follows and are also
12 discussed on the spreadsheet (page 2 of exhibit JNS-2, rows 1 and 2):

13 1) Two of the models were the peak summer 2009 and peak winter 2009
14 models that CHELCO provided to me at the end of 2009. These served as
15 my base models for the CWP since they were true system peak models of
16 how CHELCO's system look at that time.

17 2) I grew those models to the 2014 load level year per the 2009 Load Forecast
18 that PowerSouth EC (CHELCO's generation and transmission provider)
19 completes for all of their electric distributors. I saved those grown models as
20 peak summer 2014 before system improvements (BSI) and peak winter 2014
21 BSI.

1 3) The last two models are peak summer and peak winter 2014 after system
2 improvements (ASI). These ASI models are how the system will look in
3 2014 after all projects in CHELCO's 2011-2014 CWP are completed.

4 Next, I added the Freedom Walk development load of 3,700kW to each
5 of the 6 models (refer to the 3rd row of the spreadsheet (page 2 of exhibit JNS-
6 3)). Row 4 of that same spreadsheet shows my recommendations as a result of
7 adding the load for the Freedom Walk development. Row 5 provides the
8 engineering data (amps and kW loading) once those recommendations on Row 4
9 are completed.

10 On February 1, 2011, I ran another study on those same 6 models using
11 4,700 kW of load for Freedom Walk. I created a spreadsheet similar to JNS-3
12 named "Freedom Walk analysis 4700kW.xlsx" that details the results of this
13 new study.

14 **Q. WHAT ENGINEERING DATA DID YOU USE TO MODEL THE**
15 **FREEDOM WALK DEVELOPMENT?**

16 A. CHELCO provided me general information about the development and that the
17 development would have an estimate of 3,700 kW at full build out. In all 6
18 models discussed previously I added a 3,700kW spot load at CHELCO's
19 existing 3-phase line at the intersection of Roberts Avenue and Old Bethel Road.
20 This existing 3-phase line is south of Auburn Substation and is on circuit 03, fed
21 from Auburn Substation.

22 Here recently, CHELCO asked that I do another evaluation using 4,700
23 kW at full build out, which I have done.

1 **Q. CWP PROJECT 300-RU10-01 IS A RECOMMENDED UPGRADE OF**
2 **FACILITIES TO SERVE PROJECTED GROWTH. WOULD CHELCO**
3 **NEED TO ADD ANY OTHER EQUIPMENT OR DO ANY OTHER**
4 **UPGRADES TO THE SYSTEM IN ADDITION TO THOSE ALREADY**
5 **PLANNED IN ORDER TO SERVE THE PROJECTED LOAD?**

6 A. Using 3,700 kW for Freedom Walk, CHELCO might need to add additional
7 capacitors and/or voltage regulators, but that would fall under standard operation
8 and maintenance.

9 Using 4,700 kW for Freedom Walk, in the year 2014, it is projected that
10 CHELCO would reach maximum rating on the power transformer at Auburn sub
11 for their summer load and come very close to maximum rating for their winter
12 load. Also, Auburn circuit 03 (which would feed Freedom Walk) breaker and
13 lowside buswork would approach its maximum rating of 600 A in 2014. For
14 CHELCO to serve this 4,700 kW load in 2014, they would need to upgrade the
15 transformer at Auburn substation or add a 2nd bank or add a new delivery point
16 to relieve the load on Auburn sub. If they chose to upgrade the existing
17 transformer or add a 2nd bank, then they would also need add another circuit to
18 help feed the load south of Auburn substation.

19 **Q. HAVE YOU PREPARED AN EXHIBIT OF THESE STUDIES?**

20 A. Yes. Exhibit JNS-3 is a copy of the updated study dated July 7, 2010 and JNS-4
21 is a copy of the most recent study.

1 **Q. WOULD THERE BE ANY REDUCTION IN THE QUALITY OF**
2 **SERVICE TO OTHER MEMBERS IF CHELCO WERE TO SERVE**
3 **THIS LOAD?**

4 A. Using the 3,700 kW load, the answer is NO, not once CWP project 300-RU10-
5 01 is completed and capacitor recommendations for Auburn circuit 03 are
6 completed. There may be voltage drop in the winter that is below the SDOC
7 requirements, but that can and will occur anywhere on their system. If
8 CHELCO completes the capacitor recommendations for Auburn Substation
9 circuit 03, that will help address voltage drop. Also, it's normal practice to
10 install a set of voltage regulators on the line to boost the voltage if necessary;
11 CHELCO presently has voltage regulators throughout their system.

12 Using the 4,700 kW load, the answer is still NO. CHELCO would just
13 have to add more system capacity (i.e. larger transformer at Auburn, 2nd
14 transformer or new delivery point) and possibly add another circuit out of
15 Auburn to help feed the load south of the sub (if they choose to upgrade Auburn
16 substation instead of add a new delivery point). (Refer to JNS-4 for more
17 detailed explanation). With such improvements, CHELCO is fully capable of
18 serving this new load without reducing the quality of service to other customers.

19 **Q. IS CHELCO'S SYSTEM CAPABLE OF SERVING THE LOAD AT FULL**
20 **BUILD OUT OF THE DEVELOPMENT?**

21 A. Using the 3,700 kW load, the answer is YES, once CWP project 300-RU10-01
22 is completed and capacitor recommendations in the CWP are completed for
23 Auburn Substation circuit 03.

1 CHELCO will also need to switch some load from Auburn Substation to
2 Laurel Hill Substation. They can switch approximately 1,050 kW of load to
3 Laurel Hill by moving the existing open point between Auburn circuit 01 and
4 Laurel Hill circuit 03 (along Hwy 85) to the intersection of Hwy 85 & Georgia
5 Rd. Switching load between substations is typical for CHELCO as they have
6 switched load between substations at other locations on their system. After this
7 load swap, CHELCO will need to install voltage regulators on the Laurel Hill
8 circuit 03 near the intersection of Hwy 85 and Campton St.

9 Using the 4,700 kW load; the answer is still YES. CHELCO would just
10 have to upgrade their system more to meet the needs. Upgrades as mentioned in
11 the previous question.

12 **Q. COULD YOU SUMMARIZE YOUR RECOMMENDATIONS FOR**
13 **CHELCO TO SERVE THE LOAD ASSOCIATED WITH THE**
14 **FREEDOM WALK DEVELOPMENT?**

15 A. Using 3,700 kW for Freedom Walk

16 1) Complete CWP project 300-RU10-01 in 2011 instead of 2014.

17 2) Complete CWP capacitor placement recommendations for Auburn circuit 03
18 in 2011.

19 3) Switch approximately 1,050 kW of load along Hwy 85 from Auburn Sub
20 circuit 01 to Laurel Hill Sub circuit 03 (making new open point near the
21 intersection of Hwy 85 & Georgia Rd). This switching does not need to be done
22 until Freedom Walk development begins to reach its full capacity. CHELCO

1 and PowerSouth EC will simply monitor the load on Auburn Substation (as they
2 do on all their subs) and decide when best to switch this load.

3 4) After this load swap, install a set of voltage regulators at the intersection of
4 Hwy 85 & Campton St.

5 Using 4,700 kW for Freedom Walk (refer to JNS-3)

6 1) Complete CWP project 300-RU10-01 in 2011 instead of 2014.

7 2) Complete CWP capacitor placement recommendations for Auburn circuit 03
8 in 2011.

9 3) Switch approximately 1,255 kW of load along Hwy 85 from Auburn Sub
10 circuit 01 and 02 to Laurel Hill Sub circuit 03.

11 4) After this load swap, install a set of voltage regulators at the intersection of
12 Senterfitt Rd & Springcreek Dr.

13 5) Add additional system capacity to the area (i.ee, upgraded power transformer
14 at Auburn sub or add a 2nd bank, or add a new delivery point)

15 6) If a 2nd bank is added at Auburn sub or the transformer is upgraded, then
16 add another circuit that feeds south of the substation. This will relieve the
17 loading on Auburn circuit 03, the circuit breaker and the lowside buswork.

18 7) Additional capacitors and/or voltage regulators may need to be added, but
19 can be evaluated later.

20 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 **A.** Yes.

DOCKET 100304-EU**SUPPLEMENTAL DIRECT TESTIMONY OF****JACQUELYN NICOLE SULLIVAN****ON BEHALF OF CHOCTAWHATCHEE ELECTRIC COOPERATIVE, INC.**

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.**

2 A. Jacquelyn Nicole Sullivan. My work address is 850 Center Way, Norcross, GA
3 30071

4 **Q. HAVE YOU PREFILED DIRECT TESTIMONY IN THIS DOCKET?**

5 A. Yes.

6 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT**
7 **TESTIMONY?**

8 A. The purpose of this testimony is to revise portions of my direct testimony to
9 reflect the correct Auburn substation transformer capacity as 25 MVA rather
10 than 20 MVA.

11 **Q. WHEN DID YOU LEARN ABOUT THIS?**

12 A. March 28, I believe. Mr. Matthew Avery contacted me with the information.
13 He explains the circumstances surrounding this in his supplemental direct
14 testimony.

15 **Q. DOES THIS REQUIRE A CHANGE TO YOUR TESTIMONY OR**
16 **EXHIBITS?**

17 A. Yes. My testimony and Exhibit JNS-4 would need to be revised.

18 **Q. HAVE YOU RUN YOUR STUDY USING THE 25 MVA RATING?**

19 A. Yes and the results are attached as Exhibit JNS-4 (Revised).

1 **Q. WAS THIS STUDY PERFORMED THE SAME WAY THE PRIOR**
2 **SUTDIES WERE RUN?**

3 A. Yes. The only change was to use 25 MVA.

4 **Q. CAN YOU DESCRIBE THE CHANGES THAT WOULD BE NEEDED**
5 **TO YOUR TESTIMONY?**

6 A. Pages 7-10 in my testimony would change and the changes would be:

7 a. Page 7, lines 9-18 should be replaced with the following:

8 Using 4,700 kW for Freedom Walk, in the year 2014, it is
9 projected that Auburn circuit 03 recloser (which would feed
10 Freedom Walk) and lowside buswork would approach their
11 maximum rating of 630A and 600A, respectively, in 2014. For
12 CHELCO to serve this 4,700 kW load in 2014, this would need to
13 be addressed. A couple of ways CHELCO could address this
14 would be to upgrade the lowside buswork & circuit recloser or
15 build a double circuit approximately 1.5 miles from Auburn Sub
16 south to the intersection of Hwy 85 & Houston Lane and switch
17 some of the load off of Auburn circuit 03 to the new circuit.

18 b. Page 8, lines 12-18 should be replaced with the following:

19 Using the 4,700 kW load, the answer is still NO. CHELCO
20 would need to address the loading on the lowside bus and circuit
21 recloser for Auburn circuit 03 as they would be very close to their
22 maximum rating. CHELCO could either upgrade the lowside bus
23 and circuit recloser for Auburn circuit 03 or add another line

1 running south of Auburn Sub and switch some load in order to
2 relieve the load on circuit 03. With such improvements,
3 CHELCO is fully capable of serving this new load without
4 reducing the quality of service to other customers.

5 c. Page 9, lines 1-8 should be removed. It is not necessary to switch any
6 load to Laurel Hill Substation as Auburn Sub can handle the additional load
7 because it's rated as a 25 MVA.

8 d. Page 9, lines 9-11 should be replaced with the following:
9 Using the 4,700 kW load; the answer is still YES. CHELCO
10 would just have to upgrade their system more to meet the needs.
11 Upgrades as mentioned in this supplemental direct testimony, in
12 lines 8-17 on page 2.

13 e. Page 9, lines 19-22 and Page 10, lines 1-4 should be removed. It is not
14 necessary to switch load to Laurel Hill Substation.

15 f. Page 10, lines 9-14 should be removed. It is not necessary to switch load
16 to Laurel Hill Substation and no additional capacity is needed at Auburn Sub to
17 handle an additional 4,700 kW of load.

18 g. Page 10, lines 15-17 should be replaced with the following:
19 The lowside bus and circuit recloser for Auburn circuit 03 will be
20 loaded close to their maximum ratings. To address this,
21 CHELCO could either upgrade the lowside buswork & circuit
22 recloser or build approximately 1.5 miles of double circuit from
23 Auburn Substation south to the intersection of Hwy 85 &

1 Houston Lane and transfer some of the load from Auburn circuit
2 03 to the new circuit.

3 **Q. WHAT CHANGES SHOULD BE MADE TO YOUR EXHIBITS?**

4 A. Exhibit JNS-4 (Revised) would replace Exhibit JNS-4.

5 Exhibit JNS-2 is an excerpt from CHELCO's 2010 CWP and though some of
6 the information regarding the percent loading on Auburn Substation has
7 changed, it's not necessary to include this change in the 2010 CWP as there
8 were no projects that would be affected by this change. The correct rating for
9 Auburn Substation will be noted in CHELCO's next CWP.

10 The correct information would also affect JNS-3 but I did not revise that exhibit.

11 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT**
12 **TESTIMONY?**

13 A. Yes.

DOCKET 100304-EU
REBUTTAL TESTIMONY OF
DR. MARTIN J. BLAKE
ON BEHALF OF CHOCTAWHATCHEE ELECTRIC COOPERATIVE, INC.

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Martin J. Blake. My business address is 6001 Claymont Village
3 Drive, Suite 8, Crestwood, Kentucky 40014.

4 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

5 A. I am a Member and Principal of The Prime Group, LLC. The Prime Group
6 provides consulting services in the areas of strategic planning, cost of service, rate
7 and regulatory support, and training for energy industry clients.

8 **Professional Qualifications & Experience**

9 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

10 A. I received my Ph.D. in Agricultural Economics in 1976 from the University of
11 Missouri, Columbia. My doctoral work centered on the areas of marketing and
12 econometrics. I also hold a Master of Arts in Economics from the University of
13 Missouri, Columbia, which I received in 1972. In addition, I received a Bachelor
14 of Arts degree in Economics from Illinois Benedictine College in 1970.

15 **Q. IN WHAT AREAS DOES YOUR PRACTICE CONCENTRATE?**

16 A. As a member of The Prime Group, I have provided utility clients with assistance
17 regarding rate design for both wholesale and retail rates; the development of rates
18 to achieve strategic objectives; the unbundling of rates and the development of
19 menus of rate alternatives for use by customers; performance-based rate and

1 incentive rate development; state and federal regulatory filing development,
2 testimony and support; cost of service development and support; and strategic
3 planning. I have also been involved in the development of the Midwest ISO and
4 represent Southern Illinois Power Cooperative and Hoosier Energy on the
5 Midwest ISO Transmission Owners Committee, the Transmission Owners Tariff
6 Working Group, the Finance Subcommittee and the Demand Response Working
7 Group. I served a three year term as Chairman of the Transmission Owners Tariff
8 Working Group. I have made presentations to train utility personnel in cost of
9 service, rate making, utility finance, and utility marketing. I have provided
10 marketing and marketing support services for utility clients and have assisted
11 them in assessing their marketing capabilities and processes.

12 **Q. PLEASE BRIEFLY SUMMARIZE YOUR AREAS OF PROFESSIONAL**
13 **EXPERIENCE PRIOR TO JOINING THE PRIME GROUP.**

14 A. I have professional experience as an economist and professor of economics, as a
15 utility regulator, as a utility manager and executive and as a consultant.

16 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AS AN**
17 **ECONOMIST.**

18 A. From January 1977 to December 1986, I was employed first as an Assistant
19 Professor, then as an Associate Professor, and finally as a Professor of
20 Agricultural Economics at New Mexico State University in Las Cruces, New
21 Mexico ("NMSU"). I was the head of the undergraduate program and taught
22 agricultural economics and econometrics. While at NMSU, I also worked as a
23 consultant for various clients, providing price forecasting, load forecasting, and

1 marketing services. From 1992 through 1994, I taught mathematical economics
2 and econometrics as an Adjunct Professor in the Economics Department at the
3 University of Louisville. Prior to my joining the faculty at NMSU, I served in the
4 U. S. Army as an instructor of economics, statistics, and accounting at the U. S.
5 Army Institute of Administration at Fort Benjamin Harrison, Indianapolis,
6 Indiana.

7 I also have a variety of experience with the application of economics to
8 utility public policy issues. In addition to my experience as a utility regulator and
9 executive, which I describe below, I taught retail and wholesale pricing for
10 electric utilities at the NARUC Annual Regulatory Studies Program at Michigan
11 State University for thirteen years. From May 1983 to August 1983, while on a
12 sabbatical leave from NMSU, I served as a Policy Analyst for the Assistant
13 Secretary for Land and Water at the U. S. Department of Interior.

14 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AS A**
15 **UTILITY REGULATOR.**

16 A. From January 1987 to November 1990, I served as a Commissioner and as the
17 Chairman of the New Mexico Public Service Commission. As a Commissioner,
18 my duties included making policy and adjudicatory decisions regarding rates,
19 terms of service, financing, certificates of public convenience and necessity, and
20 complaints for electric, natural gas, water, and sewer utilities. As Chairman, I
21 supervised a staff of 32 professionals and 16 support staff. During my tenure on
22 the New Mexico Commission, I also served as Chairman of the Western
23 Conference of Public Service Commissioners Electric Committee and as

1 Chairman of the Committee on Regional Electric Power Cooperation, a group
2 composed of state public service commissioners and representatives from the state
3 energy offices of the 13 western states.

4 As a Commissioner, I interpreted legislation, reviewed prior Commission
5 cases to determine the precedents that they provided, drafted rules and
6 regulations, wrote orders, and served as an arbitrator in alternative dispute
7 resolution proceedings. I performed adjudicatory and regulatory functions for the
8 four years that I served on the Commission.

9 **Q. AS A COMMISSIONER, DID YOU PARTICIPATE IN PROCEEDINGS**
10 **DESIGNED TO RESOLVE TERRITORIAL DISPUTES?**

11 A. Yes. While I was a Public Service Commissioner in New Mexico, utilities with
12 territorial disputes had the choice of filing a formal complaint with the
13 Commission or of submitting the territorial dispute to binding arbitration. A
14 territorial dispute that was filed as a formal complaint would take months to
15 resolve in a process similar to that in the instant case between Gulf Power and
16 CHELCO. With binding arbitration, a dispute could be resolved in a matter of
17 weeks. I served as an arbitrator in territorial dispute cases. Sometimes it was
18 possible to act more as a mediator and help the parties to reach an accommodation
19 that settled the territorial dispute. In disputes where the parties could not reach a
20 settlement, it was necessary to make a decision based on the information provided
21 in the arbitration process.

1 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AS A**
2 **UTILITY MANAGER.**

3 A. From December, 1990 to June 1996, I was employed by Louisville Gas and
4 Electric Company ("LG&E"). Initially, I served as LG&E's Director of
5 Regulatory Planning. In this position, I was responsible for coordinating all of
6 LG&E's state and federal regulatory efforts, and prepared and presented testimony
7 to regulators.

8 My areas of responsibility were expanded in April 1994 to include
9 marketing and strategic planning. As the Director, Marketing, Planning and
10 Regulatory Affairs, I was responsible for coordinating LG&E's retail gas and
11 electric marketing, strategic planning, and state and federal regulatory efforts. I
12 continued to be employed in that capacity at LG&E until June 1996, when I
13 joined the Prime Group as one of its Principals.

14 **Q. PLEASE DESCRIBE THE INDUSTRY GROUPS IN WHICH YOU HAVE**
15 **PARTICIPATED.**

16 A. I have served on several regional transmission coordination groups such as the
17 Interregional Transmission Coordination Forum, and the General Agreement on
18 Parallel Paths, as well as the following committees of the Edison Electric Institute
19 ("EEI") -- Economics and Public Policy Executive Advisory Committee, Strategic
20 Planning Executive Advisory Committee, Transmission Task Force, and Power
21 Supply Policy Technical Task Force.

1 **Q. HAVE YOU TAUGHT ANY COURSES OR SEMINARS IN THE UTILITY**
2 **AREA?**

3 A. Yes. I have taught the following courses at the NARUC Annual Regulatory
4 Studies Program at Michigan State University: 1) retail ratemaking, 2) wholesale
5 pricing, 3) rate of return regulation, 4) competitive market fundamentals, 5)
6 electric industry overview, 6) the economics of power production and delivery, 7)
7 electric system technologies, and 8) the institutions and organizations of the new
8 electric utility industry. Each year, I also teach and conduct numerous workshops
9 and programs and deliver invited presentations to utility managers and regulators
10 on a variety of subjects.

11 **Q. IN WHAT CASES HAVE YOU PREVIOUSLY TESTIFIED?**

12 A. I have testified in numerous proceedings before the Federal Energy Regulatory
13 Commission and various state regulatory bodies. Exhibit MJB-1 is a summary of
14 the testimony that I have presented in other regulatory proceedings.

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
16 **PROCEEDING?**

17 A. The purpose of my testimony is to review and analyze the Direct Testimony filed
18 by Gulf Power in this proceeding and to provide rebuttal testimony regarding
19 issues where the Gulf Power Direct Testimony is inaccurate or misleading.

20 **Q. AS BACKGROUND TO YOUR TESTIMONY, DESCRIBE THE**
21 **CHARACTERISTICS OF A NATURAL MONOPOLY.**

22 A. A natural monopoly is characterized by a production process with large fixed
23 costs that results in an average total cost curve that declines over almost the entire

1 range of output levels. A natural monopoly is able to lower its cost per unit when
2 it produces and sells a larger quantity, because the large fixed costs are spread
3 over a larger number of units sold. Thus, a single natural monopoly is able to
4 produce and supply a product or service at a lower cost than two or more firms.
5 The transmission and distribution functions of an electric utility meet this
6 definition of a natural monopoly. Almost all of the costs of providing both
7 transmission and distribution service are fixed costs, and once incurred, must be
8 recovered from customers if an electric utility is to remain financially viable. It is
9 economically inefficient for an area to be served by two or more sets of
10 distribution lines. Rather, it is in the customers' best interests to have a single
11 supplier of distribution service and allow any sales growth to reduce the per-unit
12 cost of providing distribution service. State statutes that charge regulators with
13 ensuring that there is no uneconomic duplication of facilities recognize the natural
14 monopoly characteristics of distribution service. The issue in most territorial
15 disputes, as it is in this proceeding, is which electric utility should be allowed to
16 be the natural monopoly to provide distribution service to an area.

17 **Q. WHAT IS THE FINANCIAL IMPACT ON A COMPANY OF SERVING A**
18 **HIGHER DENSITY LOAD SUCH AS FREEDOM WALK?**

19 A. The financial impact of serving a relatively high density load such as Freedom
20 Walk is generally positive for a utility. Retail electric rates are averages that
21 provide sufficient revenue to cover the expenses and support the investment
22 associated with the average customer. If a utility adds customers with load
23 characteristics that are better than the class average, the rate will generate more

1 revenue than the cost incurred in serving the customers. Similarly, new customers
2 that have worse load characteristics than the average will generate more cost than
3 it will generate revenue. As noted by Mr. Jacob on page 4 of his Direct
4 Testimony, adding such a customer provides the opportunity for a utility to spread
5 its existing fixed costs over a larger pool of customers and recognize economies
6 of scale. This would be true for both Gulf Power and for CHELCO.

7 **Q. WHAT ARE THE DIFFERENCES BETWEEN AN INVESTOR OWNED**
8 **UTILITY AND AN ELECTRIC COOPERATIVE?**

9 A. An investor owned utility is a for profit entity that generates margins that it uses
10 to pay dividends to shareholders. A cooperative is a not for profit entity that
11 returns any excess margins not needed to cover its expenses and meet
12 contingencies to its customers in the form of capital credits. The management
13 team for an investor owned utility is hired by a shareholder-elected Board of
14 Directors that represents shareholder interests. The cooperative management team
15 is hired by a member-elected Board of Directors that represents member interests.
16 In fact, to be a member-elected Director for a cooperative, the Director must be a
17 member of that cooperative and thus an end-user of the electric service provided
18 by the cooperative. An investor owned utility is regulated by the Public Service
19 Commission and must file any new rates that it desires to charge for Commission
20 approval. The rates of a cooperative are approved first by the cooperative Board
21 and then filed at the Public Service Commission for approval of the rate design.
22 The level of revenue collected through the rates is the sole jurisdiction of the
23 cooperative Board, who as customers, will pay any rate that they approve. As

1 indicated previously, if the rates result in revenues over expense, the excess is
2 returned to the members. Any such excess in revenues over expense at an investor
3 owned utility is regarded as earnings that are available for distribution to the
4 shareholders. A member served by a cooperative can exercise choice every year
5 through the election of Directors at the cooperative's annual meeting and can vote
6 out any Director who is not effectively representing member interests. I would
7 argue that a member of a cooperative has more control over the type of service
8 they are provided and the rates that they pay than a customer of an investor owned
9 utility because of this annual opportunity to vote out any Director who does not
10 adequately represent their interests.

11 **Q. WHAT MATERIALS DID YOU REVIEW IN ARRIVING AT YOUR**
12 **CONCLUSIONS?**

13 A. I reviewed the petition filed by CHELCO and Gulf's answer thereto, and the
14 direct testimony of all CHELCO and Gulf Power witnesses.

15 **Q. DO YOU AGREE WITH MR. SPANGENBERG'S CHARACTERIZATION**
16 **OF WHAT CONSTITUTES UNECONOMIC DUPLICATION?**

17 A. No. On pages 26 through 28 of his Direct Testimony, Mr. Spangenberg suggests
18 that any determination of what constitutes "uneconomic duplication" should be
19 made from the perspective of the entity making the investment. The four tests that
20 he suggests are focused on whether extending its distribution system to serve
21 Freedom Walk would be a good financial investment for Gulf Power. Because
22 Freedom Walk is a relatively large, and relatively high density load as compared
23 to the surrounding area, the answer to his four questions are yes, Freedom Walk

1 would be a good financial investment for Gulf Power. However, his analysis
2 ignores the effect of an award of the territory to Gulf Power on the existing lines,
3 facilities, and investment expectations of CHELCO, and fails to address whether
4 Gulf Power's duplication of CHELCO's existing facilities would be uneconomic
5 from CHELCO's perspective. In fact, if Mr. Spangenberg's questions were asked
6 of CHELCO, the answer to these same four questions is also yes for CHELCO.
7 Mr. Spangenberg asserts that the Commission decision in this territorial dispute
8 be based on the criteria of what is in the best financial interest of Gulf Power to
9 the exclusion of CHELCO, as he explains at length in his testimony. However,
10 because this is a dispute regarding which company should serve Freedom Walk, it
11 would be improper for the Commission to approach the problem from the
12 financial point of view of Gulf Power. Rather, it should be based on an objective
13 assessment of whether existing and adequate facilities that a utility has
14 constructed in good faith to meet its customers' needs are to be paralleled,
15 crossed, and otherwise duplicated in a manner inconsistent with the purposes and
16 intent of the coordinated grid bill.

17 **Q. MR. SPANGENBERG INTERPRETS SECTION 425.04 OF THE**
18 **FLORIDA STATUTES AS BARRING COOPERATIVES FROM SERVING**
19 **IN URBAN AREAS. DO YOU AGREE WITH HIS INTERPRETATION?**

20 **A.** No, I do not. As a first point however, CHELCO's position is that, because of the
21 scope of the Commission's powers and duties, the interpretation and construction
22 of Chapter 425 is not an issue for consideration in this docket. However, Gulf

1 Power has raised it and it cannot go un rebutted. Section 425.04 of the Florida
2 Statutes states as follows:

3 A cooperative shall have power to generate, manufacture,
4 purchase, acquire, accumulate and transmit electric energy, and to
5 distribute, sell, supply, and dispose of electric energy in rural areas
6 to its members, to governmental agencies and political
7 subdivisions, **and to other persons not in excess of 10 percent of**
8 **the number of its members;** to process, treat, sell, and dispose of
9 water and water rights; to purchase, construct, own and operate
10 water systems; to own and operate sanitary sewer systems; and to
11 supply water and sanitary sewer services. However, no cooperative
12 shall distribute or sell any electricity, or electric energy to any
13 person residing within any town, city or area which person is
14 receiving adequate central station service or **who at the time of**
15 **commencing such service,** or offer to serve, by a cooperative, is
16 receiving adequate central station service from any utility agency,
17 privately or municipally owned individual partnership or
18 corporation; (emphasis added)

19 Under no possible construction does this language bar cooperatives from serving
20 in urban areas as Mr. Spangenberg claims. Rather, my review leads me to
21 conclude that it confirms that uneconomic duplication should be avoided at the
22 time electric service commences. At the time that CHELCO commenced service
23 to members in the area in question in 1946, the area in dispute was clearly a rural
24 area that was not receiving central station power from any other utility. If another
25 utility was already providing central station power to the area, CHELCO's service
26 would have been uneconomic duplication, which the Commission is charged with
27 avoiding. However, at the time, there was no central station power to the area.
28 Thus, CHELCO's service to the area clearly complies with Section 425.04
29 because of the rural nature of the area "at the time of commencing service". Over
30 time, additional customers moved into the area, and in 2005, the disputed territory
31 was annexed by the City of Crestview. However, by the time this area was

1 annexed by the City of Crestview, CHELCO had been serving the area in question
2 for about 60 years and had three phase lines installed to meet its existing
3 substantial load and anticipated load growth in the area. Mr. Spangenberg would
4 have the Commission believe that, as a result of the annexation of the disputed
5 area by the City of Crestview, CHELCO can no longer provide service to
6 additional customers that are adjacent to CHELCO's existing lines that are
7 capable of providing electric service to the area. Mr. Spangenberg's tortured
8 interpretation of Section 425.04 would render any Commission consideration of
9 uneconomic duplication moot, which is exactly the result that Gulf Power needs if
10 it is to convince the Commission to award it the disputed area. Later in his Direct
11 Testimony, Mr. Spangenberg completely misinterprets the meaning of
12 uneconomic duplication, again in a way that is favorable to Gulf Power's request
13 that it be allowed to serve the disputed area.

14 In any event, what this discussion overlooks is the fact that Section
15 366.04^{(2)(e)}~~(3)(b)~~ never once uses the term "rural" or makes a "rural area" a
16 consideration of the Commission in a territorial dispute. Gulf's efforts to divert
17 the attention of the Commission from the actual standards enacted by the
18 legislature should be given no weight. I suggest that Section 425.04 is not a
19 model of clarity – though I believe its intent is consistent with my understanding.
20 However, it will take considerable efforts of construction and interpretation to
21 determine precisely what it means. Whatever body undertakes that construction
22 and interpretation should be charged by the legislature with jurisdiction to do so.
23 My review of Chapter 425 reveals no instance in which the legislature charged the

1 Commission with regulatory jurisdiction over that chapter. My review of the
2 grant of jurisdiction in Section 366.04 leads me to conclude that the
3 Commission's authority over cooperatives is limited to compliance with the "grid
4 bill" and a determination of:

5 the ability of the utilities to expand services within their own
6 **capabilities** and the **nature of the area involved**, including
7 population, the degree of urbanization of the area, its proximity to
8 other urban areas, and the present and reasonably foreseeable
9 future requirements of the area for other utility services. (emphasis
10 added)

11 In my experience as a regulator and as one with experience in regulatory issues, I
12 believe that to be a fairly narrow grant of authority, and certainly not one that
13 authorizes the exercise of broad powers to construe the legal scope of
14 cooperatives' service, or a comprehensive analysis of a cooperative's service area
15 to determine whether it complies over the entirety of that area with ill-defined or
16 undefined statutory terms.

17 **Q. DO YOU AGREE WITH MR. SPANGENBERG THAT CHELCO IS**
18 **LIMITED TO SERVING NO MORE THAN TEN PERCENT OF ITS**
19 **LOAD IN URBAN AREAS?**

20 A. No. Again, Mr. Spangeneberg completely misinterprets the language contained in
21 Section 425.04 in a way that is favorable to Gulf Power. Under the language of
22 425.04, CHELCO is not prohibited from serving non-members. A retail customer
23 of the cooperative becomes a member of the cooperative and has the full rights of
24 a member when the customer commences service with the cooperative. Some
25 distribution cooperatives sell wholesale power to entities that do not become
26 members of the cooperative. CHELCO has no such wholesale sales to non-

1 members. If CHELCO served Freedom Walk, all of the retail customers in the
2 subdivision would become members of the cooperative with the full rights of
3 members to vote for Directors of the Board that control the cooperative in the
4 annual elections. Mr. Spangenberg went to a lot of effort in his Testimony to
5 quantify the percentage of customers that CHELCO serves in what he
6 characterizes as urban areas. To develop his numbers, he created his own
7 definitions, and applied an unreasonably broad view of the term “person” – a view
8 that essentially requires the Commission to act as the Census Bureau, reevaluating
9 population numbers as they wax and wane during growth, economic downturns
10 and natural disasters every time it decides a territorial dispute – all with the intent
11 of getting the Commission to focus on something other than the actual service
12 currently provided to the disputed area by CHELCO. His position directs the
13 Commission to focus more on areas far removed from Freedom Walk than on the
14 area that is the subject of this dispute. Unfortunately, all of this effort leads the
15 Commission down an unproductive path, as a ten percent limit on the customers
16 served in “urban areas” was not the intent of Section 425.04 based on the clear
17 language contained in the statute.

18 **Q. IS THERE ADDITIONAL EVIDENCE IN THE RECORD THAT CHELCO**
19 **IS NOT BARRED FROM OFFERING ELECTRIC SERVICE IN URBAN**
20 **AREAS?**

21 A. Yes. Exhibit LVG-3 contains a copy of Ordinance No. 1433 which was passed
22 and adopted by the City Council of Crestview on October 26, 2009. This
23 Ordinance granted CHELCO the right and franchise to maintain and operate an

1 electric distribution system in the City and to construct, maintain, operate and
2 extend electric transmission and distribution lines in the streets and public places
3 of the City. It is unlikely that the City of Crestview would have issued this
4 Ordinance if allowing CHELCO to serve in the City and to extend service in the
5 City was contrary to Florida Statutes.

6 **Q. WHAT ARE THE POLICY IMPLICATIONS OF THE**
7 **INTERPRETATION OF FLORIDA LAW CONTAINED IN MR.**
8 **SPANGENBERG'S TESTIMONY?**

9 A. Mr. Spangenberg claims that Florida law prohibits electric cooperatives from
10 serving in "urban" areas. His concept of an urban area is expansive and would
11 include any area with a high density of customers per mile of line. By preserving
12 all areas with high density load exclusively for investor owned utilities and
13 relegating all areas with low density load to electric cooperatives, the Commission
14 would be preventing the members of electric cooperatives in rural areas from ever
15 realizing the economies of scale and benefiting from the ability to spread their
16 fixed costs over a larger customer base.

17 It is important to note that CHELCO has a long history of providing
18 electric service to people that have been underserved and ignored by Gulf Power,
19 and the Commission should not ignore that history. Historically, investor owned
20 utilities have chosen not to serve in rural areas because providing service to these
21 areas with low customer density per mile of line would have added much more to
22 cost than they would to revenue under the investor owned utility's retail electric
23 rates, thus adversely affecting the rate of dividends to its shareholders. This

1 reluctance for investor owned utilities to serve in rural areas is the whole reason
2 why electric cooperatives were formed.

3 Based on data from Platt's 2010 UDI Directory of Electric Power
4 Producers and Distributors, Gulf Power has about 57 customers per mile of
5 distribution line and CHELCO has about 12 customers per mile of distribution
6 line. Thus, Gulf Power can spread fixed costs much further than CHELCO
7 resulting in a lower per unit investment for Gulf Power. As an example, if one
8 mile of single phase distribution line cost \$30,000, the per-unit investment for
9 Gulf Power would be about \$526 per customer while it would be about \$2,500 per
10 customer for CHELCO. Gulf Power's retail rates would support the lower level of
11 investment while CHELCO's retail rates would be necessary to support the higher
12 level of investment. Gulf Power would suffer financially under its current rate
13 structure if it attempted to serve low density load such as that served by
14 CHELCO. This is the reason that, if customers in rural areas had waited until
15 investor owned utilities built service out to them, they would still be waiting.

16 After serving areas with low member density for years, it would be
17 inequitable from a practical perspective and not required from a legal perspective,
18 to strip electric cooperatives of the opportunity to take advantage of economies of
19 scale and to spread their fixed costs over a larger base of sales when one of the
20 many low density historic service areas develops into a more advantageous area
21 with higher customer density. I have seen nothing in the pleadings or testimony of
22 the parties that leads me to conclude that it is the state of Florida's policy to
23 ensure that electric rates in rural areas stay high by denying opportunities to

1 achieve economies of scale, while providing opportunities to lower rates in urban
2 areas by assigning all areas with high customer density to investor owned utilities
3 as Mr. Spangenberg suggests.

4 **Q. HOW DOES MR. SPANGENBERG'S TESTIMONY AND HIS**
5 **INTERPRETATION OF SECTION 425.04 ADDRESS THE**
6 **REQUIREMENT OF THE COMMISSION TO PREVENT UNECONOMIC**
7 **DUPLICATION OF FACILITIES?**

8 A. It doesn't. As set forth previously, Gulf Power's interpretation of uneconomic
9 duplication is determined solely by whether Gulf Power's duplication of another
10 utility's existing facilities is good for Gulf Power's bottom line, without any
11 consideration whatsoever of the economic impact on the existing provider.
12 Additionally, the approach that Mr. Spangenberg is suggesting of assigning all
13 areas with relatively high customer density to investor owned utilities as a matter
14 of course would render the legislature's desire to avoid "uneconomic duplication"
15 moot in any area in which a city has, for purposes that may be unrelated to the
16 extension of urban or municipal services, decided to annex property. Essentially,
17 Gulf Power's position, as expressed by Mr. Spangenberg, is that if Gulf Power
18 can economically justify the extension of its facilities, any and all duplication of
19 another utility's facilities is irrelevant since such duplication is not uneconomic to
20 Gulf Power. That is precisely the case here where a decision to allow Gulf Power
21 to serve Freedom Walk would result in uneconomic duplication of CHELCO's
22 facilities in a decidedly rural area that is projected to be developed to a higher
23 density area.

1 Q. DID YOU NOTICE ANY COMMON CHARACTERISTICS OF THE
2 CITATIONS PROVIDED BY GULF POWER IN ITS ANSWER TO THE
3 PETITION AND IN ITS DIRECT TESTIMONY?

4 A. Yes. I noticed that the majority of the cases regarding territorial disputes that were
5 cited by Gulf Power involved Gulf Power as one of the parties. This gave me the
6 impression that Gulf Power had been involved in a large number of territorial
7 disputes, and that it is Gulf Power's strategy to go after large, high density, high
8 load factor loads in areas that are currently served by electric cooperatives. This
9 impression was reinforced when I read that one of Mr. Spangenberg's "special
10 project" areas is territorial matters in which he provides guidance to Gulf Power's
11 district and local management and field personnel with respect to competing for,
12 and providing service to, new customers. (Spangenberg Direct testimony, page 1).
13 Since electric distribution utilities have all of the characteristics of natural
14 monopolies and the Commission is charged with avoiding the uneconomic
15 duplication that would result from competition with regard to distribution service,
16 "competing for and providing service to new customers" sounds to me like code
17 for going after attractive loads in areas currently served by cooperatives. This
18 impression is buttressed by Gulf Power's statement regarding its policy for
19 expanding or extending electric service that: "In a natural desire to grow its
20 business and because serving additional customers using any existing distribution
21 facilities usually reduces the cost per customer for providing service, utilities have
22 (and should) **aggressively pursue** the opportunities to serve a prospective new
23 customer." (emphasis added, Gulf Power Response to question 9 of CHELCO's

1 Second Request for Production of Documents, p. 360). Gulf Power goes on to
2 state that: "Because Gulf Power has generally tried to preserve as much customer
3 choice as practical, it has historically opposed the establishment of geographical
4 boundaries." (Gulf Power Response to question 9 of CHELCO's Second Request
5 for Production of Documents, p. 361). From these statements, it appears to me
6 that Gulf Power does not want to be reigned in by geographic boundaries that
7 would prevent it from encroaching on areas currently served by other utilities. It
8 appears that Gulf Power is willing to tolerate electric cooperatives as long as they
9 are relieving Gulf Power from any obligation to serve areas with low customer
10 density, but once the area has the potential to develop into a higher and more
11 economically advantageous density area, Gulf Power will race in as quickly as it
12 can to get the customer to "choose" Gulf Power and use that "choice" to claim the
13 load for itself.

14 **Q. IS THERE EVIDENCE IN THE RECORD THAT INDICATES THAT**
15 **GULF UNDERSTOOD IT WAS ENCROACHING ON AN AREA**
16 **CURRENTLY SERVED BY CHELCO?**

17 A. Yes. The e-mail contained in Exhibit LVG-5 supports this view. In an e-mail sent
18 to Sandra Sims on June 19, 2006, Mr. Feazell, who is a witness in this proceeding,
19 stated that "I spoke with Scott and just to let you know, CHELCO has a line
20 running through the proposed site now. Gulf would have to do additional work to
21 serve the subdivision." When Ms. Sims received this e-mail that basically
22 admitted that Gulf Power service to the area would be duplicative of the
23 CHELCO service that was already there, Ms. Sims forwarded Mr. Feazell's e-

1 mail to Mr. Spangenberg with the note "Please call me when you get a minute
2 about my next steps with this." This short e-mail speaks volumes about the issues
3 in this case. It shows that Gulf Power knew that CHELCO was currently
4 providing service to the area in question, and that Gulf Power was not currently
5 providing service to the area. Mr. Spangenberg's Testimony in this proceeding
6 that CHELCO should be barred from serving this load because the area in
7 question is evolving from a rural area to an urban area completely misses the
8 mark with regard to "uneconomic duplication" that is recognized by this e-mail.

9 **Q. WHAT IS THE PURPOSE OF DR. HARPER'S TESTIMONY?**

10 A. After reviewing Dr. Harper's Direct Testimony, it appears that its sole purpose is
11 to expand the concept of "urban" as broadly as possible in support of Mr.
12 Spangenberg's Testimony. I was puzzled by why Dr. Harper, as an economist,
13 was not asked to address the concept of "uneconomic duplication" in this
14 proceeding. Though not entirely a question of pure economics, it is within the
15 context of natural monopolies that uneconomic duplication has meaning for
16 regulatory agencies that routinely deal with natural gas, water and electric
17 distribution companies that have the characteristics of natural monopolies. A
18 discussion of uneconomic duplication by an economist would seem to provide
19 more pertinent and reliable information to the Commission than would the
20 discussion of Gulf Power's desire to be economically advantaged by claiming
21 CHELCO's historic Freedom Walk service area that was provided by Gulf
22 Power's expert in territorial disputes, Mr. Spangenberg.

1 Q. ARE THERE INDICATIONS THAT CHELCO HAS A SUBSTANTIAL
2 PRESENCE IN THE AREA AND THAT THE INCURSION BY GULF
3 POWER REPRESENTS UNECONOMIC DUPLICATION?

4 A. Yes. Pages 5 through 9 of Mr. Feazell's Direct Testimony go into depth regarding
5 the upgrades that CHELCO would need to make to its three phase equipment that
6 currently serves the Freedom Walk area and the cost of these upgrades. His
7 testimony is somewhat out of date, since Mr. Avery and Ms. Sullivan both
8 acknowledge that service to meet Freedom Walk's full projected load, even if it
9 were to come on immediately, could be provided by the simple act of accelerating
10 existing, planned improvements in its Construction Work Plan. If the load is
11 phased in, as Gulf Power projects, no changes to CHELCO's existing
12 Construction Work Plan would be necessary. Mr. Feazell attributes the cost of
13 the upgrades in CHELCO's current Construction Work Plan to Freedom Walk,
14 but he glosses over the fact that CHELCO planned to make these upgrades to its
15 three phase system before it knew about the Freedom Walk development in order
16 to accommodate the already anticipated load growth that it was experiencing in
17 this area. (Sullivan Direct testimony). These planned upgrades demonstrate that
18 CHELCO is serving a substantial load in the immediate area of Freedom Walk,
19 and has made the prudent investment decision to plan ahead for reasonably
20 expected growth in its service area. Mr. Feazell is taking a clear demonstration
21 that CHELCO is serving significant load in the immediate area and attempting to
22 turn it into a negative for CHELCO in this proceeding.

1 Q. DOES MR. FEAZELL USE ONE APPROACH FOR DETERMINING THE
2 COST OF FACILITIES NECESSARY FOR CHELCO TO SERVE
3 FREEDOM WALK AND ANOTHER FOR DETERMINING THE COST
4 OF FACILITIES NECESSARY FOR GULF POWER TO SERVE
5 FREEDOM WALK?

6 A. Yes, and unsurprisingly, this difference in methodologies favors Gulf Power. Mr.
7 Feazell states that Gulf Power would only need to build four-tenths of a mile of
8 three phase line to serve the Freedom Walk development and that no other
9 changes would need to be made to the distribution equipment in the area. (Feazell
10 Direct testimony, pages 9-10). However this testimony is not consistent with Gulf
11 Power's response to question 41 of CHELCO's Second Set of Interrogatories in
12 which Gulf Power identifies significant upgrades to the Airport Road substation
13 that would be used to serve Freedom Walk costing \$1,600,000. If the substation
14 upgrades cannot be accomplished, Gulf proposes the addition of three
15 transformers solely to serve Freedom Walk. Aside from the fact that \$40,000
16 seem very low for the replacement of three single phase transformers, especially
17 given Mr. Feazell's testimony regarding the cost to CHELCO of replacing
18 transformers, the fact is that Gulf has not identified even that low figure as a cost
19 of providing service to Freedom Walk.

20 Gulf Power rationalizes its exclusion of the Airport Road substation
21 upgrades by stating that these upgrades would have been done anyway and were
22 not necessary to serve Freedom Walk. (Gulf Power response to question 39 of
23 CHELCO's Second Set of Interrogatories). However, on pages 5 through 9 of his

1 Testimony, Mr. Fezell counts as costs of serving Freedom Walk upgrades that
2 CHELCO had already planned to make to serve its substantial load in the area. It
3 is misleading for Gulf Power to include costs that CHELCO has planned to incur
4 in calculating the cost of CHELCO serving Freedom Walk while excluding such
5 costs from Gulf Power's calculation. The Commission should recognize this
6 difference and be sure that it is comparing the costs on the same basis in making
7 any decision regarding uneconomic duplication in this proceeding.

8 **Q. DO THE INTERESTS OF DEVELOPERS NECESSARILY COINCIDE**
9 **WITH THOSE OF THE CUSTOMERS WHO ULTIMATELY RESIDE IN**
10 **THE DEVELOPMENT?**

11 A. No. The difference in interests between developers and those who ultimately
12 reside in the development is widely recognized. As an example, that difference in
13 interests is one of the reasons for the incentives offered to developers in energy
14 efficiency programs. To reduce upfront costs, developers have a financial
15 incentive to install cheaper appliances that are less energy efficient than more
16 expensive, but more energy efficient appliances that might benefit the ultimate
17 resident/utility customer and that the ultimate customer might choose. The
18 incentives to install energy efficient appliances paid to developers in energy
19 efficiency programs is based on the logic that the incremental cost of a more
20 energy efficient appliance at the time of installation is generally small, while the
21 cost of purchasing a new more energy efficient appliance is something that the
22 homeowner is unlikely to pursue until the appliance wears out. On page 8 of his
23 Direct Testimony, Mr. Johnson claims that Gulf Power believes it is appropriate

1 to view the developer as the customer for purposes of requests for electric service.
2 The Commission should consider the possibility that the interests of the developer
3 and the customers who will ultimately reside in the development may differ with
4 regard to who they would prefer to provide electric service. The ultimate
5 customer may prefer a supplier such as CHELCO that is not for profit, member
6 owned, controlled through a member elected Board and that returns any excess
7 margins to members in the form of capital credits rather than receive electric
8 service from Gulf Power which is a for profit entity, owned by shareholders,
9 controlled through a shareholder elected Board and that retains any excess
10 earnings for the benefit of shareholders. The difference in interest is further
11 highlighted by the fact that the developer's interest is limited to up-front costs
12 incurred before the developer is gone from the scene, rather than the ongoing
13 costs and service characteristics that the ultimate customer will bear for the life of
14 the building.

15 **Q. WHY MIGHT A DEVELOPER PREFER TO INITIATE ELECTRIC**
16 **SERVICE WITH GULF POWER RATHER THAN WITH CHELCO?**

17 A. In a manner similar to the choice of appliances, developers are likely to prefer to
18 receive electric service from whichever company keeps the developer's upfront
19 costs the lowest. CHELCO has a line extension policy that requires the developer
20 to front the money for installing the necessary equipment, with CHELCO
21 providing a refund of the money as houses in the development initiate electric
22 service. This approach puts the development risk where it belongs, on the
23 developer, rather than on the existing members of the cooperative. Although

1 Freedom Walk may develop as planned, there are other developments in Florida
2 that have not and that were nothing more than a dream that didn't materialize. If a
3 utility requires no upfront payment for installing the necessary equipment, the risk
4 of recovering the cost of the equipment falls on the utility's existing customers as
5 these costs are recovered in rates. Unless challenged as imprudent, any
6 expenditures on distribution equipment in failed developments were borne by the
7 utility's existing customers and recovered by the utility through the rates that
8 customers pay. The Commission should consider the developers incentive to
9 minimize upfront costs and whether the developer's request is actually a good
10 surrogate for the interests of the customers who will ultimately live in the
11 development when weighing the developer's request for service in the
12 Commission's ultimate decision in resolving the territorial dispute in this
13 proceeding.

14 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

15 A. Based on my review of the Direct Testimony filed by Gulf Power witnesses,
16 particularly that of Mr. Spangenberg and Mr. Fezell, it is my opinion that
17 CHELCO has existing and currently planned facilities in the disputed area
18 capable of serving the Freedom Walk load without incurring any additional costs,
19 and already serves substantial load in that area, including within the developer's
20 designated boundary of Freedom Walk. Gulf Power's extension of three phase
21 line for four-tenths of a mile, paralleling and crossing CHELCO's lines, to serve
22 Freedom Walk would result in uneconomic duplication of service to Freedom
23 Walk. It is my opinion that because of the substantial load that CHELCO serves

1 in the area, because CHELCO already serves customers within the developer's
2 designated boundary of Freedom Walk, and because CHELCO has existing
3 facilities that are directly adjacent to Freedom Walk that are capable of serving
4 the Freedom Walk load, CHELCO should be allowed to serve the Freedom Walk
5 load.

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 A. Yes, it does.

1 **CHAIRMAN GRAHAM:** Okay. Gulf, you're up.

2 **MR. BADDERS:** Good afternoon. Our first
3 couple of witness are stipulated witnesses, so let me go
4 ahead and get those moved into the record.

5 **CHAIRMAN GRAHAM:** Sure.

6 **MR. BADDERS:** Witness Jacob's Prefiled
7 Testimony consisting of six pages, we ask that that be
8 moved into the record as though read.

9 **CHAIRMAN GRAHAM:** We will move that in as
10 though read.

11 **MR. BADDERS:** He did not have any exhibits.
12 Witness Johnson, we also ask that his Prefiled Direct
13 Testimony be moved into the record as though read.

14 **CHAIRMAN GRAHAM:** Let's move Witness Johnson
15 into the record as though read.

16 **MR. BADDERS:** And we also move for the
17 admission of an exhibit that has already been identified
18 as Exhibit 27 to his testimony.

19 **CHAIRMAN GRAHAM:** Let's also put Exhibit 27,
20 Hearing ID Number 27.

21 (Exhibit Number 27 admitted into the record.)

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1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 P. Bernard Jacob
5 Docket No. 100304-EU
6 Date of Filing: March 3, 2011

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

8 A. My name is P. Bernard Jacob. My business address is One Energy
9 Place, Pensacola, Florida, 32520. I am the Vice President at Gulf Power
10 Company with responsibility over Customer Operations.

11 Q. Please summarize your educational and professional background.

12 A. I have a Master's of Business Administration and a Bachelor of Science
13 degree from Mississippi State University. I have held a variety of past
14 positions within Gulf Power or its affiliates in the functions of External
15 Affairs, Customer Service, Legislative and Regulatory Affairs,
16 Telecommunications, Information Technology, and Corporate Services. I
17 was elected to my position as Vice President of Gulf Power in June, 2003.
18 I assumed my current responsibilities in March, 2007.

19
20 Q. What is the purpose of your testimony?

21 A. The purpose of my testimony is to provide an overview of Gulf Power
22 Company's service obligations to prospective customers. I will also
23 present Gulf Power's position with respect to which utility should be
24 awarded the right to provide electric service to the Freedom Walk
25 development.

1 Q. Did Gulf Power receive a request to provide service to a development in
2 Crestview known as Freedom Walk, which is the subject of this territorial
3 dispute?

4 A. Yes. As Witness Johnson elaborates more fully in his testimony, the
5 developer of Freedom Walk requested service from Gulf Power Company.
6 Witness Johnson testifies that the Freedom Walk developer currently
7 owns the property that is the subject of this territorial dispute.

8

9 Q. Does Gulf Power consider this request for service as a request from the
10 customer?

11 A. Yes. Again, as Witness Johnson elaborates, the developer in this
12 instance is the only reasonable proxy for the future customers who will
13 reside in this development. Therefore, Gulf Power must treat this as a
14 customer request for service.

15

16 Q. Why has this request for service led to the territorial dispute which is the
17 subject of this proceeding before the Commission?

18 A. There is one simple reason that the request has given rise to this territorial
19 dispute -- Choctawhatchee Electric Cooperative, Inc. (CHELCO) has
20 refused to honor the customer's choice. Of its own volition, CHELCO is
21 attempting to overturn the customer's choice in this matter despite the fact
22 that service to the Freedom Walk development would exceed CHELCO's
23 limited statutory authority to provide electric service in non-rural areas and
24 the fact that service by Gulf Power would not constitute an uneconomic
25 duplication of existing facilities.

1 Q. Does Gulf Power have any obligation to provide service to this customer?

2 A. Yes, it does. Gulf Power is a public utility under the laws of Florida. Once
3 we received the customer's request for service, we became legally
4 obligated to provide that service unless the provision of such service
5 would be in violation of other provisions of law or rules in this state. Unlike
6 a rural electric cooperative, Gulf Power is not at liberty to "pick and
7 choose" whom it will serve – as a general rule we are obligated to provide
8 service to all who request it.

9

10 Q. Are you aware of any conditions of this prospective service and/or any
11 provisions of law or rules with respect to that service that would relieve
12 Gulf Power of this obligation to serve the Freedom Walk development?

13 A. No, I am not. As Witnesses Feazell and Spangenberg further elaborate,
14 the provision of this service by Gulf Power Company would not give rise to
15 any uneconomic duplication of facilities of CHELCO or any other utility,
16 therefore the obligation to serve is valid and is heartily embraced by Gulf
17 Power. Further, as Witness Spangenberg elaborates, CHELCO lacks the
18 permission under law to even offer service to this non-rural area.

19

20 Q. Are you aware of any obligation that CHELCO has, under law or
21 otherwise, to provide service to this customer?

22 A. No, I am not. The customer has not requested service from CHELCO.
23 Even if the customer had requested CHELCO to provide service, unlike
24 Gulf Power, CHELCO has no statutory obligation to provide that service.
25 CHELCO is not a public utility and therefore has no obligation under

1 Florida law to provide service anywhere in north Okaloosa County, much
2 less in the Freedom Walk development.

3

4 Q. In addition to the obligation to serve, will the customer benefit from any
5 other aspects of receiving service from Gulf Power rather than CHELCO?

6 A. Yes. Again, Gulf Power is a public utility and CHELCO is not. Because of
7 this difference this customer, as every other Gulf Power customer, will
8 benefit from the full regulatory oversight of the Florida Public Service
9 Commission. In addition to the obligation to serve, this is most readily
10 apparent in the regulation of the level of Gulf Power's retail rates – a
11 benefit to which CHELCO customers are not privileged.

12

13 Q. Will the rest of Gulf Power's customers benefit from Gulf Power providing
14 service to the Freedom Walk development?

15 A. Yes. There are certainly economies of scale in this business. Serving
16 more customers and/or more electric load with existing capacity in
17 substations and transmission lines is beneficial for all of our customers
18 because it lowers costs for everyone.

19

20 Q. What is Gulf Power's philosophy with respect to the role that "the
21 customer" plays in territorial dispute matters?

22 A. Gulf Power believes that customer choice is one of the foundational
23 building blocks of the free enterprise system. The applicable law, both
24 with respect to competitive practices in general and as it has developed in
25 Florida with regard to the more limited choice of electricity supplier,

1 provides that it is the customer who should make the initial choice as to
2 which electricity supplier should serve a particular new load. Unless there
3 is a clear and certain determination that uneconomic duplication would be
4 caused -- or there is some other legal or regulatory constraint, such as
5 what type of utility is authorized to serve a certain type of customer -- Gulf
6 Power has historically and consistently held that customer choice should
7 be determinative in any question about which utility should provide service
8 to a new customer.

9

10 Q. Which utility should be awarded the right to serve the Freedom Walk
11 development?

12 A. Gulf Power Company.

13

14 Q. What evidence is Gulf Power Company offering to support this position?

15 A. As noted earlier, I am the Vice President with responsibility over Customer
16 Operations for Gulf Power, and three seasoned and highly-qualified
17 professionals from my organization are providing more detailed testimony
18 in support of the customer's choice that Gulf Power should serve the
19 Freedom Walk development. Gulf Power will also be offering the
20 testimony of Dr. Richard K. Harper, a respected economist and Executive
21 Director of the University of West Florida's Office of Economic
22 Development and Engagement. Witness Johnson provides conclusive
23 evidence as to the customer's preference for service by Gulf Power, the
24 non-rural nature of this customer, and the magnitude of load and revenue
25 it will represent to our company. Witness Fezell provides evidence as to

1 the cost Gulf Power is expecting to incur to extend service to this
2 customer, and contrasts that cost with the much higher cost that CHELCO
3 will incur. Witness Harper addresses the non-rural nature of certain
4 communities and areas served by CHELCO across northwest Florida.
5 Witness Spangenberg, building upon the testimony of Witnesses
6 Johnson, Feazell, and Harper, provides ample evidence regarding
7 CHELCO's lack of authorization under law to serve Freedom Walk and
8 the certainty that no uneconomic duplication of facilities will occur if the
9 customer's request for service is honored.

10

11 Q. Does this conclude your testimony?

12 A. Yes. This concludes my testimony.

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1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 Bernard H. Johnson, Jr.
5 Docket No. 100304-EU
6 Date of Filing: March 3, 2011

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

8 A. My name is Bernard H. Johnson, Jr. My business address is 140
9 Hollywood Boulevard, Fort Walton Beach, Florida, 32548. I am the
10 Energy Sales and Efficiency Supervisor for Gulf Power Company.

11 Q. Please summarize your educational and professional background.

12 A. I began my employment with Gulf Power in June of 1987 as a utility man
13 in the line crew. Upon obtaining my undergraduate degree in business
14 and marketing from Troy University in 1990, I was promoted to
15 engineering representative and served in that capacity for three years. I
16 then moved to Customer Service as a Field Accounting Supervisor and
17 then as a Customer Service Supervisor. In 1995, I transitioned to Gulf
18 Power's Marketing group wherein my responsibilities exposed me to both
19 new and existing construction practices. In 1997, I became the company's
20 Key Account Specialist. In that role, my duties were to service seven of
21 the largest volume builders in Gulf Power's service footprint. I acted as
22 the liaison between the builder/developers and Gulf Power, and was
23 responsible for coordinating construction activities ranging from "the
24 shovel in the ground" to "the meter on the wall." Specific job functions
25 included meeting with developers' management teams, providing tools for

1 the sales teams and ensuring that power was available for the
2 construction superintendents. Another function of this position was to
3 provide this same level of service to the multi-family construction projects
4 within the company's service footprint. I served as a Key Account
5 Specialist for eleven years. My present responsibilities include leading the
6 Residential sales team in the Fort Walton Beach District, which includes
7 Okaloosa and Walton counties. The Residential sales team's primary duty
8 is to assist builders, developers, subcontractors and trade allies with
9 matters relating to efficiency and energy conservation in new and existing
10 construction.

11

12 Q. What is the purpose of your testimony?

13 A. My testimony addresses the nature of the area that is the subject of this
14 territorial dispute – the Freedom Walk development. I also address the
15 planned load of the development and issues relating to customer choice.

16

17 Q. Have you prepared an exhibit that contains information to which you will
18 refer in your testimony?

19 A. Yes. I have one exhibit I am sponsoring as part of my testimony. My
20 exhibit (BHJ-1) consists of a copy of two letters received by Gulf Power
21 Company from the developer of Freedom Walk identifying Gulf Power as
22 the utility of choice for electric service to the development.

23 Counsel: We ask that Mr. Johnson's exhibit as just described
24 be marked for identification as Exhibit No. ____
25 (BHJ-1).

1 Q. Are you familiar with the disputed area described as the Freedom Walk
2 development?

3 A. Yes. The Freedom Walk development is a planned 179 acre mixed-use
4 development in the City of Crestview, Florida.

5

6 Q. How did you become aware of the Freedom Walk development?

7 A. As a Key Account Specialist, the marketing manager of one of my
8 assigned builder companies introduced me to Bruce Houle in 2007. Mr.
9 Houle and his affiliates have prior experience with developments in the
10 Atlanta, Georgia area. Freedom Walk is one of several projects that Mr.
11 Houle and his company, Emerald Coast Partners, LLC, want to develop in
12 Okaloosa County. I assisted him with review and coordination efforts of
13 the proposed projects. Discussions between Mr. Houle and me are
14 ongoing concerning start dates, lot layout, multi-family placement, lift
15 station sizes and location, possible commercial construction and utility
16 infrastructure for the Freedom Walk development.

17

18 Q. Please describe your understanding of the planned composition and
19 nature of Freedom Walk?

20 A. The developer has yet to commence construction on the project.
21 However, based on my involvement with the project to date, it is my
22 understanding that the composition and nature of Freedom Walk, when
23 fully developed, will be somewhat unique relative to other developments in
24 Okaloosa County. It will be quite large and have a military theme with
25 street names to reflect that theme. The development itself will be

1 subdivided, containing lots of varying prices and sizes. It will also contain
2 multi-family units, commercial parcels, and a planned YMCA.

3

4 Q. How would you characterize Freedom Walk, as planned, in contrast with
5 other residential developments with which you are familiar?

6 A. In addition to its military theme, Freedom Walk will be different than a
7 standard production builder development. It will be larger, have more
8 amenities and will be an urban development with the characteristics of a
9 planned community. The lots will differ in size and price, the street lighting
10 will be decorative in nature and the landscaping will feature a variety of
11 plants, flowers, trees, and shrubs. The amenities of Freedom Walk will
12 also include an upscale clubhouse with a pool, sun deck, and exercise
13 equipment. The development will include nature trails and bridges in
14 addition to several ponds with lots located along the waterfront areas. The
15 primary street arteries will also be heavily landscaped for additional
16 aesthetics.

17

18 Q. Has the developer or the City of Crestview made any special provisions to
19 accommodate this development, given its unusual size and/or character?

20 A. Yes. In 2008, the City of Crestview annexed the property into the city
21 limits and worked toward devising a plan and layout to provide sewer
22 services. At the request of the developer, the City also enacted Ordinance
23 Number 1378 which established the Freedom Walk development as a
24 "Community Development District" pursuant to Chapter 190, Florida
25 Statutes. A copy of Ordinance Number 1378 is attached as Schedule 1 to

1 the Exhibit of Witness Spangenberg. According to section two of
2 Ordinance Number 1378, the Freedom Walk Community Development
3 District is "situated entirely within The City limits of Crestview, Florida."
4

5 Q. You mentioned that a "Community Development District" has been
6 established for Freedom Walk. What is a Community Development
7 District?

8 A. A Community Development District, or "CDD," is a vehicle that allows a
9 developer, along with a Board of Supervisors, to finance, construct and
10 maintain basic infrastructure to support community development such as
11 water supply, sewer, storm-water facilities, roads, and recreational areas.
12 As described in section 190.003(6), Florida Statutes, a CDD serves the
13 function of "the delivery of urban community development services."
14

15 Q. Are there any significant additions of new residents to the Crestview area
16 anticipated in the near future that may have given impetus to Freedom
17 Walk?

18 A. Yes. In the very near future, the Crestview area will experience an influx
19 of new residents associated with the movement of two large military
20 commands, the Joint Strike Fighter Squadron and the 7th Special Forces
21 Group, to Eglin Air Force Base. The Joint Strike Fighter Squadron will be
22 stationed near Eglin's Main Gate which is located approximately 20 miles
23 from Crestview. The 7th Special Forces Group will be stationed at Duke
24 Field, which is located only eight miles from Crestview. This transition will
25 involve approximately 2,200 military personnel plus an additional 6,000

1 family members. Historically, a significant portion of personnel from Eglin
2 Air Force Base have made their home in Crestview, Okaloosa County's
3 most populated city. The name of the development, its contour and
4 character, and location in the north end of town where Crestview's growth
5 is maturing, are all attractive attributes for incoming military residents.

6 Also, Vision Airlines has recently opened hub operations at the
7 Northwest Florida Regional Airport, located approximately 20 miles south
8 of Crestview. Establishment of the Vision Airlines hub is expected to
9 create 4,200 additional jobs in the local economy and is expected to
10 further increase the demand for residential accommodations in Crestview.

11
12 Q. Compared to other communities in Northwest Florida with which you are
13 familiar, how would you characterize the recent and near-term
14 expectations for growth and development of the Crestview area?

15 A. I would characterize it as "very strong". As previously mentioned, the
16 military movement in the area is aggressive. The service members
17 moving to the area, particularly those that are part of the more senior 7th
18 Special Forces Group, are not as likely to move away within two to three
19 years due to the desire of the military for their personnel to have extended
20 orders of four to six years. Their families grow up in the area and take up
21 residence as well.

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1 Q. Would you characterize Freedom Walk, as planned, as "rural" or "urban"
2 and why?

3 A. I would characterize Freedom Walk as an urban development. As
4 mentioned previously, the development is located within the municipal
5 boundaries of the City of Crestview and has been approved as a CDD
6 pursuant to Chapter 190, Florida Statutes. Moreover, based on
7 discussions with the developer, this project is expected to contain 489
8 single-family lots and 272 multi-family units. The plans to incorporate a
9 YMCA and small commercial outlets further confirm this to be an urban
10 development. Other urban characteristics of the development include
11 sidewalks, underground electric utilities, phone, cable TV, water, sewer,
12 garbage services and municipal police and fire protection.

13

14 Q. In your professional experience working with residential development
15 interests, is it typical for the developer to make arrangements for the initial
16 provision of electrical service and other utilities to the development?

17 A. Yes, and for more than one reason. The developer is the agent that
18 brings the project together. The developer oversees and orchestrates all
19 aspects of property development, from property purchase, obtaining
20 permits for vegetation removal, obtaining development permits, and
21 initiating and overseeing the installation of water, sewer, power and all
22 other utilities. The developer is doing this on behalf of the future
23 customers who will ultimately build on those lots and live in the resulting
24 homes.

25

1 The developer also decides who will construct the homes, which
2 could be the developer itself or one or more home builders. In this
3 respect, again, the developer is making major decisions on behalf of future
4 residents.

5 If and when a homeowners' association is formed, the developer
6 initially retains at least 51 percent of the votes, allowing it to retain control
7 over subdivision decisions. The developer's stake is associated with the
8 number of unsold lots. Again, the developer is in control of significant
9 elements on behalf of future property owners.

10 In this particular instance, the developer is also currently the owner
11 of the property on which the development is planned.

12 For all of these reasons, Gulf believes it is necessary and
13 appropriate to view the developer as the "customer" for purposes of
14 requests for electric service.

15
16 Q. Has the customer, as represented by the key personnel involved in the
17 development aspects of Freedom Walk, expressed a preference for an
18 electric utility for the provision of electric service to Freedom Walk?

19 A. Yes, it has. In September 2007, Gulf Power initially received a letter from
20 the developer, Emerald Coast Partners, LLC. The letter gave a
21 description of the preliminary number of units to be constructed and
22 referenced Gulf Power as the utility of choice for electrical service. In
23 February 2011, the developer provided a follow-up letter reconfirming its
24 choice of Gulf Power as the provider of electric service for Freedom Walk.
25 A copy of both letters is attached as Schedule 1 to my Exhibit.

1 Q. What is the anticipated load and estimated annual revenue for the
2 Freedom Walk development?

3 A. The anticipated load for the Freedom Walk development upon full build-
4 out is 4,636 kilowatts with estimated annual non-fuel revenue of \$483,828.
5 My calculations are based on an expected build-out of 489 single-family
6 homes and 272 multi-family units.

7

8 Q. Does this conclude your testimony?

9 A. Yes. This concludes my testimony.

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1 **MR. BADDERS:** And that moves us to Witness
2 Feazell.

3 **CHAIRMAN GRAHAM:** Okay.

4 **MR. GRIFFIN:** I call Mr. Feazell to the stand.

5 **CHAIRMAN GRAHAM:** Welcome, Mr. Feazell.

6 **THE WITNESS:** Thank you.

7 WILLIAM MICHAEL FEAZELL

8 was called as a witness on behalf of Gulf Power Company,
9 and having been duly sworn, testified as follows:

10 DIRECT EXAMINATION

11 **BY MR. GRIFFIN:**

12 **Q.** Mr. Feazell, were you previously sworn in the
13 hearing room this morning?

14 **A.** Yes, I was.

15 **Q.** Please state your name and business address
16 for the record.

17 **A.** My name is William Michael Feazell. My
18 address is 140 Hollywood Boulevard, Fort Walton Beach,
19 Florida 32548.

20 **Q.** And by whom are you employed and in what
21 capacity?

22 **A.** Gulf Power Company as the District Operations
23 Manager for the Fort Walton Beach district.

24 **Q.** And you are the same Mike Feazell who prefiled
25 Direct Testimony on March 3rd, 2011, consisting of 14

1 pages?

2 A. Yes, sir.

3 Q. Do you have any changes or corrections to that
4 testimony?

5 A. Yes, sir. I'll go through that. The changes
6 I have would be on Page 3, Lines 11 through 12. It
7 would be to strike April 2008 and insert June 19th,
8 2006. The second change would be on Page 5, Line 15,
9 strike "Or construct an entirely new substation." And
10 these changes came about as a result of the changes of
11 the Direct Testimony from Witness Avery.

12 The last one on Page 9 would be Lines 13
13 through 19. I'd like to strike both the question and
14 the answer.

15 Q. With the exception of those changes, if I were
16 to ask you the same questions today, would your answers
17 be the same?

18 A. Yes.

19 MR. GRIFFIN: Mr. Chair, we would ask that Mr.
20 Feazell's Prefiled Direct Testimony and accompanying
21 changes be inserted into the record as though read?

22 CHAIRMAN GRAHAM: I have to apologize. Let's
23 go back to that change on Page 5. I missed that one.

24 THE WITNESS: On Page 5, Line 15, strike, "Or
25 construct an entirely new substation."

1 **CHAIRMAN GRAHAM:** Okay.

2 **MR. GRIFFIN:** Will Mr. Feazell's testimony be
3 inserted into the record as though read?

4 **CHAIRMAN GRAHAM:** Let's enter his testimony
5 into the record as though read.

6 **MR. GRIFFIN:** Thank you, sir.

7 **BY MR. GRIFFIN:**

8 **Q.** Mr. Feazell, did you also have four exhibits
9 attached to your direct testimony labeled as WMF-1
10 through WMF-4?

11 **A.** Yes, I do.

12 **MR. GRIFFIN:** And, Mr. Chair, I would note
13 that those exhibits are identified as Hearing Exhibits
14 28, 29, 30, and 31.

15 **CHAIRMAN GRAHAM:** Okay.

16 **BY MR. GRIFFIN:**

17 **Q.** Do you have any changes or corrections to any
18 of those exhibits?

19 **A.** No, sir, I don't.

20 **Q.** Did you also submit Prefiled Rebuttal
21 Testimony on April 27th, 2011, consisting of nine pages?

22 **A.** That is correct.

23 **Q.** And do you have any changes or corrections to
24 that testimony?

25 **A.** No, I don't.

1 Q. If I were to ask you the same questions, your
2 answers would be the same today, correct?

3 A. That's correct.

4 MR. GRIFFIN: Mr. Chair, we have ask that Mr.
5 Feazell's Prefiled Rebuttal Testimony be inserted into
6 the record as though read.

7 CHAIRMAN GRAHAM: Let's enter his rebuttal
8 testimony into the record as though read.

9 BY MR. GRIFFIN:

10 Q. And, Mr. Feazell, did you have one exhibit to
11 your rebuttal testimony listed as WMF-5?

12 A. That is correct.

13 MR. GRIFFIN: And, Mr. Chair, I would note
14 that that exhibit is identified as Hearing Exhibit 32.

15 CHAIRMAN GRAHAM: Okay.
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1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 W. Mike Feazell
5 Docket No. 100304-EU
6 Date of Filing: March 3, 2011

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

8 A. My name is W. Mike Feazell. My business address is 140 Hollywood
9 Boulevard, Fort Walton Beach, Florida, 32548. I am the District
10 Operations Manager in Fort Walton Beach for Gulf Power Company.

11 Q. Please summarize your educational and professional background.

12 A. I hold a Bachelor of Science degree in Industrial Engineering Technology
13 from the University of Southern Mississippi. I have been employed with
14 Gulf Power Company for 25 years in various capacities. I began my
15 employment with Gulf Power as a Distribution Engineering representative.
16 In that role, I designed service to residential, commercial and industrial
17 customers as well as ensured the reliability of the distribution system in
18 the area which I worked. Thereafter, I held a position in Commercial and
19 Industrial Marketing, in which I addressed the various energy and
20 electrical needs associated with the City of Pensacola and Emerald Coast
21 Utility Authority. Following my employment in Commercial and Industrial
22 Marketing, I held the position of Transmission Lines Supervisor wherein
23 my responsibilities included the design, construction and maintenance
24 associated with Gulf's transmission lines system. I currently serve as the
25 District Operations Manager in Fort Walton Beach. In my current role, I

1 oversee the engineering design, line construction, maintenance and
2 service to the roughly 100,000 customers in the Fort Walton Beach,
3 Destin, Crestview, Niceville, and DeFuniak Springs areas. This job entails
4 the management of 58 employees in the Line/Service, Engineering field.
5 We provide safe, reliable electric service to the customers we serve.

6

7 Q. What is the purpose of your testimony in this proceeding?

8 A. My testimony addresses the necessary facilities and associated costs for
9 Gulf Power and Choctawhatchee Electric Cooperative, Inc., (CHELCO) to
10 provide adequate and reliable service to and within the Freedom Walk
11 development. I also briefly address each utility's ability to provide
12 adequate and reliable service to the Freedom Walk development.

13

14 Q. Have you prepared any exhibits that contain information to which you will
15 refer in your testimony?

16 A. Yes. I have four separate exhibits that I am sponsoring as part of my
17 testimony. The first exhibit (WMF-1) I am sponsoring consists of two
18 maps, one showing CHELCO's three-phase circuits near the Freedom
19 Walk development and one showing Gulf Power Company's three-phase
20 circuits near the Freedom Walk development. The second exhibit (WMF-
21 2) attached to my testimony is comprised of the original engineering study
22 performed by Patterson & Dewar Engineers, Inc. on CHELCO's behalf
23 dated July 7, 2010, and two subsequent revisions to the study dated
24 November 19, 2010, and February 1, 2011, respectively. The third exhibit
25 (WMF-3) I am sponsoring consists of a Job Summary for the Normandy

1 Road upgrade submitted by CHELCO in its response to question number
2 five of Gulf Power Company's First Request for Production of Documents.
3 The fourth exhibit (WMF-4) attached to my testimony contains CHELCO's
4 2011-2014 Construction Work Plan (CWP) completed in May 2010.

5 Counsel: We ask that Mr. Feazell's four exhibits as just
6 described be marked for identification as Exhibit Nos.
7 ____ (WMF-1), ____ (WMF-2), ____ (WMF-3), and
8 ____ (WMF-4), respectively.
9

10 Q. Are you personally familiar with the Freedom Walk development?

11 A. Yes. I first became involved with the Freedom Walk development in ^{June 19,} ~~April~~
12 ²⁰⁰⁶ ~~2008~~. My initial involvement centered on meeting with the developer,
13 Emerald Coast Partners, L.L.C., to discuss service requirements. Since
14 that time, I have been involved in one other meeting with the developer at
15 which we discussed the construction of the Freedom Walk Subdivision
16 and the developer's desire that Gulf Power provide electrical service to the
17 development. I have made several site visits to review the location of the
18 development in order to better evaluate the area. At my direction, other
19 Gulf Power engineers have also made site visits to the location of the
20 development in order to evaluate existing circuits and develop the cost
21 estimate associated with the extension of the line to serve the customer.
22
23
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25

1 Q. What is your understanding of the reason for the present territorial
2 dispute?

3 A. As discussed more fully by Witness Johnson, the developer of Freedom
4 Walk has requested that Gulf Power serve the development. CHELCO
5 has disregarded this request and is attempting to overturn the customer's
6 choice.

7

8 Q. What information have you considered in developing your testimony?

9 A. I have reviewed and considered a wide variety of information and data in
10 developing my testimony. In addition to my general experience as an
11 engineer for the Company, I have relied upon Gulf Power's 2010
12 Overhead/Underground Residential Differential Cost Data, public records
13 and load and plat information obtained from Witness Johnson. I have also
14 used engineering estimates that were calculated through Gulf Power's Job
15 Estimation and Tracking system, load studies for the general area, and
16 information regarding the total number of single family and multi-family
17 units at build-out as provided by Witness Johnson.

18 I have also relied upon numerous documents produced by
19 CHELCO during the course of discovery. Such documents include
20 detailed engineering studies, responses to interrogatories and requests for
21 admission, maps of CHELCO's Auburn Substation Circuit, engineering
22 studies developed on CHELCO's behalf by Patterson & Dewar Engineers,
23 Inc. and CHELCO's 2011-2014 Construction Work Plan (CWP) completed
24 in May 2010.

25

1 Q. What are the necessary facilities for CHELCO to extend adequate and
2 reliable service to the Freedom Walk development?

3 A. CHELCO presently owns a three-phase feeder extending from its Auburn
4 Substation that, in its extremities, abuts a boundary of the Freedom Walk
5 development. However, in order to adequately and reliably serve the
6 projected Freedom Walk load of 4,700 kilowatts, CHELCO will be required
7 to upgrade substantial segments of that feeder. As shown on page 1 of
8 Exhibit WMF-1, a 1.3 mile span of the feeder -- that segment of Auburn
9 Circuit 03 between points "A" and "B" and point "C" -- will need to have the
10 electrical conductor replaced with a larger size conductor. It also appears
11 that CHELCO will be required to convert 1,500 feet of an existing single-
12 phase tap on Normandy Road to a three-phase circuit extension as shown
13 on page 1 of my Exhibit WMF-1, between points "E" and "F".

14 Finally, CHELCO will need to perform extensive work at its existing
15 Auburn Substation, ~~or construct an entirely new substation~~, in order to
16 adequately serve the projected Freedom Walk load.

17
18 Q. What is the basis for your conclusions?

19 A. My conclusions are based upon CHELCO's planned load assumptions for
20 the Freedom Walk development, which are consistent with those of
21 Witness Johnson. They are also based upon a review of Patterson &
22 Dewar Engineers, Inc.'s engineering study which was commissioned by
23 CHELCO for the specific purpose of determining whether CHELCO's
24 existing electric system is capable of handling the load associated with the
25 Freedom Walk development. A copy of this study is attached to my

1 testimony as Exhibit WMF-2. As can be seen from my Exhibit WMF-2,
2 Patterson & Dewar issued its original study on July 7, 2010, and revisions
3 to the original study on November 19, 2010 and February 1, 2011.

4 This study clearly demonstrates that serving the projected load for
5 Freedom Walk will cause the 394 AAAC (size and type) and 750 MCM UG
6 conductor segments of the feeder to significantly exceed CHELCO's own
7 System Design & Operating Criteria (SDOC). At page 4 of the original
8 study (page 4 of my Exhibit WMF-2) under the heading titled "**2009**
9 **Summer Model; Base System w/New Load**", the study identifies the
10 loading for the above-referenced conductor segments assuming a
11 projected load for Freedom Walk of 3,700 kilowatts. According to the
12 document, the 394 AAAC segment would be loaded to 87 percent of its
13 operating capacity (or 27 percent above CHELCO's SDOC) and the 750
14 MCM UG segment would be loaded to 66 percent of its operating capacity
15 (or 6 percent above CHELCO's SDOC). As stated on page 1 (page 1 of
16 my Exhibit WMF-2) of the original study, CHELCO's SDOC provide that
17 "primary conductors are not to be loaded for long periods of time, over
18 60% of operating capacity for summer loading conditions." The study's
19 reference to CHELCO's SDOC is consistent with CHELCO's description of
20 the SDOC at page 2 of Exhibit K to its 2011-2014 CWP (page 30 of my
21 Exhibit WMF-4). At page 2 of my Exhibit WMF-2, the original study
22 confirms that "[s]ome of the conductor, mainly the 394 AAAC will be
23 loaded more than the SDOC recommends" and concludes that, if
24 CHELCO serves Freedom Walk, CHELCO should upgrade the 394 AAAC
25 segment to 741 AAAC a full three years before originally planned. The

1 same conclusion appears at page 2 of the November 19, 2010, revision
2 found on page 10 of my Exhibit WMF-2.

3 As noted previously, CHELCO also provided a second revision to
4 its study which is dated February 1, 2011. The original study and the
5 November 19, 2010, revision were based on the assumption that the load
6 of Freedom Walk upon full build-out would equal 3,700 kilowatts. The
7 February 1, 2011, revision assumes a load of 4,700 kilowatts upon full
8 build-out. Predictably, the increase in the projected load for the
9 development causes the loading for the above-referenced conductor
10 segments to further exceed CHELCO's SDOC. As can be seen on Page
11 1 (page 14 of Exhibit WMF-2) of the February 1, 2011, revision under the
12 heading "**2009 Summer Model BSI; Base System w/New Load**", the
13 394 AAAC segment will be loaded to 95 percent of its operating capacity
14 (or 35 percent above CHELCO's SDOC) and the 750 MCM UG segment
15 will be loaded to 75 percent of its operating capacity (or 15 percent above
16 CHELCO's SDOC). This data clearly reveals that CHELCO cannot
17 adequately serve the Freedom Walk development with its existing
18 conductor.

19 My conclusion regarding CHELCO's need to convert a segment of
20 its circuit on Normandy Road is based upon a Job Summary dated
21 May 17, 2010. This document was produced by CHELCO in response to
22 question number five of Gulf Power's First Request for Production of
23 Documents and is attached to my testimony as Exhibit WMF-3. Question
24 number five sought "[c]opies of all documents upon which Chelco relied in
25 developing the cost estimates included as Exhibit "F" to Chelco's petition

1 in this matter.” This Job Summary indicates that there is a need to retire
2 1,500 feet of the single-phase #2 AAAC OH Primary and install new three-
3 phase #1/0 AAAC OH Primary, along with the replacement of eight
4 existing poles with taller and larger poles, as well as the installation of two
5 new larger poles.

6 Finally, with respect to the need to upgrade the Auburn Substation,
7 page 2 of the February 1, 2011, revision to the engineering study clearly
8 states that “[f]or both the summer and winter 2014 ASI, the Auburn
9 substation power transformer is carried to maximum capacity.” This
10 information is found on page 15 of my Exhibit WMF-2. The document
11 further states that “[t]he lowside buswork at Auburn Substation circuit 03 is
12 carried to its maximum capacity of 600A.” For these reasons, CHELCO’s
13 consultant recommends “[t]hat CHELCO and their G&T provider,
14 PowerSouth EC evaluate substation options should Freedom Walk
15 development be served by CHELCO and should it reach this estimated
16 load of 4,700 kW.” These options include an “[u]pgrade [to] the substation
17 transformer at Auburn sub to a larger transformer or add a 2nd bank if
18 there is room inside the substation or perhaps add a new delivery point to
19 relieve the load on Auburn sub.” The study also recommends “[t]hat a 2nd
20 circuit be constructed to help serve the load south of Auburn substation (if
21 a new delivery point is not added nearby) to help serve the load south of
22 Auburn substation and not exceed the rating on the lowside buswork and
23 the circuit breakers at the substation.”

24
25

1 Q. What will be CHELCO's cost to perform these required upgrades of its
2 facilities?

3 A. The cost for CHELCO to perform the required upgrade to the 394 AAAC
4 segment of the feeder, will be \$227,404. This cost figure was provided by
5 CHELCO in response to discovery issued by Gulf Power and also appears
6 in Exhibit Q (page 31 of 37) to CHELCO's 2011-2014 CWP. The cost for
7 CHELCO to perform the required upgrade to the Normandy Road
8 conductor, will be \$29,063. This cost figure appears at the bottom of
9 page 1 of my Exhibit WMF-3. CHECLO has not provided costs estimates
10 for the upgrade of the 750 MCM UG segment of its feeder or for the
11 upgrades to the Auburn Substation.
12

~~13 Q. What do you estimate will be CHELCO's cost to perform the necessary
14 substation upgrade work?~~

~~15 A. Based on my knowledge of transmission construction, the cost of a power
16 transformer replacement ranges from \$700,000 to \$1.2 million. The
17 addition of another delivery point as discussed at page 2 of the
18 February 1, 2011, revision to the engineering study, ranges between
19 \$1.2 million to \$4.0 million.~~

21 Q. What are the necessary facilities and associated costs for Gulf Power to
22 extend adequate and reliable service to the Freedom Walk development?

23 A. In order to extend adequate and reliable service to the Freedom Walk
24 development, Gulf Power will extend its existing three-phase line
25 approximately 2,130 feet at a cost of only \$89,738. That short extension

1 is depicted on page 2 of my Exhibit WMF-1, beginning at point "D" and
2 extending westerly to what will be the point of service for the Freedom
3 Walk development. Gulf's existing line presently serves a variety of
4 customers, including Crestview High School, the Winn Dixie Market Place,
5 and Davidson Middle School, which are located a short distance to the
6 east of the Freedom Walk development. The cost to construct this short
7 feeder section was estimated using Gulf Power's Job Estimating and
8 Tracking system which calculates labor and material costs. The 2,130
9 foot line extension consists of 5,900 pounds of 477 AAC conductor, 45
10 insulators, 16 poles, six anchors, and 18 lightning arresters.

11

12 Q. Other than simply extending Gulf Power's existing three-phase line 2, 130
13 feet, would Gulf Power need to make any other investments or upgrades
14 to its facilities in order to provide adequate and reliable service to the
15 Freedom Walk development?

16 A. No. The projected loads associated with the Freedom Walk development
17 will be adequately handled through service from Gulf Power's Airport
18 Road Substation, located only two miles from the development.

19 Similarly, Gulf's existing conductor up to the point of the line
20 extension will adequately handle the projected load.

21

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1 Q. Are you aware of any engineering or other operational reason why
2 CHELCO should be awarded service to Freedom Walk in lieu of Gulf
3 Power?

4 A. No. There are no engineering, operational or other reasons why CHELCO
5 should be awarded service to Freedom Walk. Moreover, as I previously
6 indicated, in order to reliably serve the development, CHELCO would be
7 required to install more facilities at a much higher cost than Gulf Power.
8

9 Q. Other than serving the Freedom Walk development, would Gulf Power
10 and its customers realize any additional benefits from the extension of
11 three-phase service to the development?

12 A. Yes. Extension of the existing three-phase feeder would also enable Gulf
13 Power to provide adequate, reliable service to reasonably expected new
14 developments that ensue along Old Bethel Road between Davidson
15 Middle School and the Freedom Walk development.
16

17 Q. What are the necessary facilities and associated costs for Gulf Power to
18 provide adequate and reliable service within the Freedom Walk
19 development?

20 A. The estimated cost for Gulf Power to install overhead facilities within the
21 development, including material and labor, is \$752,778. The estimated
22 cost for Gulf Power to install underground facilities within the
23 development, including material and labor, is \$844,935. These estimates
24 were developed using the material and labor per-lot costs for "Low
25 Density" subdivisions contained in Gulf Power's 2010

1 Overhead/Underground Residential Differential Cost Data, approved by
2 the Commission on August 31, 2010. These estimates are based upon
3 the assumption that the development will contain 489 single family homes,
4 272 multi-family homes, and are subject to change pending the approval
5 of final subdivision plans.

6

7 Q. What are the necessary facilities and associated costs for CHELCO to
8 provide adequate and reliable service within the Freedom Walk
9 development?

10 A. On February 15, 2011, CHELCO supplemented its previous discovery
11 responses to Gulf Power. The supplemental production included a
12 revision to CHELCO's July 2010 engineering study indicating that
13 CHELCO has changed its load assumptions for the development.
14 Specifically, it appears that CHELCO is now projecting that the load of the
15 development, upon full build-out, will be 4,700 kilowatts. This is a
16 significant change from CHELCO's previous load projection of 3,700
17 kilowatts. Given the timing of this change, Gulf has not yet been able to
18 determine CHELCO's cost to provide service within the development.

19

20 Q. Do you anticipate that the necessary facilities and associated costs for
21 CHELCO to provide adequate and reliable service within the Freedom
22 Walk development will be substantially different from Gulf Power's?

23 A. No. I would expect Gulf Power's facilities and related costs for service
24 within the development to be similar to CHELCO's. As Gulf's District
25 Operations Manager, it has been my experience that there is not a high

1 degree of variation among utilities in terms of the types of facilities and
2 costs for providing service within developments of this nature.

3

4 Q. Is each utility capable of providing adequate and reliable electric service to
5 the Freedom Walk development?

6 A. As explained by Witness Spangenberg, CHELCO is legally prohibited from
7 serving the Freedom Walk development by virtue of the development's
8 non-rural character. Nevertheless, from a physical standpoint, I believe
9 that each utility is capable of providing adequate and reliable electric
10 service to the Freedom Walk development. However, as described
11 above, CHELCO would need to expend approximately \$227,404 just for
12 one section of feeder upgrade – and much more for substation
13 improvements and other facility upgrades – to provide service to the
14 development. These costs far exceed Gulf's estimated expenditure of
15 only \$89,738. Gulf Power's ability to provide adequate and reliable
16 electric service is demonstrated by Gulf's rich history of satisfactory
17 service to the residents in Crestview and surrounding areas.

18 Gulf Power would have at least one additional advantage over
19 CHELCO in the provision of reliable service to Freedom Walk: the
20 availability of resources to quickly respond to outages. Gulf Power has a
21 fully-staffed line service headquarters, with multi-truck, pole yard and
22 warehouse resources, which is located in Crestview only 4.5 highway
23 miles away from Freedom Walk. CHELCO's nearest similar facility is over
24 30 miles away in DeFuniak Springs.

25

1 Q. Mr. Feazell, does this conclude your testimony?

2 A. Yes. This concludes my testimony.

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1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Rebuttal Testimony of
4 W. Mike Feazell
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 W. Mike Feazell. My business address is 140 Hollywood
9 Boulevard, Fort Walton Beach, Florida, 32548. I am the District
10 Operations Manager in Fort Walton Beach for Gulf Power Company.

11 Q. Are you the same W. Mike Feazell that provided direct testimony on Gulf
12 Power's behalf in this docket?

13 A. Yes.

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

16 A. My testimony is in rebuttal of Choctawhatchee Electric Cooperative, Inc.
17 ("CHELCO") witness Matthew Avery. Among other things, I will address
18 assertions that CHELCO will be required to remove some existing facilities
19 if Gulf Power is awarded the right to serve Freedom Walk; that CHELCO
20 will serve Freedom Walk using a "loop fed" system; that Gulf may need to
21 obtain additional franchise or easement rights to extend service to the
22 development; and that CHELCO is able to serve the Freedom Walk
23 development using its existing facilities and previously planned upgrades.

24

25

1 Q. Have you prepared an exhibit that contains information to which you will
2 refer in your testimony?

3 A. Yes. I have one exhibit which was prepared under my supervision and
4 direction.

5 Counsel: We ask that Mr. Feazell's Exhibit (WMF-5), be marked
6 as Exhibit No. ____.

7

8 Q. At page 3, lines 13-16, Mr. Avery testifies that CHELCO would be "forced
9 to remove" its existing facilities and "have our members taken from us" if
10 Gulf Power is awarded the right to serve the Freedom Walk development.
11 Do you take issue with this statement?

12 A. Yes. The facilities and members to which Mr. Avery is referring are
13 located on an approximately 5-acre portion of property which borders the
14 northern boundary of the development. This property is located outside of
15 the city of Crestview's corporate limits and, as discussed in more detail by
16 Witness Spangenberg in his rebuttal testimony, is not within the "disputed
17 area" as framed by CHELCO's own petition. However, even if these out-
18 parcels were included within the development, it is misleading to suggest
19 that removal of CHELCO's facilities would be necessitated if Gulf Power
20 prevails in this dispute. In fact, if the out-parcels were included in the
21 development, the facilities would be removed even if CHELCO is awarded
22 the right to serve the development. These are overhead, single phase
23 facilities and are not consistent with the developer's plans to utilize
24 underground service within the development.

25

1 Q. Is the same true for the single phase line depicted in Exhibit JMA-3 and
2 discussed by Mr. Avery at page 11, lines 20-21?

3 A. Yes. The single phase line depicted in JMA-3 will need to be removed
4 regardless of which utility serves Freedom Walk. This line was used to
5 serve a single family residence which is no longer in existence. Due to its
6 location and the fact that it is an overhead line, this line will need to be
7 removed.

8

9 Q. At page 9, line 1 of his testimony, Mr. Avery notes that CHELCO "will be
10 using a loop fed system" to serve the development. Is the Auburn Circuit
11 03 a "loop fed system?"

12 A. I would not characterize Auburn Circuit 03 as "loop fed." CHELCO's
13 Auburn Circuit 03 is not looped to another feeder out of the Auburn
14 substation or any other substation. Moreover, there are no tie points with
15 any other circuit out of the Auburn substation. Auburn Circuit 03 is in fact
16 radial for approximately the first two miles from the substation. As a
17 result, any faults or failures on this radial portion of the circuit will affect all
18 existing load along with the full 4,700 kW associated with Freedom Walk.

19

20 Q. Mr. Avery states in his direct testimony, page 9, lines 5-9, that a "loop fed
21 system" will provide greater system reliability than a radial system. Do
22 you agree with this assertion?

23 A. Only in part. I concur that a properly designed and fully-looped feeder
24 can, in some instances, provide greater reliability than a radial system.
25 However, to make that statement you have to be applying it to the same

1 circuit. It is improper to categorically claim greater reliability of one circuit
2 over an entirely different circuit simply because of a looped design.
3 Further, as I indicated earlier, the Auburn Circuit 03 which CHELCO would
4 use to serve Freedom Walk is not a true "loop system."
5

6 Q. At page 9, lines 12-15, CHELCO notes that it would not need to acquire
7 any additional easements or franchises to reach the Freedom Walk
8 development. Would Gulf Power need to acquire any additional
9 easements or franchises to extend its existing feeder on Old Bethel Road
10 to the development?

11 A. No. Gulf Power has an existing franchise agreement with the city of
12 Crestview. The line extension to the point of entrance to the development
13 lies within the rights of way of the city of Crestview. The easements
14 needed to supply service inside the Freedom Walk development would
15 have to be acquired by either utility.
16

17 Q. Have you reviewed Mr. Avery's supplemental direct testimony?

18 A Yes, I have.
19

20 Q. Do you take issue with any of the assertions contained in that testimony?

21 A. Yes, I do. Specifically, I take issue with Mr. Avery's characterization at
22 page 3, lines 20-23 and page 4, lines 1-2 of the actions that will need to be
23 taken to address the low-side buswork and recloser at the Auburn
24 substation.
25

1 Mr. Avery states that the low-side buswork and recloser at the
2 Auburn substation should be “monitored” as load increases and that, at
3 some point, it will be necessary to evaluate ways to reduce the loading on
4 the low-side bus and recloser for Auburn Circuit 03. At no point in his
5 testimony does Mr. Avery acknowledge that significant upgrades to these
6 facilities will be needed in order for CHELCO to provide adequate and
7 reliable service to Freedom Walk.

8

9 Q. Why do you believe that these facilities will need to be upgraded in order
10 for CHELCO to provide adequate and reliable service to Freedom Walk?

11 A. CHELCO’s own consulting expert, Ms. Sullivan, clearly states in her
12 supplemental direct testimony, on page 2, beginning on line 8, that the
13 Auburn Circuit 03 recloser and low-side buswork “would approach their
14 maximum rating of 630 A and 600 A, respectively, in 2014. For CHELCO
15 to serve the 4700 kW load in 2014, this would need to be addressed.” On
16 lines 19-23 of page 3 and lines 1-2 of page 4, Ms. Sullivan provides two
17 options for CHELCO to address the loading problems with these facilities.

18 One option is to upgrade the low-side buswork and circuit recloser
19 for Auburn Circuit 03. The second option is to build approximately 1.5
20 miles of double circuit from the Auburn substation south to the intersection
21 of Hwy 85 & Houston Lane and transfer some of the load from the Auburn
22 Circuit 03 to the new circuit.

23

24

25

1 Q. Are you suggesting that there is an inconsistency between Mr. Avery and
2 Ms. Sullivan's testimony?

3 A. Yes, I am. Ms. Sullivan was correct that CHELCO needs to address the
4 loading issues on the low-side buswork and recloser. Mr. Avery appears
5 content to simply "monitor" the situation.

6
7 Q. Why is it unacceptable to simply "monitor" the situation?

8 A. When Freedom Walk's full load of 4700 kW is present on CHELCO's
9 system, as early as 2014 the loading on the recloser and low-side
10 buswork would reach 93% and 97%, respectively, of the operational rating
11 of the equipment. Additionally, the low-side bank breaker and its bypass
12 switches would reach 97% of its ratings. CHELCO's own System Design
13 and Operational Criteria ("SDOC") states that this equipment should not
14 be operated above 100% of its ratings. It would not be prudent
15 engineering practice to merely "monitor" this condition. At 97% of
16 operational rating, common weather events could easily cause a three
17 percent or greater shift in loading, thus overloading the low-side bank
18 breaker and bypass switches, as well as the recloser bypass switches,
19 beyond their ratings. Witness Spangenberg speaks more fully to this in
20 his rebuttal testimony.

21

22 Q. Would similar concerns apply to the recloser?

23 A. Yes. An operating margin of only seven percent is clearly inadequate due
24 simply to the probability of peak weather events.

25

1 Ms. Sullivan indicates an understanding of the ramifications of
2 having no plan in place and of operating substation equipment this close
3 to overload conditions.

4

5 Q. Mr. Feazell, what upgrades or replacements would be necessary to
6 CHELCO'S Auburn substation for CHELCO to safely and reliably serve
7 the Freedom Walk development?

8 A. In order to remediate the substation loading problems that Ms. Sullivan
9 highlights, CHELCO would, at a minimum, need to perform the following
10 upgrades:

- 11 1. Change out the Auburn substation low-side Bank Breaker;
- 12 2. Change out the Auburn Bank Breaker bypass switches; and
- 13 3. Change out the Auburn Circuit 03 recloser & bypass switches.

14

15 Q. What distribution circuit upgrades do you believe would be needed by
16 CHELCO in order to adequately and reliably serve Freedom Walk given its
17 normal load growth in the general area?

18 A. In his supplemental direct testimony Mr. Avery (page 3, line 14 and
19 following) lists several upgrades that would be needed. I concur that his
20 items (1), (2) and (3) would all be needed in order for CHELCO to
21 adequately and reliably serve Freedom Walk. Further, due to the reactive
22 load that would be associated with Freedom Walk, his item (5) would most
23 certainly be needed as well.

24 However, I take issue with Mr. Avery's assertion that item (1), the
25 reconductor of a 1.3 mile section of 394 AAAC feeder, would be

1 performed by CHELCO in 2014, even if CHELCO is not awarded the right
2 to serve Freedom Walk, as it was already in CHELCO's Construction
3 Work Plan. That need is marginal, as it is based on only a 63% loading of
4 that conductor section. Further, that need is speculative as it is based on
5 CHELCO's projections for normal load growth absent Freedom Walk.
6 Witness Spangenberg provides a succinct explanation of why that
7 associated load growth is improbable if Gulf prevails and serves the
8 Freedom Walk development.

9
10 Q. Have you tabulated all the needed work by CHELCO including the
11 associated cost estimates?

12 A. Yes. My Exhibit WMF-5 to this rebuttal testimony is a tabulation of both
13 the needed substation improvements and distribution improvements
14 should CHELCO serve the Freedom Walk development. The total
15 estimated cost for these improvements is over \$377,000. This is a
16 conservative estimate of what CHELCO would have to spend to provide
17 service to the development, but would otherwise have no need to spend.

18
19 Q. Did you include Ms. Sullivan's second option involving the construction of
20 a double circuit to relieve the Circuit 03 recloser and bypass switch
21 loading in your exhibit?

22 A. No, I did not. Because of the complexity of estimating the cost for that
23 option and my general evaluation of both options, I did not include it. I
24 believe that the cost to build the double circuit for 1.5 miles would result in

1 a higher cost than the first option of substation upgrades. I attempted to
2 keep all of my cost estimates as conservative as practical.

3

4

5 Q. Does this conclude your testimony?

6 A. Yes. This concludes my testimony.

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1 BY MR. GRIFFIN:

2 Q. Do you have any changes or corrections to that
3 exhibit?

4 A. No, I don't.

5 Q. With that, Mr. Feazell, please summarize your
6 testimony.

7 A. Good afternoon, Commissioners. My name is
8 Mike Feazell, and I am Gulf Power's District Operations
9 Manager for the Fort Walton Beach district. My job is
10 to safely provide reliable electric service to our
11 customers in the Fort Walton Beach, Destin, Crestview,
12 along with the DeFuniak areas. In my testimony, I will
13 explain why Gulf Power is capable of providing safe,
14 reliable electric service to the Freedom Walk
15 Development. I will also explain why Gulf Power is able
16 to provide that service at a cost below that of CHELCO.

17 In order to safely and reliably serve the
18 Freedom Walk Development, Gulf Power will extend its
19 three-phase line 2,130 feet along Old Bethel Road
20 without crossing any CHELCO primary distribution
21 facilities at a cost of \$89,738. In contrast, in order
22 to safely and reliably serve the development, CHELCO
23 will be required to upgrade a 1.3-mile segment of its
24 394 AAAC conductor along Highway 85. The cost for this
25 upgrade alone totals \$227,404. In addition to the

1 conductor upgrade, CHELCO would also be required to
2 perform significant upgrades at its Auburn substation,
3 and to install new voltage regulators and capacitors. I
4 have estimated these costs to be at least \$114,000.

5 It is clear from Witness Sullivan's own
6 engineering studies that the additional load associated
7 with the Freedom Walk Development will cause this
8 1.3-mile conductor segment to not only exceed CHELCO's
9 own system design and operational criteria, but to
10 exceed 100 percent of the conductor's maximum rated
11 capacity.

12 CHELCO argues that the costs associated with
13 the conductor upgrade should not be considered as part
14 of CHELCO's cost to serve the development because the
15 upgrade would be performed by CHELCO in 2014, even if
16 CHELCO is not awarded the right to serve Freedom Walk.
17 However, based on my review of CHELCO's load projections
18 for that area, I believe it highly improbable that
19 CHELCO would have a legitimate need to proceed with the
20 conductor upgrade in 2014 if they did not serve the
21 development.

22 Witness Avery and Grantham have taken the
23 position that CHELCO can serve the full load associated
24 with Freedom Walk without making any upgrades to the
25 Auburn substation. This position ignores the testimony

1 of CHELCO Witness Sullivan, and is simply not prudent
2 from an engineering or system planning perspective. The
3 load projected for Freedom Walk will cause the Auburn
4 substation loadside bank breaker and breaker by-pass
5 switches to be operated at 97 percent of their maximum
6 capacity, and the Auburn Circuit 3 recloser to be
7 operated at 93 percent of its maximum capacity. And
8 that is just the probable loading, and without any
9 consideration for weather extremes.

10 Ms. Sullivan recognized this problem and
11 recommended two options that CHELCO could use to reduce
12 the loading on these substation components. One option
13 was to upgrade the loadside bus work and circuit
14 recloser for Auburn Circuit 3. The second option was to
15 build approximately 1.5 miles of new line from the
16 Auburn substation and transfer that load to the new
17 line. Each of these options comes with significant
18 costs.

19 Mr. Avery has ignored these recommendations
20 and suggested that CHELCO could simply monitor the
21 situation. Based on my experience, this is not a
22 realistic solution. Operating these substation
23 components so close to their maximum ratings leaves an
24 inadequate safety margin in the event that weather or
25 other conditions result in increased load on the system.

1 Finally, my testimony addresses CHELCO's
2 contention that it will be using a loop-fed system to
3 serve the Freedom Walk Development. I explain why
4 CHELCO's system is not truly loop-fed as the term is
5 typically understood in the industry. While a portion
6 of the feeder is loop, the entire feeder is not. There
7 are approximately two miles of this feeder that are
8 radial. Consequently, CHELCO's suggestions that this
9 system is capable of providing more reliable service to
10 the development are overstated at best.

11 Thank you.

12 **CHAIRMAN GRAHAM:** Thank you, sir.

13 **MR. GRIFFIN:** We tender Mr. Feazell for
14 cross-examination.

15 **CHAIRMAN GRAHAM:** Thank you. FECA.

16 **MR. WILLINGHAM:** We have no questions.

17 **CHAIRMAN GRAHAM:** Okay. Thank you. CHELCO.

18 CROSS EXAMINATION

19 **BY MR. EARLY:**

20 Q. Good afternoon, Mr. Feazell. Good to see you
21 again.

22 A. Good afternoon, sir.

23 Q. Mr. Feazell, do you have your testimony and
24 your deposition with you today?

25 A. Yes, sir, I do.

1 Q. Okay. Deposition transcript, I suppose. Let
2 me start -- let me talk a little bit with you about
3 conductors and electrical equipment in general. Is it
4 correct to say that the rated capacity of a conductor is
5 the amount of current that can be carried by that
6 conductor?

7 A. Yes, sir.

8 Q. Okay. And the rated capacity is a specific
9 number, correct?

10 A. That's correct.

11 Q. Okay. If conductors are installed in a manner
12 that they don't experience limitations caused by lines
13 sagging, or terrain issues, or things like that, can a
14 conductor safely be operated at 100 percent of its rated
15 capacity?

16 A. Yes, sir.

17 Q. And can a conductor likewise be safely
18 operated at 100 percent of its operating capacity?

19 A. I believe it would be, yes.

20 Q. Would your testimony as to electrical
21 conductors apply to other electrical equipment that
22 carries a load rating? That is, can electrical
23 equipment that carries a load rating be safely operated
24 at 100 percent of its rated capacity?

25 A. In some instances, yes. I would have to know

1 the specifics of what you're talking about.

2 Q. As a general matter, I mean, is that an
3 accurate statement that a piece of equipment, if
4 operated and installed correctly, can be operated at
5 100 percent of its rated capacity?

6 A. Yes, sir.

7 Q. And, in fact, doesn't a load rating provide an
8 engineer or someone in your position with the
9 information as to how much current can be carried by
10 that particular piece of equipment?

11 A. Yes, sir.

12 Q. And since you have a specific number
13 attributed to a piece of equipment, doesn't that give
14 people who are in charge of planning the information
15 that they might use to be able to start the upgrade
16 process?

17 A. Could you please restate that?

18 Q. Yes. Since you have a specific number as to a
19 piece of electrical equipment, does that give people who
20 are in charge of planning the information to know when
21 they might want to start upgrading that equipment?

22 A. It could, yes.

23 Q. Okay. Now, let's discuss other types of
24 electrical equipment. Would you agree that an
25 electrical switch can be operated safely at 100 percent

1 of its rated capacity?

2 A. Yes, I would agree that a switch could be
3 operated at 100 percent of its rated capacity and not
4 above that.

5 Q. Would you agree that a breaker can be operated
6 safely at 100 percent of its rated capacity?

7 A. I would agree, yes.

8 Q. Would you agree that a bus can be operated
9 safely at 100 percent of their rated capacity?

10 A. I would agree, yes.

11 Q. Okay. Now, Mr. Feazell, you have reviewed,
12 and I believe it is an exhibit to your testimony, you
13 have reviewed the CHELCO 2011 through 2014 construction
14 work plan, have you not?

15 A. Yes.

16 Q. Does that construction work plan contemplate
17 the replacement of a 394 AAAC conductor segment with a
18 741 AAAC conductor segment on the CHELCO Auburn
19 substation feeder?

20 A. Could you point me to where you are referring
21 to that?

22 Q. Well, is that your recollection of what CHELCO
23 is going to be doing as part of their construction work
24 plan or not, or do you recall?

25 A. I recall, but could you point me to where we

1 are talking about?

2 MR. EARLY: Just one second, please. I
3 apologize for the delay.

4 CHAIRMAN GRAHAM: Take your time.

5 BY MR. EARLY:

6 Q. Mr. Feazell, if I could direct you to your
7 Exhibit WMF-4 to your Direct Testimony, Page 21 of 44.

8 A. Okay.

9 Q. So to repeat my question, does the
10 construction work plan contemplate the replacement of a
11 394 AAAC conductor segment with a 741 AAAC conductor
12 segment on the CHELCO Auburn substation feeder?

13 A. Yes, sir.

14 Q. Okay. And after that replacement is complete,
15 will the CHELCO distribution system be capable of
16 handling the full 4700 kW load projected for Freedom
17 Walk?

18 A. After the 394 conductor, this specific one on
19 here, not the other one, correct?

20 Q. Correct, after that 394 AAAC conductor segment
21 is replaced with a 741 AAAC conductor segment as
22 depicted in the construction work plan, after that is
23 complete, will the CHELCO distribution system be capable
24 of handling the full 4700 kW load projected for Freedom
25 Walk?

1 A. Yes, sir.

2 Q. If that replacement is completed on
3 December 31, 2014, would CHELCO be able to handle the
4 full 4700 kW load on that date, on December 31, 2014?

5 A. I don't know about that specific thing.

6 Q. I'm asking you to assume that that is the date
7 that the 741 replacement is complete. And on that date,
8 after completion of the 741 AAAC conductor segment,
9 would CHELCO's distribution system be capable of
10 handling the Freedom Walk load?

11 A. Yes, sir, it would.

12 Q. Okay. Now, based on your review of the
13 construction work plan, as you were preparing, as you
14 indicated you did in preparation of your testimony, were
15 you able to determine whether that upgrade was being
16 planned by CHELCO prior to the addition of any Freedom
17 Walk load?

18 A. Please restate that.

19 Q. Yes. Based on your review of the construction
20 work plan, were you able to determine whether that
21 upgrade was being planned by CHELCO prior to the
22 addition of any Freedom Walk load?

23 A. It was listed in the 2011 through 2014
24 construction work plan.

25 Q. Were you able to determine whether or not the

1 2011 through 2014 construction work plan included a
2 specific provision for the Freedom Walk load?

3 A. I'm not aware of any Freedom Walk load
4 included in that plan.

5 Q. Okay. Now, let me ask you, we have talked a
6 bit -- I want to move to substation issues, and we have
7 talked a good bit about MVA ratings, the rating in the
8 MVA. Does MVA have a corresponding relationship to --
9 we have seen with Freedom Walk 4700 kW is the projected
10 load. Is 4700 kW, would that be the equivalent of 4.7
11 MVA?

12 A. Not necessarily. Please restate that question
13 one more time.

14 Q. Does MVA, does the rating in MVAs correspond
15 to a rate, to kilowatts, to kW?

16 A. If you are factoring in the bank rating, you
17 have to take into account both the kW load and the VAR
18 flow or VAR load that is associated with that.

19 Q. Do you recall having your deposition taken on
20 April 20th, 2011?

21 A. Yes, sir, I do.

22 Q. Do you have your deposition with you?

23 A. Yes, sir.

24 Q. Could you turn to Page 86, at Lines 11 through
25 13?

1 A. On 86, Lines 11 through 13?

2 Q. Yes. And I asked you would a 10.5 MVA as
3 referenced here be the equivalent of 10,500 kW in terms
4 of its carrying capacity, and you responded I believe it
5 would. Is that a correct statement today?

6 A. Are we referring specifically to the 10 MVA
7 transformer that exists today?

8 Q. I was referring to a 10 MVA as referenced
9 here, and we were talking about a transformer at the
10 Airport Road substation. But, in general, would a 10.5
11 MVA transformer be able to have the carrying capacity of
12 10,500 kW?

13 A. That is correct, on the nameplate rating.

14 Q. Okay. Now, in your testimony, and I
15 understand that you have withdrawn this piece of your
16 testimony, but I'm going to ask you a question that
17 doesn't necessarily relate to that specifically. But
18 you indicated that -- well, do you recall earlier in
19 this proceeding there was a discussion that CHELCO might
20 have to do a substation upgrade in order to handle the
21 load when the understanding was that the transformer at
22 the Auburn Road was 20 MVA, do you recall that?

23 A. Yes, sir.

24 Q. And at that time it was Gulf's understanding
25 that there would have to be an upgrade of the actual

1 transformer at the Auburn substation, is that accurate?

2 A. That is correct.

3 Q. Okay. And at that time, it was your testimony
4 that if CHELCO had to do that at the Auburn Road
5 substation that it was going to cost somewhere between
6 700,000 and \$1.2 million, do you recall that testimony?

7 A. Could you point me in the direction where that
8 is?

9 Q. Well, it's Page 9, Lines 13 through 19, which
10 have been withdrawn, but do you recall --

11 A. Is that in my direct?

12 Q. Yes. I'm sorry, yes, it's Page 9 of your
13 direct, at Lines 13 through 19.

14 A. Okay.

15 Q. Do you recall making that statement?

16 A. Yes.

17 Q. And you were able to conclude at that time
18 that based on -- quote, "Based on my knowledge of
19 transmission construction, the cost of a transformer
20 replacement ranges from 700,000 to 1.2 million." That
21 was your understanding at that time of what it would
22 cost CHELCO to do that replacement, correct?

23 A. That is correct.

24 Q. Okay. Now, based on the information available
25 today, do you believe any transformer replacement is

1 necessary for CHELCO?

2 A. Based on today's information?

3 Q. Correct.

4 A. No, I don't feel like the transformer needs to
5 be replaced.

6 Q. Okay. Now, let me hand you Exhibit Number 24,
7 which is Exhibit CSC-5, which is Gulf Power responses to
8 CHELCO's second set of interrogatories. If I could
9 direct you to Interrogatory Number 39, is it your
10 understanding that Gulf has proposed replacing the
11 existing 10.5 MVA transformer at its Airport Road
12 substation with a bank of three transformers to meet the
13 Freedom Walk load?

14 A. Excuse me while I read this.

15 Q. Yes. It's Interrogatory Response 39.

16 A. Okay. Please restate your question, sir.

17 Q. Yes. Is it your understanding, based on
18 Interrogatory Number 39, that absent a larger upgrade
19 that we will discuss later, Gulf would need to replace
20 three single-phase substation transformers at the
21 Airport Road substation in order to handle Freedom Walk,
22 the load associated with Freedom Walk?

23 A. It says here that Gulf would need to replace
24 three single-phase substation transformers at the
25 Airport Road sub at a cost of approximately \$40,000.

1 Q. Okay. In order to serve the estimated --

2 A. To serve the estimated 4.7 load associated
3 with Freedom Walk.

4 Q. Okay. And let me hand you -- this is response
5 to staff Interrogatory Number 1, which is Exhibit 60,
6 and I'd ask you to take a look at the answer to Question
7 1A. And that question is using your existing facilities
8 as of January 1, 2010, provide information and all
9 associated costs in relation to providing service to an
10 assumed 4.7 megawatt of total load for Freedom Walk
11 development reaching build-out in December 2014. Were
12 you responsible for the preparation --

13 A. Please restate the original. I was waiting on
14 the document.

15 Q. Well, were you responsible for the preparation
16 of that interrogatory response?

17 A. Yes, sir.

18 Q. Okay. And in response to staff's Question
19 Number 1A, is it the position of Gulf today that it will
20 have to provide a replacement transformer or series of
21 transformers at 12.5 MVA in order to serve Freedom Walk?

22 A. Restate that again.

23 Q. Is it Gulf's position today that it will have
24 to provide a replacement transformer or series of
25 transformers at the Airport Road substation with a total

1 capacity of 12.5 MVA in order to meet the 4,700 kW load
2 of Freedom Walk by December 31st, 2014?

3 A. In order for Gulf to serve the Freedom Walk
4 load, we would upgrade the 10.5 MVA bank to a 12.5 MVA
5 bank that has got a 100 percent loading factor that's
6 associated with it, which would give us 15 MVA on that
7 transformer bank. Conversely, the 10.5 MVA bank will
8 handle 12.6 MVA. We load the transformer to
9 120 percent, so at that point in time, yes.

10 Q. And you have attributed, or Gulf has
11 attributed a cost of \$40,000 to that, to the replacement
12 of that transformer?

13 A. That's correct.

14 Q. Okay. Now, you have indicated in your
15 testimony that you have a knowledge of transmission
16 construction that was sufficient to allow you to
17 conclude that a transformer replacement by CHELCO would
18 have cost between 700,000 and 1.2 million, we discussed
19 that earlier?

20 A. Yes, sir.

21 Q. Does your knowledge of transmission
22 construction as you have testified, does that -- given
23 that knowledge, what would a fair replacement cost be
24 for a 12.5 MVA transformer?

25 A. The cost that's stated here, the \$40,000 cost

1 is a fully depreciated transformer that we are talking
2 about. The depreciation on a transformer is roughly in
3 the neighborhood of 38 years depreciation -- or, excuse
4 me, the transformer age that we used when we looked at
5 this was a 45-year-old transformer. So we are talking
6 about the labor cost associated with a fully depreciated
7 transformer.

8 Q. Okay. But that wasn't my question. My
9 question is what is the fair replacement cost of a
10 12.5 -- if I were to go today and pull out my checkbook
11 and go to the transformer store and ask them for a 12.5
12 MVA transformer, what might I be expected to pay?

13 A. I didn't do any research into what a 12.5 MVA
14 would cost.

15 Q. So your knowledge of transmission construction
16 doesn't given you sufficient information to come to any
17 conclusion as to what that might cost?

18 A. I have never been involved in the upgrade of a
19 12.5 as far as what you are referring to as a new
20 transformer.

21 Q. Okay. You assumed when you were looking at
22 CHELCO that CHELCO was going to be buying a new
23 transformer?

24 A. We took a new transformer and that is what
25 that price was, was a new transformer; yes, sir.

1 Q. Okay. Do you have any sense as you sit here
2 today, based on your experience as you have indicated,
3 what an approximate cost or what a fair market cost
4 might be for a 12.5 MVA transformer?

5 A. No, I don't.

6 Q. No?

7 A. No, I don't.

8 Q. How about if I were to go buy a used one, you
9 know, a retail transformer. Do you have any idea what
10 that would cost?

11 A. No, I don't.

12 Q. Would you assume it would be more than zero?

13 A. I would assume it to be more than zero; yes,
14 sir.

15 Q. Okay. Now, as part of Interrogatory Response
16 39, you discuss an upgrade of the Airport Road
17 substation as part of a larger plan to convert Gulf's 46
18 kV system in the area to a 115 kV system. Do you recall
19 that?

20 A. Yes, sir.

21 Q. And in response to Interrogatory 41, you have
22 given some costs on the second page, on Page 2 of 2, the
23 costs that Gulf has estimated to convert the Airport
24 Road substation to 115 kV with new relaying and new
25 11A/12 kV transformer, and new high-side protection

1 would be 1.5 million, is that correct?

2 A. I don't have that document in front of me.

3 Q. You do, it is the --

4 A. It's in the same document, 41?

5 Q. Yes, it is 41.

6 A. Okay. Thank you. All right.

7 Q. Okay. So the cost of the project that I just
8 described to you Gulf estimated at 1.5 million, correct?

9 A. That is correct.

10 Q. Okay. And then to serve the Airport Road
11 substation on the existing Crestview Airport 115 kV line
12 would be another \$100,000?

13 A. That's what it says.

14 Q. Okay. Now, these upgrades to the system,
15 those are upgrades that Gulf was planning to perform
16 independent of Freedom Walk, were they not?

17 A. That is exactly right.

18 Q. Okay. And because of that, Gulf has not
19 attributed any of those costs to serving Freedom Walk,
20 is that correct?

21 A. That is correct.

22 Q. But the load that is made available by those
23 upgrades will be used to serve Freedom Walk if Gulf is
24 awarded that territory, would they not?

25 A. Airport Sub will serve the Freedom Walk

1 substation, or Freedom Walk development if Gulf is
2 awarded the right to serve.

3 Q. Okay. So that is yes?

4 A. That's yes.

5 Q. Okay. Now, if 4700 kW load of Freedom Walk --
6 well, let me ask you, you were here for Mr. Avery's
7 testimony, were you not?

8 A. Yes, sir.

9 Q. And did you hear Mr. Griffin as he was
10 questioning Mr. Avery, I believe he asked Mr. Avery
11 several questions about what would happen if the 4700 kW
12 load came on tomorrow. Were you here for those
13 questions?

14 A. Yes, sir.

15 Q. Okay. Now, if the 4700 kW load of Freedom
16 Walk came on tomorrow, would the Airport Road substation
17 be able to handle that load today?

18 A. Yes.

19 Q. Do you recall having your deposition taken on
20 April 20th, 2011?

21 A. Yes, sir.

22 Q. If I could have you turn to Page 63, and I
23 asked you at Pages 8 through 11 -- I'm sorry, Lines 8
24 through 11, I asked you if a 4700 kW load came on
25 tomorrow in its current configuration and capacity, the

1 Airport Road substation would not be able to handle that
2 load today. And your response was that is correct.
3 Have you changed your answer?

4 A. No, sir.

5 Q. Okay. How do those two statements --

6 A. The answer is that with the \$40,000
7 transformer change-out, we can serve that.

8 Q. Okay. But without that -- as Airport Road
9 sits today, at this moment, it would not be able to
10 handle the full 4700 kW build-out of Freedom Walk?

11 A. That's correct.

12 Q. Okay. Now, you discuss at some length in your
13 testimony, I believe, and in the response to the
14 interrogatories that we have been discussing, the
15 upgrade of the Airport Road along with a number of other
16 substations to the 115 kW system, do you recall?

17 A. Yes, sir.

18 Q. Okay. If I could have you, again, take a look
19 at -- I'm sorry, yes, Item Number 41 in CHELCO's second
20 set of interrogatories, which you have. And on the
21 second page it discusses convert the Airport Road
22 substation to 115 kV with new relaying and new 115/12 kV
23 transformer and high-side protection, and then hooking
24 it up as we have discussed.

25 Can I get a plan -- can I get a copy of the

1 plan that incorporates that work?

2 A. We have developed a plan, as I have stated in
3 my rebuttal, that what we planned on doing was upgrading
4 the substations as you see in this document right here.

5 Q. Okay.

6 A. And we've got a timeline that is associated
7 with what we are going to do here.

8 Q. Okay.

9 A. And with or without the load of Freedom Walk.

10 Q. Okay. And can I get a copy of that plan?

11 A. You have a copy of it here, sir.

12 Q. This is it?

13 A. That's what we have discussed in the planning
14 criteria that we have gone through in developing how we
15 are going to implement the 46 kV conversion project.

16 Q. Okay. In terms of the conversion of the
17 Airport Road substation, if I were to ask for the
18 planning document that would be involved in the
19 construction of that improvement, I wouldn't be able to
20 get it because it doesn't exist, is that correct?

21 A. There isn't a physical document that says that
22 we are going to take the high side, the work that is
23 associated in specifics at the Airport sub; no, sir.

24 Q. Okay. So the answer to my question then is
25 yes, there is not a document that exists, is that

1 correct?

2 A. Not at this time there isn't; no, sir.

3 Q. Okay. What is the construction timeline for
4 that substation upgrade?

5 A. Specifically, which one?

6 Q. The upgrade of the Airport Road substation to
7 115 kV with new relaying, et cetera, as set forth on
8 Page 2 of Interrogatory Response 41. What's the
9 timeline for that?

10 A. The timeline for the project itself, the
11 entire project, is between 2011 and 2015.

12 Q. Okay. Do you recall our discussion -- well,
13 with particular attention to the Airport Road substation
14 portion of this, this plan, this is the plan, these two
15 pages, that is what I have, right?

16 A. That is an overview of what we plan on doing,
17 that is correct.

18 Q. Okay. With regard just to the Airport Road
19 substation element of that plan, what is the
20 construction timeline for that substation upgrade?

21 A. It would be in the neighborhood of somewhere
22 between 2011 and 2015, an end date of 2015 is what we
23 have discussed.

24 Q. Do you recall -- if I could have you take a
25 look at your deposition at Page 79, Lines 17 through 21,

1 in which I asked you, okay, and today you can't tell me
2 what the timeline would be for that work, can you?

3 And your answer was specifically within the
4 next three to five years is the plan that we have to do
5 this work that you are looking at. So is that not an
6 accurate statement today?

7 A. Can I make sure I'm on the right page again.

8 Q. Page 79.

9 A. 79, Lines 19.

10 Q. Lines 17 through 21.

11 A. Okay. Ask your question, please. I'm sorry.

12 Q. At that time you indicated that the timeline
13 that you had was somewhere between three and five years,
14 is that no longer accurate? Have you moved that up?

15 A. We have not moved it up. It's just that the
16 timeframe between three and five years is what we had
17 planned on doing, with the expectation that the Airport
18 sub or the final leg of this, which is actually the
19 retirement of the South Crestview to Baker line, and all
20 of that would be within that three to five year time
21 frame. But you had asked specifically about when we
22 were talking about doing the Airport Road substation
23 conversion. There are other elements to this that have
24 to be done along with that.

25 Q. Okay. But as far as the Airport Road

1 substation conversion element, that would be three to
2 five years?

3 A. No, sir. That would be within time frame that
4 we are talking about, between 2011 and 2015.

5 Q. Okay. Are there land associated issues
6 involved, right-of-way, title issues, land records,
7 survey issues, those types of things that could slow the
8 operation down?

9 A. No, sir. The actual second part of this where
10 it states in there to convert the Milligan substation to
11 a 115 line and build a half-mile tap, that is in the
12 design stages at this point, and there are no
13 right-of-way issues associated with that.

14 Q. Okay. How about title or land use?

15 A. No, sir.

16 Q. Okay. So has any of the work that you have
17 discussed with regard to the upgrade of the Airport Road
18 substation been budgeted?

19 A. The Airport Road sub specifically, I'm sorry?

20 Q. Yes.

21 A. The Airport Road substation has not been
22 budgeted, but will be budgeted in the 2011 budget year,
23 which will be this year.

24 Q. Okay. Now, let me ask you, Mr. Feazell, are
25 you familiar -- I believe on Page 2 of your rebuttal you

1 speak to the outparcels that are involved in the area in
2 dispute. Do you recall that statement?

3 A. Can you point me to where you are talking
4 about?

5 Q. I'm sorry, Mr. Fezell, I thought it was on
6 Page 2, but I may be incorrect. Actually, I'm sorry,
7 it's on Page 2 of your rebuttal testimony. I apologize
8 for that.

9 A. I'm there.

10 Q. And you discuss the outparcels for the
11 property?

12 A. I'm sorry?

13 Q. In that testimony, you discuss, I believe,
14 certain outparcels that Gulf believes are not within the
15 area in dispute in this case.

16 A. The exact wording is, "However, these
17 outparcels were included within the development. It is
18 misleading to suggest the removal of CHELCO's facilities
19 would be necessitated if Gulf Power prevails in this
20 dispute." In fact, the outparcels were included -- "If
21 the outparcels were included in the development, the
22 facilities would be removed, even if CHELCO is awarded
23 the right to serve the development."

24 Q. Okay. Let me have you take a look at one of
25 the exhibits in this case, and see if I understand what

1 Gulf's position is with regard to the outparcels. Let
2 me put up a depiction of the property that was included
3 as Exhibit B to the CHELCO petition for territorial
4 dispute. And, Mr. Fezell, we have heard Mr. Griffin
5 discuss the bold black lines several times. Is it the
6 areas that are south of Old Bethel Road, but within the
7 parameters of those bold black lines that Gulf believes
8 to be the outparcels?

9 A. Do you mind pointing to them?

10 Q. Sure. This area and this area.

11 A. That's correct.

12 Q. And it's Gulf's position that those areas,
13 those outparcels are not properly within the scope of
14 this territorial dispute, is that correct?

15 A. They are not within the scope of what we have
16 defined as the territorial dispute, that is correct.

17 Q. Okay. Let me have you take a look at a
18 document -- have you take a look at a document that
19 was -- it shows as Hearing ID Number 25, and this is a
20 document -- I'll set it up there in just a second. This
21 is a document that is prepared by Moore Bass Consulting
22 bearing a date of April 9, 2008, that was produced as a
23 Response to POD Number 14.

24 And do you recall ever having seen that
25 document?

1 A. Yes, sir, I have seen it.

2 Q. Okay. And that document -- who is Moore Bass
3 Consulting?

4 A. They are the engineering firm that was
5 associated with Freedom Walk and the developer.

6 Q. And that document from 2008, that shows
7 Freedom Walk lots and streets in the area that would be
8 encompassed by the outparcels as you have previously
9 described them, do they not?

10 A. Well, it doesn't show the streets in those
11 outparcels. It shows an outline of it with dashed
12 areas, which differs in what they show in the main body
13 of the subdivision. But it does depict them, yes.

14 Q. Okay. Let me ask you to have a look -- I'm
15 going to place for your review the document that was
16 produced as Response to POD 15, this document bearing a
17 date of June 15th, 2010, prepared by Gulf Power. Do you
18 recognize that, have you seen that document before?

19 A. Yes, sir.

20 Q. Would that be a document that depicts proposed
21 service connections that are going to be made in the
22 Freedom Walk development?

23 A. Proposed service connections?

24 Q. Yes.

25 A. It depicts our layout of what we used for

1 depicting what size cable and facilities might be
2 necessary on that particular plat as the plat did change
3 or has changed. So on that particular plat, that is
4 what that was in place for is to look at conductor sizes
5 and layouts.

6 Q. Okay. And on that exhibit, which was prepared
7 by Gulf, was it not?

8 A. That is correct.

9 Q. Okay. And on that exhibit, Gulf is showing
10 connections and conductors and all of those things on
11 lots within the area that you have described as the
12 outparcels, does it not?

13 A. It depicts that as part of what we were
14 looking at to determine cable size for that particular
15 plat, yes. Again, there has been other plats associated
16 with this, as well.

17 Q. So at least according to those two diagrams,
18 POD 14 and POD 15 -- and these documents were produced
19 by Gulf Power in response to a POD, were they not?

20 A. Yes, that is correct.

21 Q. Okay. So at least according to these two
22 diagrams, it would appear that both the developer and
23 Gulf have plans that would include lots and electrical
24 equipment being placed in the area that Gulf has argued
25 are outparcels?

1 A. Well, there is another plat that exists that
2 was --

3 Q. I understand. I'm just asking with regard to
4 these two documents.

5 A. On these two particular ones? Restate your
6 question, please.

7 Q. As to POD 14, which is the Moore Bass
8 document, and POD 15, which is the Gulf document, that
9 document was prepared less than a year ago, correct?

10 A. To the best of my knowledge, yes.

11 Q. Okay. Both of those documents show lots being
12 created and electrical service being provided in the
13 area that Gulf argues is not within the scope of this
14 territorial dispute, is that correct?

15 A. The Moore Bass document that you showed me the
16 first time does not show anything as far as design.
17 This one right here does show what we had proposed to
18 determine the size of the cable and equipment necessary
19 in those areas that you have defined as not being part
20 of the dispute, the outparcels.

21 Q. Okay. Now, one last question. Going back to
22 the document that was included as Exhibit B to the
23 CHELCO petition, there are a number of -- and I'm going
24 to get up and point them out -- but a number of
25 residential developments and homes on both the north and

1 west -- north side of Old Bethel Road and along Normandy
2 Road, and let me show you where I'm talking about.
3 These homes here (indicating). In this development it
4 doesn't look like there are many homes in it, but there
5 are streets. These homes here, and these homes along
6 Normandy Road. Do you see where I am?

7 A. Yes, sir.

8 Q. Who serves those homes?

9 A. To the best of my knowledge, CHELCO currently
10 serves those homes.

11 Q. Okay. All right. Mr. Feazell, going back to
12 the Moore Bass document dated 4/9/2008, and, again, this
13 was POD 14, according -- that document has a dotted line
14 going all the way around the perimeter of the area
15 shown. Do you see that? And follows along the entire
16 perimeter of Old Bethel Road.

17 A. I'm not seeing what you are trying to describe
18 to me.

19 Q. Do you see the dotted line along -- let's get
20 the most obvious. Along the south and east boundary
21 there is a dotted line that has a long line and then two
22 short lines, and then a long line and two short lines?

23 A. Perhaps you could point that out to me to make
24 sure we are talking about the same thing.

25 Q. A long line, two short lines; a long line, two

1 short lines; a long line and two short lines. Do you
2 see the line that I am referring to?

3 Does that long line and two short lines go all
4 the way around the perimeter of the area being depicted
5 on that Moore Bass document?

6 A. Does it go all the way around the perimeter?

7 Q. Does it follow along the entirety of the
8 northern boundary of Old Bethel Road?

9 A. One line does, but the other one cuts off the
10 outparcel.

11 Q. Okay. Other than the outparcel, though, that
12 long line and two short lines goes all the way along Old
13 Bethel Road, does it not?

14 A. Yes. Again, it goes around Old Bethel, but it
15 cuts off those lots that we were talking about earlier,
16 as well.

17 Q. Let me just ask you very plainly. Isn't it
18 accurate that that long line and two short line piece
19 goes all the way around, it follows that curve and goes
20 all the way around to Normandy Road?

21 A. That is correct, but it is also correct that
22 you have one that goes across the bottom half that cuts
23 off those same outparcel lots that we are talking about.

24 Q. Okay. And under the key that is provided with
25 that document, that long line and two short lines is

1 defined as the property boundary, is it not?

2 A. I'm sorry, I can't read that as well as you
3 can.

4 Q. There is a legend, property boundary.

5 A. It says property something, as best I can
6 tell. It is quite blurred, I apologize.

7 Q. Okay. Thank you.

8 Mr. Feazell, I appreciate your time.

9 A. Thank you.

10 MR. EARLY: I have no further questions.

11 CHAIRMAN GRAHAM: All right. Staff.

12 CROSS EXAMINATION

13 BY MR. JAEGER:

14 Q. Going to that Exhibit 14, I was looking at the
15 legend, and I can't tell the difference between property
16 boundary and proposed lot lines. They are both a long
17 line, two short lines, and a long line. Or is one of
18 them more bold and one lighter; is that what it is? In
19 the legend of what we were just looking at, POD 14, it
20 has property boundaries --

21 CHAIRMAN GRAHAM: Hold on a second. Let him
22 get the illustration back in front of him.

23 THE WITNESS: I'm sorry, I don't have that,
24 sir. Can I borrow your map again? (Pause.)

25 CHAIRMAN GRAHAM: Ask the question, again, if

1 you would.

2 **MR. JAEGER:** Okay.

3 **BY MR. JAEGER:**

4 **Q.** In the legend, at the top it says property
5 boundary, and it's a long line, two short lines, and a
6 long line. And then three more down, again, it is one
7 long line, two short lines, and a long line that doesn't
8 look to be quite as bold. Is that the difference
9 between property boundary and proposed lot lines?

10 **A.** I'm assuming there is, but that could be the
11 printing that may have taken place with the paper. I'm
12 assuming they are trying to delineate the difference
13 between property lines and property boundary. To answer
14 your question, I'm having a tough time distinguishing
15 between the two on this particular document.

16 **Q.** Yes, I agree, the legend is pretty bad. Thank
17 you.

18 **CHAIRMAN GRAHAM:** Is that all from staff?

19 **MR. JAEGER:** That's all.

20 **CHAIRMAN GRAHAM:** Commission board?

21 Redirect?

22 **MR. GRIFFIN:** We do have some redirect, Mr.
23 Chair.

24 **REDIRECT EXAMINATION**

25
FLORIDA PUBLIC SERVICE COMMISSION

1 BY MR. GRIFFIN:

2 Q. Mr. Feazell, Mr. Early was asking you about
3 Gulf's planning process for the Airport Road conversion
4 project. When did Gulf Power first meet to discuss that
5 Airport Road conversion project?

6 A. We actually met in February of 2008. We had a
7 meeting that was conducted to talk about not only the
8 Airport Road substation, but the South Crestview, East
9 Crestview, and we also discussed the Baker and Milligan
10 substations that are all involved in the 46 kV
11 conversion project.

12 Q. And when did Gulf Power or when did you first
13 meet with the developer in this case to discuss Freedom
14 Walk?

15 A. I met with the developer in April of 2008.

16 Q. There was some discussion of whether the
17 upgrade to the 394 AAAC segment of the conductor to a
18 741 AAAC segment would enable CHELCO's distribution
19 system to handle the full load of Freedom Walk. Do you
20 remember that?

21 A. That's correct.

22 Q. Would CHELCO also need to add voltage
23 regulators and capacitors to enable that line to handle
24 the full load associated with Freedom Walk?

25 A. Based on the discussions and the testimony,

1 yes, they would have to add voltage regulators and cap
2 banks.

3 Q. Mr. Early talked with you about the early
4 replacement of the 10.5 MVA transformer with a larger
5 transformer at a cost of \$40,000. Do you recall that?

6 A. Yes, sir.

7 Q. Would Gulf have to buy a replacement
8 transformer to enable that replacement?

9 A. No, we would not. That's labor cost
10 associated with the movement of a transformer or
11 transformers.

12 Q. Is that a transformer that Gulf Power or
13 Southern Company already has in inventory, so to speak?

14 A. That is correct. It's a fully depreciated
15 transformer that we have available.

16 Q. Would Gulf Power have to proceed with the
17 \$40,000 replacement project if the Airport Road
18 conversion project was completed before Freedom Walk
19 fully develops?

20 A. No. Based on the project that we have, the
21 conversion project of the 46 kV system, we would not
22 have to change out any transformer at Airport sub. Once
23 that project is completed, the 28 MVA that would go in
24 at Airport Sub is a standard 28 115/12 kV transformer, a
25 Southern Company standard transformer that is fully

1 capable of handling any load that is associated with
2 Airport sub.

3 Q. Mr. Early asked you if any component of the
4 Airport Road conversion project has been included in
5 Gulf Power's budgeting process. Have elements of the
6 North Okaloosa County conversion project been included
7 in Gulf Power's present budgeting in the distribution
8 elements?

9 A. Yes. In 2011, as of September is the start
10 date, we will start the elimination of a Baker
11 substation, which is 46 kV sub. We will eliminate that
12 substation by doing distribution work that is associated
13 with tying the two together. That work will be
14 completed by the end of 2011. That is in the 2011
15 budget forecast.

16 Q. Mr. Early asked you about the outparcels and
17 in doing that he went over some maps with you. Those
18 were POD 14 and 15. Please turn to Exhibit 1 to your
19 deposition, please, sir.

20 A. Is that the Moore Bass map?

21 Q. Yes. I was going to ask you what that
22 document is?

23 A. It's the Moore Bass phasing -- or, excuse me,
24 it is a Moore Bass plat that we received, and that's
25 what Witness Johnson provided us with when I gave my

1 testimony as far as the number of lots that were
2 associated with the Freedom Walk development, and it
3 included the phasing of this subdivision.

4 Q. Okay. And what does it say right up there
5 when we have been talking about the outparcels?

6 CHAIRMAN GRAHAM: Hold on just a second.

7 Are we good? Please continue.

8 BY MR. GRIFFIN:

9 Q. Mr. Feazell, what does it say right up in the
10 area where we have been talking about the outparcels?

11 A. It says outparcel.

12 MR. GRIFFIN: That's all I have. Thank you.

13 CHAIRMAN GRAHAM: Okay. Exhibits.

14 MR. EARLY: Excuse me. Mr. Chairman, and I
15 know the Commission typically doesn't allow recross, but
16 since that dealt with an entirely different exhibit,
17 could I ask a question with regard solely to the map
18 that Mr. Feazell just offered testimony about?

19 MR. GRIFFIN: Mr. Chair, he specifically
20 precluded Mr. Feazell from referring to this document
21 during his cross-examination, and so I would object to
22 any further recross on this.

23 CHAIRMAN GRAHAM: Was the document just to
24 clarify a question that he had asked earlier?

25 MR. GRIFFIN: That is correct; yes, sir.

1 **CHAIRMAN GRAHAM:** I'll overrule the objection.

2 **REXCROSS EXAMINATION**

3 **BY MR. EARLY:**

4 Q. Mr. Feazell, the document that you just
5 identified on the bottom says Freedom Walk Community
6 Development District. Do you see that?

7 A. Yes, sir.

8 Q. Do you know what a community development
9 district is?

10 A. I'm not familiar enough with a community
11 development district to comment, no, sir.

12 Q. To the extent that a community development
13 district might be different than a subdivision, might
14 this map -- would it appear that this map depicts a
15 particular development district? Would you draw that
16 conclusion from that?

17 A. Again, I don't know what a community
18 development district is, so it doesn't indicate to me
19 anything other than a plat.

20 **MR. EARLY:** Okay. Thank you.

21 Thank you.

22 **MR. GRIFFIN:** We would move Exhibits 28, 29,
23 30, 31, and 32 into the record, Mr. Chair.

24 **CHAIRMAN GRAHAM:** Let the record show we are
25 going to enter 28, 29, 30, 31, and 32 into the record.

1 (Exhibit Number 28 through 32 admitted into
2 the record.)

3 **CHAIRMAN GRAHAM:** And does this conclude this
4 witness?

5 **MR. GRIFFIN:** Yes, sir.

6 **CHAIRMAN GRAHAM:** Thank you.

7 **THE WITNESS:** Thank you.

8 **CHAIRMAN GRAHAM:** Let's go ahead and take a
9 five-minute recess before we take up the last witness.

10 (Recess.)

11 **CHAIRMAN GRAHAM:** Okay. We are to Gulf's last
12 witness.

13 **MR. BADDERS:** Actually, I have two. We have
14 one extra in the middle that we have to move into the
15 record. So at this time I will move the Prefiled Direct
16 Testimony of R. K. Harper into the record as though
17 read.

18 **CHAIRMAN GRAHAM:** Let's move the testimony of
19 Mr. Harper as though read.

20 **MR. BADDERS:** Mr. Harper also has one exhibit.
21 It has been previously identified as Hearing Exhibit 33.
22 I would move that into the record also.

23 **CHAIRMAN GRAHAM:** Let's so move Hearing ID
24 Number 33 into the record.

25 (Exhibit Number 33 admitted into the record.)

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 Dr. Richard K. Harper
5 Docket No. 100304-EU
6 Date of Filing: March 3, 2011

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

8 A. My name is Richard K. Harper. My business address is P. O. Box 2235,
9 Pensacola Florida, 32513. I am an economist.

10 Q. What is the purpose of your testimony in this proceeding?

11 A. The purpose of my testimony is to address the non-rural nature of certain
12 communities and areas served by Choctawhatchee Electric Cooperative,
13 Inc. (CHELCO) across Northwest Florida.

14
15 Q. Have you prepared an exhibit that contains information to which you will
16 refer in your testimony?

17 A. Yes. I have one exhibit I am sponsoring as part of my testimony. My
18 exhibit (RKH-1) consists of two schedules. Schedule 1 is a copy of my
19 current curriculum vitae. Schedule 2 consists of an Esri report that
20 includes a map depicting my definition of Bluewater Bay and demographic
21 information to which I will refer to in my testimony.

22 Counsel: We ask that Dr. Harper's exhibit as just described be
23 marked for identification as Exhibit No. ___ (RKH-1).

24

25

1 Q. Please describe your educational background.

2 A. I received a Bachelor's Degree in Economics from Guilford College in
3 Greensboro, North Carolina in 1978, a Master's Degree in Economics
4 from Duke University in North Carolina in 1986, and a Ph.D. degree in
5 Economics from Duke University in 1989.

6

7 Q. Please describe your professional background and experience.

8 A. As more fully described in my curriculum vitae attached as Schedule 1 to
9 my exhibit, I served as an economist at Research Triangle Institute in
10 North Carolina from 1979 to 1984, then as a graduate student in
11 economics at Duke University from 1984 to 1989. Thereafter, I served as
12 an assistant, then associate, professor of economics at the University of
13 West Florida (UWF) in Pensacola. I served for more than a dozen years,
14 until 2011, as Director of the Haas Center for Business Research and
15 Economic Development at UWF. In 2011, I became Executive Director of
16 UWF's Office of Economic Development and Engagement (OEDE). The
17 mission of the Haas Center is to provide data and analysis of economic,
18 social and demographic conditions in Northwest Florida and the State of
19 Florida. The mission of the OEDE is to identify and support UWF
20 economic development partnerships, and to support the research mission
21 of the Haas Center and the outreach mission of the Florida Small
22 Business Development Center network. As part of my work at Haas and
23 OEDE, I regularly offer opinions and testimony and write reports and other
24 analysis regarding Florida economic, social and demographic issues

1 under contract to Florida local and state government agencies and to the
2 legislature.

3

4 Q. How does that experience qualify you to render the opinions contained in
5 your testimony?

6 A. This experience has made me quite familiar with the economic and
7 demographic characteristics of areas in Northwest Florida.

8

9 Q. Are you familiar with the definition of a "rural area" as that term is used in
10 Chapter 425, Florida Statutes?

11 A. Yes, I am. According to section 425.03(1), Florida Statutes, a "rural area
12 means any area not included within the boundaries of any incorporated or
13 unincorporated city, town, village or borough having a population in
14 excess of 2,500 persons."

15

16 Q. Are you familiar with CHELCO's provision of electric service in portions of
17 Northwest Florida?

18 A. Yes, I am. CHELCO is a rural electric cooperative which serves members
19 in areas across Okaloosa and Walton counties and some portions of
20 western Holmes and eastern Santa Rosa counties.

21

22 Q. How many members does CHELCO serve in the foregoing areas?

23 A. According to CHELCO's discovery responses in this proceeding, it serves
24 a total of 34,722 members as of February 2011.

25

1 Q. What is the population of the City of Crestview, Florida?

2 A. The Florida Legislature's Office of Economic and Demographic Research
3 reports that the municipality of Crestview as of April 1, 2010, had a
4 population of 21,321.

5

6 Q. Does the City of Crestview, Florida constitute a "rural area" as defined by
7 section 425.03(1), Florida Statutes?

8 A. It does not. Crestview, Florida is an incorporated city with a population in
9 excess of 2,500 persons and is, therefore, clearly not a "rural area" under
10 section 425.03(1), Florida Statutes.

11

12 Q. What is the population of the City of DeFuniak Springs, Florida?

13 A. The Florida Legislature's Office of Economic and Demographic Research
14 reports that the municipality of DeFuniak Springs as of April 1, 2010, had a
15 population of 5,061.

16

17 Q. Does the City of DeFuniak Springs, Florida constitute a "rural area" as
18 defined by section 425.03(1), Florida Statutes?

19 A. It does not. DeFuniak Springs, Florida is an incorporated city with a
20 population in excess of 2,500 persons and is, therefore, clearly not a "rural
21 area" under section 425.03(1), Florida Statutes.

22

23

24

25

1 Q. Are there any other cities, towns, village or boroughs which are served by
2 CHELCO and which fall outside of the definition of a "rural area" as found
3 in section 425.03(1), Florida Statutes?

4 A. Yes, there are several. The first, and most obvious, is the community of
5 Bluewater Bay. Bluewater Bay is an unincorporated residential and golf
6 resort community located between Niceville and Destin in Okaloosa
7 County, Florida. It has substantial non-rural characteristics that include
8 multiple golf courses, marina and other recreational facilities, underground
9 utilities, water, sewer, private parks, along with fire and police services.
10 The voters in Bluewater Bay approved the establishment of a Municipal
11 Services Benefit Unit (MSBU) for their local area. It is intended to
12 supplement the services provided by the State of Florida and Okaloosa
13 County regarding the improvement, repair and maintenance of grounds,
14 irrigation, signage and street lighting on arterial and limited arterial road
15 rights of way.

16
17 Q. What geographical boundaries have you used for purposes of determining
18 that Bluewater Bay is not a "rural area"?

19 A. I have defined Bluewater Bay as the original Bluewater Bay development
20 plat and the additions thereto, but have not included the area that many
21 maps designate as the "Seminole" community. As previously noted,
22 Schedule 2 of my exhibit contains a copy of the Esri report for this defined
23 area, and the first page of that report is a map indicating the area that I
24 included for the report.

25

1 Q. Is this area the same as that defined as Bluewater Bay in Gulf Power's
2 Second Interrogatories in this docket and used by Witness Spangenberg
3 in his testimony?

4 A. Yes, I believe them to be identical.

5
6 Q. Do you have an opinion as to how many persons currently receive electric
7 service from CHELCO within Bluewater Bay?

8 A. According to CHELCO's discovery responses, it serves a total of 4,741
9 members in Bluewater Bay, as defined above, as of February 2011. The
10 approximate resident population of Bluewater Bay in 2010 was 10,847
11 people. There are also business customers in Bluewater Bay in addition
12 to the current resident population. However, the U.S. Decennial Census
13 does not provide the number of businesses in the area. Based on these
14 statistics, a conservative estimate of the number of persons receiving
15 electric service from CHELCO within Bluewater Bay is 10,847.

16

17 Q. You mentioned that a Municipal Services Benefit Unit, or "MSBU" has
18 been established for Bluewater Bay. What is a MSBU?

19 A. A MSBU is established by county government pursuant to section 125.01,
20 Florida Statutes. It allows the county government to levy additional ad
21 valorem taxes and special assessments on properties within the
22 boundaries of the MSBU for the purpose of providing certain essential
23 facilities and municipal services. Such services include, but are not limited
24 to, law enforcement, fire protection, recreation, garbage collection,
25 sewage collection, indigent health care services, and mental health care

1 services. The fact that a MSBU has been established for the substantial
2 majority of Bluewater Bay further supports the conclusion that the
3 community is not "rural" in nature.

4

5 Q. Is your geographical description of Bluewater Bay limited to the
6 boundaries of the MSBU?

7 A. No, it is not.

8

9 Q. Why is that?

10 A. The MSBU is somewhat smaller than the description I have used, as the
11 MSBU does not apply to certain neighborhoods at the northern and
12 southern ends of Bluewater Bay. However, these non-MSBU
13 neighborhoods are appropriately considered as part of Bluewater Bay
14 given that they are contiguous to the MSBU area, have similar population
15 densities and share amenities such as golf courses, fire protection, and
16 other recreational facilities and services.

17

18 Q. If the Commission were to find that the geographical description for
19 Bluewater Bay should be limited to the boundaries of the MSBU, would
20 this change your conclusion that Bluewater Bay is not a "rural area" as
21 defined by section 425.03(1), Florida Statutes?

22 A. It would not. The population within the boundaries of the MSBU still
23 exceeds 2,500 persons and the MSBU possesses all of the urban
24 characteristics previously mentioned in connection with my description of
25 Bluewater Bay above.

1 Q. Do you have an opinion as to how many persons currently receive electric
2 service from CHELCO within the Bluewater Bay MSBU?

3 A. The estimated resident population of the Bluewater Bay MSBU area in
4 2010 was approximately 9,134, and there are businesses served that are
5 in addition to this number. Based on these statistics, a conservative
6 estimate of the number of persons receiving electric service within the
7 Bluewater Bay MSBU is 9,134.

8

9 Q. Are you familiar with the geographical boundaries established by Gulf
10 Power for Greater Crestview and Greater DeFuniak Springs as described
11 in the testimony of Witness Spangenberg?

12 A. Yes, I am.

13

14 Q. Do you believe that those boundaries represent reasonable extensions of
15 the social, economic and commercial fabric of the adjoining incorporated
16 municipalities such that Greater Crestview and Greater DeFuniak Springs
17 would fall outside of the definition of a "rural area" as found in section
18 425.03(1), Florida Statutes?

19 A. Yes, I do.

20

21 Q. What is the basis for your conclusion?

22 A. The boundaries include residences of people who will use the same sets
23 of retail stores, schools, churches and other social and economic
24 amenities and tend to have similar commute patterns.

25

1 Q. Witness Spangenberg has provided an estimate of the number of persons
2 receiving electric service from CHELCO within Greater Crestview and
3 Greater DeFuniak Springs. Do you agree that these are conservative and
4 reasonable estimates?

5 A. Yes, I do.

6

7 Q. Are you familiar with the geographical boundaries established by Gulf
8 Power for Greater Freeport, as described in the testimony of Witness
9 Spangenberg?

10 A. Yes, I am.

11

12 Q. Do you believe that these boundaries represent a reasonable extension of
13 the social, economic and commercial fabric of the adjoining incorporated
14 municipality such that Greater Freeport would fall outside of the definition
15 of a "rural area" as found in section 425.03(1), Florida Statutes?

16 A. Yes, I do.

17

18 Q. What is the basis for your conclusion?

19 A. These boundaries include residences of people who will use the same
20 sets of retail stores, schools, churches and other social and economic
21 amenities and tend to have similar commute patterns.

22

23

24

25

1 Q. Witness Spangenberg has provided an estimate of the number of persons
2 receiving electric service from CHELCO within Greater Freeport. Do you
3 agree that this is a conservative and reasonable estimate?

4 A. Yes, I do.

5

6 Q. Does this conclude your testimony?

7 A. Yes. This concludes my testimony.

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1 **MR. BADDERS:** Thank you.

2 And now we are to Gulf's last witness. Mr.
3 Spangenberg has taken the stand.

4 Mr. Spangenberg, were you previously sworn?

5 **THE WITNESS:** Yes, I was.

6 **THEODORE S. SPANGENBERG, JR.**

7 was called as a witness on behalf of Gulf Power Company,
8 and having been duly sworn, testified as follows:

9 **DIRECT EXAMINATION**

10 **BY MR. BADDERS:**

11 **Q.** Please state your name and your business
12 address for the record.

13 **A.** I am Theodore S. Spangenberg, Jr. My business
14 address is 500 Bayfront Parkway, Pensacola, Florida.

15 **Q.** Thank you. And by whom are you employed and
16 in what capacity?

17 **A.** I am employed by Gulf Power Company as the
18 Director of Military Affairs and Special Projects.

19 **Q.** Are you the same Theodore S. Spangenberg, Jr.
20 who prefiled Direct Testimony on March 3rd, 2011,
21 consisting of 29 pages?

22 **A.** Yes, I am.

23 **Q.** Do you have any changes or corrections to that
24 testimony?

25 **A.** I have two changes to that testimony. They

1 are very minor. The first would be on Page 13 of that
2 Direct Testimony, Line 15; the word statues should be
3 statutes.

4 And then on Page 25, I will need to change
5 that as a result of CHELCO's change in their direct
6 testimony. Page 25, the sentence that begins on Line 7
7 should end after the word required on Line 8, and the
8 rest of that sentence should be struck.

9 And those are the only corrections to my
10 testimony.

11 Q. Thank you.

12 With those corrections, if I were to ask you
13 the same questions today, would your answers be the
14 same?

15 A. Yes, they would.

16 MR. BADDERS: Mr. Chair, we ask that Mr.
17 Spangenberg's Prefiled Direct Testimony be moved into
18 the record.

19 CHAIRMAN GRAHAM: Let's enter Mr.
20 Spangenberg's Prefiled Testimony into the record as
21 though read.

22 BY MR. BADDERS:

23 Q. Mr. Spangenberg, did you also have one exhibit
24 attached to your direct testimony identified as TSS-1?

25 A. Yes, I did. I believe it contains several

1 schedules.

2 Q. I would note that that has been previously
3 identified as Hearing Exhibit 34.

4 Do you have any changes or corrections to that
5 exhibit?

6 A. No, I do not.

7 Q. Mr. Spangenberg, did you also submit Prefiled
8 Rebuttal Testimony on April 27th, 2011, consisting of 25
9 pages?

10 A. Yes, I did.

11 Q. Do you have any changes or corrections to that
12 testimony?

13 A. No, I do not.

14 Q. If I were to ask you the same questions today,
15 would your answers be the same?

16 A. Yes, they would.

17 **MR. BADDERS:** Mr. Chair, we would move that
18 Mr. Spangenberg's prefiled rebuttal testimony be moved
19 into the record as though read.

20 **CHAIRMAN GRAHAM:** Let's move Mr. Spangenberg's
21 prefiled rebuttal testimony, did you say?

22 **MR. BADDERS:** Yes.

23 **CHAIRMAN GRAHAM:** -- into the record as though
24 read.

25 **MR. BADDERS:** Thank you.

1 **BY MR. BADDERS:**

2 Q. Mr. Spangenberg, did you also have three
3 exhibits attached to your prefiled testimony labeled
4 TSS-2, TSS-3, and TSS-4?

5 A. Yes, I did.

6 Q. Do you have any changes to any of those
7 exhibits?

8 A. No, I do not.

9 **MR. BADDERS:** Thank you. I will note that
10 those have also been given Hearing Exhibit Numbers of
11 35, 36, and 37.

12 At this time we would tender him to give his
13 summary.
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1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 Theodore S. Spangenberg, Jr.
5 Docket No. 100304-EU
6 Date of Filing: March 3, 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. Please summarize your educational and professional background.

12 A. I hold a Bachelor's and Master's Degree in Electrical Engineering from
13 Auburn University and I am a licensed Professional Engineer in the State
14 of Florida. I have been employed by Gulf Power Company (the Company)
15 or its affiliates for 35 years. I have worked in the functions of Load
16 Research, Forecasting, Marketing, Cogeneration, Distribution,
17 Transmission, Division Operations, Executive Services, Substations and
18 Customer Service. I currently serve as the Director of Military Affairs and
19 Special Projects. One of my principal special project areas is territorial
20 matters in which I provide guidance to Gulf Power's district and local
21 management and field personnel with respect to properly competing for,
22 and providing service to, new customers.

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1 Q. Do you have any prior experience in Florida Public Service Commission
2 (the Commission) dockets?

3 A. In past energy conservation dockets, I have appeared as a Class B
4 Practitioner before the Commission. I have also served as a witness for
5 Gulf Power Company on both technical and policy matters in a variety of
6 territorial dispute, rate setting, conservation, and cogeneration dockets.

7

8 Q. What is the purpose of your testimony?

9 A. My testimony will address the various elements that I believe the
10 Commission should consider in resolving this territorial dispute and will
11 provide information, data, and Gulf Power's position on the conclusion we
12 believe the Commission should reach on each of those elements.

13

14 Q. Have you prepared an exhibit that contains information to which you will
15 refer in your testimony?

16 A. Yes. I have one exhibit which was prepared under my supervision and
17 direction.

18 Counsel: We ask that Mr. Spangenberg's Exhibit (TSS-1),
19 comprised of six schedules be marked as
20 Exhibit No. ____.

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1 Q. How would you characterize your general experience with respect to
2 territorial matters?

3 A. For over 30 years, I have been a resource within Gulf Power Company to
4 help ensure that new electric customers in Northwest Florida enjoy the
5 benefits of fair and effective competition, particularly those customers who
6 chose to establish service in locations where there were, at that time,
7 limited or no transmission or distribution facilities to adequately provide
8 service. When Gulf Power can economically expand its facilities to
9 provide service to new customers, Gulf's entire body of customers is
10 benefitted through the sharing of the costs of operating and maintaining
11 common distribution, transmission, and/or generating facilities. Costs for
12 all customers are reduced by leveraging the economies of scale that are
13 inherent in a capital intensive industry such as ours. This is particularly
14 true in Northwest Florida where there are still many large geographic
15 regions that have not reached their full economic and community
16 development potential; and the region continues to experience population,
17 infrastructure, community, and job growth. In Northwest Florida, there are
18 literally hundreds of thousands of acres of undeveloped land where there
19 are limited, if any, existing facilities for the transmission and distribution of
20 electric power.

21 Because of these opportunities, but combined with a need to avoid
22 unnecessary territorial disputes with other utilities, Gulf Power has
23 conducted internal training sessions with its field personnel and their
24 management to ensure an adequate understanding of competitive

1 opportunities and uneconomic duplication. I have been the principal
2 instructor in those sessions.

3 As a result of Gulf Power's fair and proper competitive practices,
4 there have been a few occasions, over the years, when adjacent utilities
5 have chosen to disregard a customer's choice of Gulf Power as their
6 service provider and have elected to dispute our right to provide service by
7 filing a territorial dispute with the Commission. I have been either a
8 witness or advisor in most of those few disputes over the last 30 years or
9 so.

10 Finally, I was the Company's principal negotiator on the two
11 existing territorial agreements that Gulf Power has in place with rural
12 electric cooperatives in Northwest Florida. Both of those agreements
13 were developed with a focus on avoiding further uneconomic duplication
14 of facilities in Northwest Florida and on avoiding future disputes.

15

16 Q. What is your belief as to why Gulf Power Company is involved in the
17 territorial dispute which is the subject of this proceeding before the
18 Commission?

19 A. Gulf Power Company is a party to this dispute because Choctawhatchee
20 Electric Cooperative, Inc. (CHELCO) has refused to honor a customer's
21 request for service from Gulf Power Company.

22

23

24

25

1 Q. Generally speaking, what are the principal considerations for the
2 Commission in resolving territorial disputes?

3 A. The Commission must first determine if each of the utilities involved in a
4 dispute has the legal authority to serve the "disputed area." Assuming that
5 the utility possesses the legal authority to serve the customer in dispute,
6 section 366.04(2)(e), Florida Statutes, anticipates two key elements that
7 should be considered. The first is the ability of the utilities to expand
8 services within their own capabilities. The second is the nature of the area
9 involved. The law is clear that the Commission has discretion to consider
10 other factors as well.

11 And, in fact, Rule 25-6.0441, Florida Administrative Code,
12 specifically expands the elements that the Commission may consider in
13 resolving territorial disputes. Those elements are: (i) the cost of each
14 utility to provide facilities, separated between the cost to each utility of
15 extending its facilities to reach the disputed area and the cost of providing
16 service within the area, and (ii) customer preference, should all other
17 factors be substantially equal.

18 Naturally, all of these considerations rest upon an initial
19 determination as to the boundaries of the area that is in dispute. In this
20 case, the disputed area is a planned mixed-use development known as
21 Freedom Walk.

22
23 Q. What are the boundaries of the Freedom Walk development?

24 A. The boundaries of the Freedom Walk development are as depicted and
25 outlined by the bold lines on Exhibit A to CHELCO's petition in this Docket.

1 In its petition, CHELCO identifies Exhibit A as reflecting the location of the
2 disputed area.

3 This identical area is defined as the Freedom Walk Community
4 Development District in the City of Crestview's Ordinance No. 1378
5 enacted by the Crestview City Council on December 10, 2007. This
6 ordinance is more fully discussed by Witness Johnson in his testimony. A
7 copy of the Ordinance is attached to my testimony as Schedule 1. It
8 contains a metes and bounds legal description of the area.

9

10 Q. Does any portion of the Freedom Walk development fall outside of the
11 municipal boundaries of the City of Crestview?

12 A. No. The disputed area defined as Freedom Walk in Exhibit A to
13 CHELCO's petition and as delineated by the legal description in
14 Crestview's Ordinance No. 1378 lies entirely within the incorporated areas
15 of the City of Crestview.

16 After filing its petition, CHELCO has asserted that the Freedom
17 Walk development will also include three contiguous parcels that are
18 surrounded on the south, west, and east by property owned by Emerald
19 Coast Partners LLC – which is the developer of Freedom Walk – and on
20 the north by Old Bethel Road. Those three parcels are owned,
21 respectively – going from east to west – by Shirley Burt, James Moore,
22 and Ruby Hughes. Those three parcels, totaling approximately five acres,
23 are not currently owned by the developer and are not currently within the
24 municipal limits of the City of Crestview, but are depicted on a preliminary
25 plat of the development.

1 Q. What will be the nature of the Freedom Walk development with respect to
2 its population?

3 A. As indicated by Witness Johnson, this extensive development is planned
4 to include 489 single-family dwellings and 272 multi-family dwellings.
5 Using Moody's Analytics' average of 2.60 persons per household for all
6 dwellings in Northwest Florida as an estimate for the single-family
7 dwellings, and one-half of that amount, 1.30 persons per household, for
8 the multi-family dwellings, the total expected population will be 1,625
9 persons. This yields an average density of 9.1 persons per acre, and one
10 home for each 0.24 acres. Freedom Walk will be a heavily and densely
11 populated area, and clearly urban in nature.

12

13 Q. What is the nature of the Freedom Walk development with respect to the
14 type of utilities seeking to serve it?

15 A. The developer has requested that Gulf Power Company provide electric
16 service to Freedom Walk. Gulf Power is an investor-owned public utility.
17 By its petition to the Commission, CHELCO is also seeking to serve
18 Freedom Walk. CHELCO is a rural electric cooperative organized and
19 operating under the auspices of Chapter 425, Florida Statutes.

20

21 Q. What is the nature of the Freedom Walk development with respect to its
22 degree of urbanization and proximity to other urban areas?

23 A. Freedom Walk will be, in and of itself, an urban area. Further, it will be
24 located principally, if not entirely, within the municipal boundaries of the
25 City of Crestview, which is also urban. Designating an area or a

1 community as “urban” can be a subjective exercise; however, the state of
2 Florida has legislation to provide guidance in making that designation.

3 The Commission has previously relied on three legislative
4 definitions as discussed in its final order resolving a territorial dispute
5 between Talquin Electric Cooperative and the Town of Havana. Re
6 Talquin Electric Cooperative Inc., Docket No. 920214-EU, Order No. PSC-
7 92-1474-FOF-EU, Dec. 21, 1992. The three legislative references are the
8 “Florida Transportation Code”, the “Uniform Special District Accountability
9 Act of 1989”, and the “Municipal Annexation or Contraction Act.” By any
10 of the definitions used in all three of those instances, both the Freedom
11 Walk development and the City of Crestview are “urban.”

12 As Witness Johnson elaborates, the Freedom Walk development
13 will be such a major urban development within Crestview that the City has
14 created a “Community Development District” pursuant to Chapter 190,
15 Florida Statutes, just for Freedom Walk.

16
17 Q. What is the nature of the Freedom Walk development with respect to the
18 present and reasonably foreseeable future requirements of the area for
19 other utility services?

20 A. Freedom Walk will require an abundance of other utility services, such as
21 telephone, water, sewer, and others as more fully described by Witness
22 Johnson in his testimony.

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1 Q. Will the Freedom Walk development be rural or non-rural in nature?

2 A. As indicated earlier, Freedom Walk and the City of Crestview are urban by
3 any common application of that term, and even more specifically by
4 definitions provided by the Florida legislature. A determination of being
5 “urban” typically leads to a de-facto determination that the area is also “not
6 rural.” However in the context of territorial disputes, particularly where one
7 of the utilities seeking to serve a disputed area is a rural electric
8 cooperative, the designation of “rural” or “not rural” takes on special
9 significance beyond just that of being “urban” or not. That is because the
10 term “rural area” is specifically defined in its applicability to rural
11 cooperatives in Chapter 425, Florida Statutes.

12 Section 425.03 (1), Florida Statutes, states that “rural area” means
13 “any area not included within the boundaries of any incorporated or
14 unincorporated city, town, village, or borough having a population in
15 excess of 2,500 persons.” Defining the “boundaries” for areas that are not
16 incorporated can become subjective and might rely on things like natural
17 topography and, more certainly, on residential dwelling densities.
18 However, for an incorporated city, the “boundaries” are clearly defined by
19 the incorporated governmental entity in the form of “city limits.” Freedom
20 Walk will be, for all practical purposes, if not conclusively by fact, within
21 the boundaries of the City of Crestview.

22 As noted, the only specific metric referenced in the relevant
23 definition of “rural area” is the population within the boundaries. The U.S.
24 Census Bureau determined that on April 1, 2000, the City of Crestview
25 had a population of 14,766 persons. They projected in 2005 that the

1 population had already increased to 17,707 persons. As indicated by
2 Witness Harper, in 2010 that population had increased to 21,321, making
3 it one of the fastest growing cities in Florida. Those populations are many
4 times in excess of the definitive number of 2,500 utilized within Chapter
5 425. Given these facts, it is clear that Freedom Walk will not be "rural" in
6 nature and the land area on which it will be located is not now a "rural
7 area."

8
9 Q. Has CHELCO acknowledged that the Freedom Walk development will not
10 be "rural" in nature?

11 A. Yes, it has. In response to Gulf Power's request for admissions CHELCO
12 has admitted that the Freedom Walk development, or at least the vast
13 majority that will lie within the city limits as they exist today, does not
14 constitute a "rural area" as defined in Chapter 425.

15
16 Q. Should the Commission give preference to service by Gulf Power versus a
17 rural electric cooperative simply based on the non-rural nature of this
18 area?

19 A. Yes, it should, consistent with the long-standing purpose of rural electric
20 cooperatives versus those of other electric utilities. In fact, given the
21 reflections of that purpose as found in the empowerment provisions of
22 Chapter 425, Florida Statutes, if an area is found to not be rural, it is not
23 just a question of preference. If an area is not "rural", a rural electric
24 cooperative is not legally permitted to serve it.

1 Section 425.02, Florida Statutes, clearly states that rural electric
2 cooperatives are organized for the sole purpose of serving “rural” areas.
3 Moreover, section 425.04 (4), Florida Statutes, which delineates the
4 limited powers of cooperatives, provides that cooperatives may only serve
5 members in rural areas, governmental agencies and subdivisions and
6 other persons not in excess of 10 percent of the number of the
7 cooperative’s members. Gulf Power believes that the clear effect of these
8 statutory limitations is to prevent rural electric cooperatives from
9 prospectively serving non-rural areas in most, if not all situations.
10 However, even had Chapter 425, Florida Statutes, not imposed a per se
11 legal prohibition, there is certainly a public policy application that goes to
12 the nature of why various types of utilities exist. In previous orders issued
13 by this Commission, it has even been characterized as “common
14 knowledge that the real purpose to be served in the creation of the REA
15 was to provide electricity to those rural areas which were not being served
16 by any privately or governmentally owned public utility, and it was not
17 intended that REA should be a competitor in those areas in which as a
18 matter of fact electricity is available by application to an existing public
19 utility...” One such order was rendered in a 1977 territorial dispute
20 between Suwannee Valley Electric Cooperative and Florida Power & Light
21 Company. In Re: Complaint of Suwannee Valley Electric Cooperative,
22 Inc. against Florida Power & Light Company, Docket No. 760510-EU,
23 Order No. 7961, Sept. 16, 1977.

24 Even the Commission’s own rules with respect to territorial disputes
25 anticipate an application of the long-standing concept of a difference in

1 purposes between the two types of utilities – or, more precisely, the
2 limitations of the purpose and service of a rural electric cooperative. Rule
3 25-6.0441(2)(b), which references the “nature of the disputed area” is
4 intended to preserve the historic purpose of rural electric cooperatives – to
5 serve rural areas only, and, more accurately, those rural areas that were
6 not, or would not, be served by public utilities. This is plainly evidenced by
7 the language addressing urban characteristics and the “type of utilities
8 seeking to serve [the disputed area].”
9

10 Q. Is there any instance in which the Commission should give preference to
11 service by a rural electric cooperative over a public utility simply based on
12 the rural nature of an area?

13 A. No. An area’s rural nature alone is not a sufficient basis for awarding
14 service to a rural electric cooperative. If it is rural and the cost of providing
15 service by a public utility is far in excess of that of a rural electric
16 cooperative, then the cooperative should serve and the organic, intended
17 purpose of a rural electric cooperative has been achieved. As I noted
18 earlier, it was never intended in the formation of rural electric cooperatives
19 that they should compete with other types of utilities.
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1 Q. Since Freedom Walk will not be a "rural area," do you believe CHELCO
2 has any legitimate claim to being the utility that should be awarded the
3 rights to provide service?

4 A. No. It has no legitimate claim. As I indicated earlier, the provisions of
5 Chapter 425, Florida Statutes are plain in this regard. Since Freedom
6 Walk is not rural, CHELCO has no authorization in law to serve the area.

7
8 Q. Are you suggesting that rural electric cooperatives lack authority to serve
9 non-rural areas under all circumstances?

10 A. It is an accepted fact that CHELCO – and other rural electric cooperatives
11 in Florida – currently provide electric service in some limited non-rural
12 areas. To Gulf Power's knowledge, those limited areas were rural in
13 nature at the time service was initially commenced. Areas can change in
14 character over time and those that do typically change from rural to urban.
15 Section 425.04(4), Florida ^{Statutes} ~~Statutes~~, has been interpreted to allow
16 cooperatives to continue to serve a number of persons in non-rural areas
17 which does not exceed 10 percent of the cooperative's total membership.
18 The most specific evidence of this can be found in a ruling by the Eleventh
19 Circuit of the United States Court of Appeals in the case of Alabama
20 Electric Cooperative v. First National Bank of Akron, 684 F.2d 789 (11th
21 Cir. 1982).

22 At best, section 425.04(4), Florida Statutes, under the Eleventh
23 Circuit's interpretation, would authorize CHELCO to serve Freedom Walk
24 as long as the number of persons served in Freedom Walk does not
25 cause CHELCO to exceed a 10 percent membership limitation on the

1 number of persons served in non-rural areas. However, even under the
2 Eleventh Circuit's liberal application, CHELCO still must be precluded from
3 providing service to Freedom Walk. CHELCO is already in excess of this
4 10 percent non-rural limitation, even absent service to Freedom Walk.
5

6 Q. How many members does CHELCO presently serve?

7 A. CHELCO has indicated in interrogatory responses that, as of February
8 2011, it serves a total of 34,722 members.
9

10 Q. Are there any areas that are not "rural" in which CHELCO currently
11 provides electric service?

12 A. Yes. There are several general areas that are not "rural" in which
13 CHELCO provides electric service. The non-rural community in which
14 CHELCO provides electric service to the greatest number of persons is
15 Bluewater Bay.

16 Witness Harper provides more detailed information about
17 Bluewater Bay. In 2010, it had a population totaling 10,847 people. The
18 community enjoys a variety of municipal services, with many of these
19 delivered to a majority of the community through a Municipal Services
20 Benefit Unit. It is home to a golf course, a large boat marina, and a large
21 and vibrant commercial district. Bluewater Bay is clearly not a "rural area,"
22 not by the characterization that any logical utility manager would give to it,
23 and not by the specific definition provided in Chapter 425, Florida
24 Statutes.
25

1 Q. Are you suggesting that CHELCO should be required to abandon its
2 service to Bluewater Bay?

3 A. Bluewater Bay's inclusion as a non-rural area in my testimony is in no way
4 intended to suggest that, as part of this Docket, the Commission should
5 reach a finding that CHELCO should abandon its service to Bluewater
6 Bay. Rather, as it is now not a "rural area," the number of "persons" that
7 CHELCO currently serves in Bluewater Bay should properly be included in
8 the total tabulation of persons that CHELCO serves in all non-rural areas
9 to determine whether or not CHELCO has already reached the 10 percent
10 non-rural limitation or, by being allowed to serve Freedom Walk, would
11 exceed that limit.

12

13 Q. How many members does CHELCO presently serve in Bluewater Bay?

14 A. CHELCO has indicated in interrogatory responses that, as of February,
15 2011, it serves 4,741 members in Bluewater Bay, as Gulf Power has
16 defined the boundaries.

17

18 Q. What boundaries did you use for purposes of describing Bluewater Bay?

19 A. I used a conservative definition of that community. I only included what
20 would be categorized as "Bluewater Bay proper" and not the abutting
21 community of Seminole or the Lake Pippin area. The metes and bounds
22 property description of the area I have included in my definition of
23 Bluewater Bay is shown in Schedule 2 to my Exhibit, along with a
24 graphical delineation on a composite of the county Property Appraiser's
25 parcel map.

1 Q. Would CHELCO be at risk of exceeding the 10 percent non-rural limitation
2 if it were allowed to serve Freedom Walk?

3 A. It would not just be at risk to exceed that limit; in fact, CHELCO is already
4 in excess of the 10 percent non-rural limitation. By its service to Bluewater
5 Bay, alone, this limit has already been greatly exceeded by CHELCO.

6

7 Q. Does this fact alone preclude CHELCO from serving the Freedom Walk
8 development?

9 A. Yes. Even if this were the lone point of consideration for resolving this
10 territorial dispute, CHELCO's exceedance of the ten percent non-rural
11 limitation should be ample reason for the Commission to prohibit CHELCO
12 from providing service to Freedom Walk. The number of "persons"
13 CHELCO serves in Bluewater Bay would be the population of 10,847 plus
14 the number of commercial entities they serve, to yield a percentage ratio
15 to total members that is over 30 percent. If a more liberal approach is
16 taken in calculating the percentage level as a ratio of members served in
17 non-rural areas to total membership, that percentage for Bluewater Bay
18 alone is 13.7 percent, still far in excess of the 10 percent non-rural
19 limitation.

20

21 Q. Why do you make specific reference to "persons" served in this non-rural
22 area?

23 A. The term "person[s]" is the term defined in Chapter 425, Florida Statutes,
24 and used in the section of the Chapter on which the 11th Circuit based its
25 10 percent non-rural limit interpretation.

1 Q. If Bluewater Bay was excluded from consideration, do you have evidence
2 to indicate that CHELCO would still be in violation of the 10 percent non-
3 rural limitation?

4 A. Yes, although I know of no legitimate reason for the exclusion of
5 Bluewater Bay in the consideration of that limit. As I noted earlier, there
6 are several non-rural areas in which CHELCO currently serves electric
7 accounts in at least some portion of the area.

8 One of those areas is Crestview. The population just within the City
9 limits, as noted earlier, is in excess of 21,000. Hence this is clearly an
10 area that is not "rural" using the relevant definition of Chapter 425, Florida
11 Statutes.

12 As I define it, Crestview would include both the regions that are
13 inside the municipal limits of the city and those neighborhoods in close
14 proximity to the municipal limits that exist as part of the social, economic,
15 and commercial life of the greater city. In order to avoid confusion, I will
16 refer to it as "Greater Crestview" and the metes and bounds property
17 description of the area, as I define it, is shown in Schedule 3 to my Exhibit.
18 A graphical delineation on a composite of the county Property Appraiser's
19 parcel map is also included in this schedule.

20

21 Q. Why is it appropriate to include both the area inside the city limits and
22 regions outside of those corporate limits in the definition of Greater
23 Crestview?

24 A. For one thing, the expansion of corporate city limits tends to lag behind
25 evolving urban migrations. The city limits only provide a designation of the

1 areas that have already opted to establish formal, local governmental-
2 provided urban services and accompanying taxation via annexation.
3 Whether or not an area is within the city limits is not a true measure of
4 "rural-ness." Additionally, the property owners within some non-rural
5 areas just do not, and might never, desire to have urban services provided
6 by local government. They might opt to have those services provided
7 through private arrangements, or not at all. The choice to forego city
8 government jurisdiction does not mean that those areas are "rural." This
9 is evidenced by the fact that the definition of a "rural area" in section
10 425.03(1), Florida Statutes, includes both "incorporated" and
11 "unincorporated" community areas.

12 Further, the Commission has set a clear and logical precedent that
13 both the areas within the corporate limits of a city and the adjacent
14 populated areas that exist as part of the social, economic, and commercial
15 life of the greater city should be considered as a unified, single area when
16 addressing a characterization of "rural" versus "non-rural." That precedent
17 is most clearly found in the Commission's final order resolving a dispute in
18 the greater Live Oak, Florida area. See, In Re: Complaint of Suwannee
19 Valley Electric Cooperative, Inc. against Florida Power & Light Company,
20 Docket No. 760510-EU, Order No. 7961, Sept. 16, 1977. In that order, the
21 Commission stated that "[a] subdivision located in an unincorporated area
22 of an immediately adjacent urban area does not exist as a social,
23 economic or commercial unit separate and apart from the adjoining
24 municipality. Such an area would normally be considered part of the

1 suburban territory of the municipality and, therefore, not fall within the
2 definition of "rural area" as stated in §425.03(1), F.S."

3

4 Q. To what extent does CHELCO provide electric service in Greater
5 Crestview?

6 A. In response to interrogatory questions that gave the specific definition of
7 Greater Crestview, CHELCO indicates that it serves 2,823 members in
8 Greater Crestview as of February 2011, with eight members being inside
9 the city limits as of July 2010. Based on its member counts, I
10 conservatively estimate that CHELCO provides electric service to at least
11 5,600 persons in the non-rural area of Greater Crestview.

12

13 Q. What other non-rural town, village, or borough should be considered in
14 determining whether CHELCO is in excess of the 10 percent non-rural
15 limitation?

16 A. Another would be DeFuniak Springs, which again, would include both the
17 regions that are inside the municipal limits of the city and those
18 neighborhoods in close proximity to the municipal limits that exist as part
19 of the social, economic, and commercial life of the greater city. The
20 population of DeFuniak Springs, just within the city limits, as of April 2010,
21 was 5,061 people; hence, this is clearly an area that is not "rural."

22 My definition of "Greater DeFuniak Springs" is included as
23 Schedule 4 to my Exhibit. CHELCO's interrogatory responses indicate
24 that it serves 1,302 members in Greater DeFuniak Springs as of February
25 2011, with 319 members being inside the city limits as of October 2010.

1 Based on CHELCO's member counts in the area, I conservatively
2 estimate that it provides electric service to at least 2,600 persons in the
3 non-rural area of Greater DeFuniak Springs.

4 A final town I will mention is Freeport, Florida. My definition of
5 "Greater Freeport" is included as Schedule 5 in my Exhibit. CHELCO's
6 interrogatory responses indicate that it serves 2,256 members Greater
7 Freeport as of February 2011, with 869 members and 1,151 accounts
8 being inside the city limits as of October 2010. I conservatively estimate
9 that the population of Greater Freeport, using a basis of CHELCO's 2,256
10 members, is at least 4,500 people, making it, also, clearly an area that is
11 not "rural" under the definition provided by Chapter 425, Florida Statutes.
12 I estimate that CHELCO serves no less than 4,600 persons in the non-
13 rural area of Greater Freeport.

14
15 Q. What do the statistics of CHELCO's service in these three additional non-
16 rural areas lead you to conclude?

17 A. Schedule 6 of my Exhibit provides a tabulated presentation of the statistics
18 that I have already mentioned. Based on those statistics— whether you
19 include or exclude Bluewater Bay and whether you use "persons" served
20 or the least restrictive method of members served – CHELCO is clearly
21 and conclusively already in excess of the 10 percent non-rural limitation.

22
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1 Q. Are there other factors the Commission should consider in resolving a
2 territorial dispute?

3 A. Yes. Section 366.04 (5), Florida Statutes, gives the Commission
4 jurisdiction over a coordinated grid and the "avoidance of further
5 uneconomic duplication." The objective of avoiding uneconomic
6 duplication is specifically why Rule 25.60441(2) (c) provides that the
7 Commission may consider the "cost of each utility to provide ... facilities to
8 the disputed area." This is in addition to the consideration in part (a) of the
9 Rule of costs of providing service "within" the disputed area.

10

11 Q. Under what circumstances should the Commission invoke its jurisdiction
12 with respect to the avoidance of further uneconomic duplication in the
13 context of the resolution of a territorial dispute?

14 A. Avoiding further uneconomic duplication is always a good thing; but in the
15 Commission's pursuit of this goal, it would need to operate within the
16 parameters of other applicable law. In the context of territorial disputes,
17 uneconomic duplication would have relevance only after there has first
18 been a finding that each of the utilities seeking to serve an area in dispute
19 is legally authorized to provide service based on the type of utility in
20 comparison to the types of customers or area to be served.

21

22 Q. In resolving this dispute should the Commission consider the costs of both
23 CHELCO and Gulf Power to provide service within Freedom Walk?

24 A. For this particular dispute, no, it should not. CHELCO has not asserted in
25 its petition or otherwise, nor could it reasonably make any assertion that it

1 already has adequate facilities to serve Freedom Walk within the “disputed
2 area.” Neither does Gulf Power. Neither party currently has adequate
3 facilities within the area. Because each party would have to build an
4 extensive amount of facilities within the development to provide adequate
5 and reliable service, no duplication of facilities would occur within the area
6 of dispute, regardless of which utility was awarded the right to serve.
7

8 Q. In resolving this particular dispute should the Commission consider the
9 costs of both CHELCO and Gulf Power to extend service to Freedom
10 Walk?

11 A. No. There is no need to undertake that consideration. Given that
12 Freedom Walk is not “rural” in nature, there is no need for any further
13 considerations – service must be awarded to Gulf Power. Given the
14 interpretation of the Eleventh Circuit with respect to the 10 percent limit on
15 non-rural customers and CHELCO’s current status with the number of
16 non-rural customers that it is already serving, the resolution that must be
17 reached is even more resoundingly conclusive.

18 However, should the Commission decide to consider the utilities’
19 respective costs to extend service to the Freedom Walk development, the
20 Commission should look at any difference in those costs as just one
21 element of reaching any finding with respect to uneconomic duplication.
22
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1 Q. Historically, how has the Commission interpreted the phrase “further
2 uneconomic duplication”?

3 A. The whole concept of “duplication of facilities” arises from the recognition
4 that there are occasions when one utility builds facilities that would not
5 have to be built – or not as much in terms of invested capital – had a
6 different utility served the customer. Because existing facilities may have
7 capacity or voltage limitations or because some expansion of facilities may
8 have been needed regardless of which utility is providing service, this is
9 often not a simple determination. Hence, traditionally “duplication” had
10 been measured by the Commission as any greater amount of costs – as
11 measured by the first cost of the installation of the minimum facilities
12 required – that one utility would have to invest to reach the disputed area
13 over the costs of another utility. Further, until 1996, the Commission
14 interpreted that any amount of duplication under this comparative analysis
15 would be “uneconomic.”

16 In 1996, the Florida Supreme Court concluded that there were
17 some amounts of duplication that could be considered “not uneconomic.”
18 See, Gulf Coast Electric Cooperative, Inc. v. Clark, 674 So.2d 120, 123
19 (Fla. 1996). The specific conclusion at that time was that there were some
20 amounts that could readily be considered as “de minimis.” In a follow-up
21 to the Supreme Court’s determination, the Commission issued its final
22 order in In Re: Petition to Resolve Territorial Dispute with Gulf Coast
23 Electric Cooperative, Inc. by Gulf Power Company, Docket No. 930885-
24 EU, Order No. PSC-98-0174-FOF-EU. In that order, the Commission
25 agreed with evidence presented by Gulf Power that “defines uneconomic

1 duplication in terms of the costs and benefits accruing solely to Gulf Power
2 from serving or not serving a given area, load or customer such as the
3 incremental cost to serve, expected revenues, or other exclusive benefits.
4 Benefits are defined as additional revenues in excess of the cost of
5 building facilities to reach the customer.”

6
7 Q. Based on your business knowledge and experience and your
8 understanding of current Commission rules and prior court rulings, what
9 economic aspects and information should the Commission consider with
10 respect to any determination as to avoiding “uneconomic duplication”?

11 A. As just noted, the initial piece of information that factors into the
12 determination would be the difference in first cost of required facility
13 additions or improvements. A second consideration would be the
14 magnitude of this cost difference between the two utilities in contrast to the
15 total investment to be made. Additionally, information as to the benefit to
16 the investing utility would need to be considered. There may be others,
17 but one additional consideration would certainly be any reasonable
18 prospect that the added facilities would have future use in serving
19 additional customers as part of natural community growth patterns.

20 It is worth noting that there could be instances where the facilities of
21 another utility are duplicated in order to provide service to a customer in
22 an instance where the other utility is not legally permitted to serve the
23 customer. In this type of scenario, while the physical capabilities of the
24 other utility may have been duplicated – uneconomically or not – it could
25 not be legally “avoided.”

1 Q. Will Gulf Power's provision of electric service to Freedom Walk result in
2 any duplication of facilities, whether uneconomic or not?

3 A. No. As indicated by Witness Feazell, it will cost Gulf Power only \$89,738
4 to extend adequate facilities to Freedom Walk. By contrast, because of
5 the need it will have to upgrade portions of its existing 3-phase feeder, it
6 will cost CHELCO at least \$227,404 to extend adequate facilities to
7 Freedom Walk. This does not include the significant costs for CHELCO to
8 make the substation improvements that will also be required ~~adding~~
9 ~~additional hundreds of thousands of dollars of costs, if not more.~~ If
10 CHELCO were to be allowed to provide service to Freedom Walk, in fact,
11 Gulf Power's facilities would be duplicated by CHELCO. Specifically,
12 CHELCO would duplicate the existing capacity in Gulf Power's feeder up
13 to the point where Gulf Power provides service to Davidson Middle School
14 on Old Bethel Road.

15 By allowing Gulf Power to honor the customer's choice of service
16 provider, the Commission would be precluding CHELCO's need to
17 upgrade its feeder now, or in the reasonably foreseeable future. Any
18 notion that CHELCO will have to upgrade its feeder even absent service to
19 Freedom Walk or anticipated load growth in any nearby rural area is
20 speculative at best. In other words, by allowing Gulf Power to spend
21 \$89,738 to extend service to the disputed area, the Commission could
22 save CHELCO and its member-owners well in excess of \$227,404 in
23 otherwise needed investment.

24
25

1 Q. From whose perspective should a determination be made by the
2 Commission that any duplication is “uneconomic” or not?

3 A. Any determination of whether duplication is “uneconomic” should be made
4 from the perspective of the entity making the investment. In the instant
5 case, should the Commission determine that Gulf Power is duplicating the
6 facilities of CHELCO, the question for further consideration will then be
7 whether there is sufficient incremental benefit to Gulf Power investors and
8 Gulf’s general body of ratepayers for the Commission to allow Gulf Power
9 to make this investment in spite of any determined duplication. If there is,
10 then this duplication would be “not uneconomic.”

11

12 Q. If the Commission were to set aside CHELCO’s need to make major
13 facility upgrades, would Gulf Power’s cost of \$89,738 to reach the
14 development result in “uneconomic duplication?”

15 A. No. In order for an expenditure to be deemed “uneconomic” it would have
16 to fail every one of the logical types of assessments of whether that
17 perceived duplication would be “not uneconomic.” There are four tests
18 which I applied and, rather than failing every one of them, it passes them
19 all.

20 First, the expenditure of \$89,738 should be analyzed in the context
21 of the total amount of investment that Gulf Power will make to serve
22 Freedom Walk. That total amount is the \$89,738 to extend facilities to the
23 development plus the \$844,935 of investment within the development for a
24 total of \$934,673. In other words, the expense to extend facilities to
25 Freedom Walk – an expense that any party might wish to perceive as

1 duplicative – is only 9.6 percent of the total investment that Gulf Power will
2 make. This is clearly “de minimis” and, therefore, “not uneconomic.”

3 Second, the investment of \$89,738 to extend service to Freedom
4 Walk is only 18.5 percent of the annual non-fuel revenue of \$483,828 that
5 is expected to be received from serving Freedom Walk. Stated another
6 way, the investment of \$89,738 is just slightly more than a two-month pay-
7 back on that portion of the investment. A pay-back that rapid would
8 certainly not be considered “uneconomic.”

9 A third assessment that could be made is the ratio of total
10 investment, including the investment required for facilities within the
11 disputed area, to annual non-fuel revenue the Company will receive. This
12 is the classic Contribution In Aid to Construction (CIAC) calculation that
13 the Commission has approved for analyzing the economy of extensions of
14 facilities. In this case, that ratio is 1.9, which is less than half of the 4.0
15 level which would require a capital contribution by the customer. In other
16 words, this assessment would also show that this perceived duplication is
17 “not uneconomic.”

18 A fourth assessment that could be considered is whether the
19 facilities that might initially be perceived as duplicative would have a
20 reasonable prospect for any other legitimate future use in addition to just
21 serving the area in dispute. This consideration might be undertaken,
22 particularly for a public utility such as Gulf Power, because of the unique
23 obligation to serve that exists in contrast to a rural electric cooperative
24 without that obligation. In the instant case, there are additional
25 undeveloped or underdeveloped parcels along the 2,130 feet of Old

1 Bethel Road on which Gulf Power will construct its feeder extension for
2 reaching Freedom Walk. These parcels total many tens of acres of
3 property that will likely be developed as part of the natural progression of
4 community development that is also giving rise to Freedom Walk. Most of
5 this acreage is also already within the city limits of Crestview. The feeder
6 extension for service to Freedom Walk will also provide the adequate and
7 reliable electric service that the future premises and associated electric
8 load that will locate on these parcels will require. Hence, any perceived
9 duplication would only be temporary and is, therefore, "not uneconomic."

10 While there might be other tests that could be used to determine
11 that any perceived duplication is "not uneconomic," there is no need in this
12 instance, as at least one of the assessments show that any perceived
13 duplication is, indeed, "not uneconomic." In this case, in every one of the
14 considerations – not just a single instance – the perceived duplication
15 would be "not uneconomic."

16
17 Q. Are there any other aspects the Commission should consider in resolving
18 a territorial dispute and should they be applied in this dispute?

19 A. The Commission's rules have one additional aspect that is to be applied
20 when all other factors are "substantially equal," and that is customer
21 preference. As indicated earlier, all other factors are not substantially
22 equal and, in fact, each and every one of them clearly favor Gulf Power as
23 the provider of electric service to Freedom Walk. Gulf Power is also
24 favored in the consideration of customer preference. As Witness Johnson

1 indicates in his testimony, there is conclusive evidence that the customer
2 prefers Gulf Power to provide service.

3

4 Q. Does this conclude your testimony?

5 A. Yes. This concludes my testimony.

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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

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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. Fezell'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 Fezell 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.

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1 Q. Is it your testimony that all of the upgrades and associated costs listed in
2 Witness Fezell'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 Fezell 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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1 **THE WITNESS:** Good afternoon, Commissioners.
2 My name is Ted Spangenberg, Jr., and I am the Director
3 of Military Affairs and Special Projects for Gulf Power
4 Company, and one of those special projects is
5 territorial affairs. I have a long history of dealing
6 with territorial matters in Florida, most of it focusing
7 on avoiding the type of dispute which brings us here
8 today.

9 My testimony steps through the various
10 elements to be considered as outlined in statutes and
11 Commission rules in resolving a dispute. The first of
12 these involves identifying the area in dispute and its
13 nature. CHELCO has clearly identified for us in its
14 petition what area or customer it is disputing, and it
15 is the Freedom Walk development as developed, not pine
16 trees, pasture, and palmettos which need no service.

17 Freedom Walk would be a nonrural urban
18 development based on its population density, the types
19 of urban amenities it would incorporate, and any of the
20 definitions for urban found in Florida law. It will be
21 located within the corporate limits of the City of
22 Crestview, and it will be within easy walking distance
23 of a variety of other urban areas and amenities already
24 existing in Crestview, as is readily obvious from the
25 composite aerial photo that I have provided. And that

1 photo is on the easel here and up on the screen.

2 Consideration of the nature of the area is
3 important because of its link to the next consideration,
4 which is the type of utilities seeking to serve. Gulf
5 Power is a public utility with a statutory obligation to
6 provide the service that has been requested. As a
7 public utility, there are no limitations on the types of
8 areas in which Gulf Power can provide service. It is
9 permitted to serve Freedom Walk.

10 CHELCO is a rural electric cooperative, and
11 hence is not permitted to serve new prospective
12 customers in nonrural areas. The Commission has a long
13 history of assessing whether a disputed area is rural or
14 not in determining if a cooperative is legally permitted
15 to serve new customers in that area. CHELCO should not
16 be permitted to serve, as Freedom Walk is not rural.

17 Florida law allows a cooperative to continue
18 serving its customers in areas that lose their rural
19 nature as long as the number of persons served in such
20 areas does not exceed a 10 percent limit. CHELCO is
21 already in excess of this limitation as demonstrated by
22 my direct testimony and the data provided in Schedule
23 6 of the exhibit to that testimony.

24 Another element for consideration in resolving
25 disputes is the general physical ability of each utility

1 to provide adequate and reliable service. Both Gulf
2 Power and CHELCO are stable, well-run, and physically
3 capable utilities and should be able to provide good
4 service.

5 Other elements for consideration in resolving
6 disputes are the facilities and their cost that each
7 utility would have to install to provide service to the
8 disputed area and within the disputed area. Service
9 within Freedom Walk will require an extensive array of
10 facilities by either utility, and those facilities and
11 their cost will be substantially equal for either
12 utility.

13 Both utilities currently have primary voltage
14 distribution facilities abutting Freedom Walk. CHELCO's
15 is on the northern border of Freedom Walk and Gulf's is
16 on the southeastern border. However, the existing
17 facilities of either utility are not currently capable
18 of providing adequate and reliable service to Freedom
19 Walk. Either utility will have to add to or modify its
20 facilities in order to provide adequate and reliable
21 service.

22 Rather than upgrade its distribution line at
23 the southeastern border, Gulf Power has elected to plan
24 to extend a three-phase feeder a short distance down Old
25 Bethel Road. CHELCO would use its existing circuit

1 further down Old Bethel Road, but will need to make
2 otherwise unnecessary extensive upgrades along that
3 circuit all the way back to and including its Auburn
4 substation.

5 Mr. Feazell discusses these more fully in his
6 testimony. However, my rebuttal testimony clearly
7 demonstrates that CHELCO's plan for facility upgrades to
8 serve Freedom Walk has serious shortcomings,
9 particularly with respect to substation components.
10 CHELCO's plans are based on probable load conditions
11 rather than the extreme load conditions as specifically
12 referenced in its own system design and operational
13 criteria. CHELCO's plan would operate several
14 substation components in excess of their operational
15 ratings during extreme loading. This is a recipe for
16 disaster with a major risk of substation damage and
17 extensive, unacceptable, and avoidable outages. The
18 cost for making the necessary and prudent upgrades to
19 the Auburn substation should, without question, be
20 included in CHELCO's cost of providing adequate and
21 reliable service to Freedom Walk.

22 Additionally, my rebuttal testimony describes
23 why CHELCO, with Gulf Power serving Freedom Walk, will
24 not have any need to upgrade a 1.3-mile segment of the
25 conductor it would use to serve the development. This

1 \$227,000 project is only needed if CHELCO serves Freedom
2 Walk; hence, that cost should also be included in
3 CHELCO's cost to provide service to the development.

4 In resolving territorial disputes, the
5 Commission should consider the cost of providing service
6 to the disputed area in determining if any uneconomic
7 duplication would occur, should each utility provide
8 service, assuming there is more than one utility that is
9 permitted under law or Commission policy to provide
10 service. My testimony provides an analysis with respect
11 to four tests to be used to determine uneconomic
12 duplication. These four tests are based on prior
13 Commission and Florida Supreme Court conclusions with
14 respect to such a determination. Gulf Power serving
15 Freedom Walk will not result in any uneconomic
16 duplication of existing facilities.

17 The final recommended element for
18 consideration in resolving a territorial dispute is
19 customer preference, and it is to be applied when all
20 other factors are substantially equal. The only factors
21 that are substantially equal in this case are the
22 general physical capability of each utility and the
23 facilities needed within the Freedom Walk development.
24 All the other factors clearly favor Gulf Power Company.
25 Yet with respect to customer preference, the developer

1 is the only logical proxy for the ultimate customers
2 that will reside in Freedom Walk. The developer has
3 every reason to keep the best interest of the ultimate
4 customers in mind, as that is how he will be most
5 successful in selling the lots and achieving his
6 ultimate goals for the development. The developer
7 clearly prefers service from Gulf Power rather than
8 CHELCO.

9 As indicated in my rebuttal testimony, CHELCO
10 offers up additional factors it would have the
11 Commission consider in resolving this dispute. However,
12 none of these have any basis for consideration in law,
13 Commission rules, or basic business logic, and some have
14 been specifically rejected for consideration in prior
15 Commission rulings in resolving territorial disputes.

16 In conclusion, Gulf Power serves the abundance
17 of customers in the Crestview area. If you might look
18 to the chart, to the east of Freedom Walk, to the south
19 of Freedom Walk, and over off to the left here on the
20 west of Freedom Walk, and service to Freedom Walk itself
21 should also be awarded to Gulf Power Company.

22 Thank you.

23 **MR. BADDERS:** We tender the witness for
24 cross-examination.

25 **CHAIRMAN GRAHAM:** FECA.

1 MR. WILLINGHAM: I will be consistent. No
2 questions.

3 CHAIRMAN GRAHAM: All right. CHELCO.

4 MR. HORTON: And I will be consistent and have
5 a few.

6 **CROSS EXAMINATION**

7 **BY MR. HORTON:**

8 Q. Hello, Mr. Spangenberg. How are you?

9 A. Fine, Mr. Horton. And you?

10 Q. Great. Thank you.

11 Do you have a copy of your deposition
12 transcript?

13 A. Yes, sir, I do.

14 Q. Would you turn to Page 30, please.

15 A. Page 30. I'm there.

16 Q. Okay. And on that page, we started off, or I
17 had a question to you about the obligation to serve
18 there on Lines 6 through 8. Do you see that?

19 A. Yes, sir, I do.

20 Q. And we continued on, on Line 10, I asked you
21 what do you understand that to mean; and your answer
22 was, "What that means is that as a public utility, we
23 hold ourselves out to the public in providing service.
24 And for the vast majority of our customers we have no
25 effective competition. For instance, where we presently

1 are, if someone wanted to build a building next door to
2 the building we are here in right now, we are for
3 practical purposes the only utility they can choose.
4 Therefore, we represent a monopoly. The Public Service
5 Commission represents the -- you know, a replacement for
6 competition in that market." Did I read that correctly?

7 A. Yes, sir, you did.

8 Q. In your Direct Testimony, you address -- you
9 address the fact that CHELCO is in excess of 10 percent,
10 serving in excess of 10 percent of their members in
11 nonrural areas. Do you recall that? It was several
12 places in your Direct Testimony.

13 A. Yes, sir, I do.

14 Q. And I previously handed you or provided you a
15 copy of 425-03 and 425-04, and those are the -- and I
16 believe the Commissioners also have a copy -- those two
17 sections are the sections that you have generally
18 referred to in your Direct Testimony. The definition of
19 rural area there is the definition that you have been
20 using, is it not?

21 A. Yes, sir, it is.

22 Q. Okay. Let me ask you to look at Page 17 of
23 your Direct Testimony. Actually, your Schedule 6, let's
24 look at that first. You list there -- you address the
25 number of persons served by CHELCO. You talk about Blue

1 Water Bay, Crestview, DeFuniak Springs, and Freeport.
2 Now, with respect to those last three, those are
3 municipalities, Crestview, DeFuniak Springs, and
4 Freeport?

5 A. Those three would include municipalities and
6 incorporated areas of municipalities. It might also
7 include urban areas or nonrural areas kind of attached
8 to the actual municipal city limits.

9 Q. Okay. But Crestview, DeFuniak Springs, and
10 Freeport are municipalities, are they not?

11 A. Yes, sir, they are.

12 Q. All right. And in your testimony on Page 17,
13 you say that Crestview has a population greater than
14 21,000. I believe that's on Line 9. You say in excess
15 of 21,000?

16 A. Yes, sir.

17 Q. And that would not be a rural area under the
18 425-03 definitions, correct?

19 A. That is correct, it would not.

20 Q. And I believe -- well, it's not on that same
21 page. DeFuniak Springs on Page 19, and that's -- back
22 up. The number -- the in excess of 21,000 is strictly
23 within the city limits of Crestview, is it not?

24 A. Yes, that is correct.

25 Q. Okay. And on Page 19, the population solely

1 within the city limits of DeFuniak Springs is 5,061,
2 correct?

3 A. Yes, sir, that is correct.

4 Q. And that would be in excess -- that would not
5 be a rural area under the definition we have talked
6 about?

7 A. That is correct, as stated on Line 21.

8 Q. Now, what's missing is the population of
9 Freeport. What is the population of Freeport within the
10 city limits?

11 A. I have estimated that the population of
12 Freeport, using the estimate of 1,151 accounts being
13 inside the city limits, as being in excess of -- well, I
14 used the population as a basis of the 2,256 members of
15 being at least 4,500 people. I have made no estimate
16 for those that are just within the city limits.

17 Q. I didn't ask what your estimate was. You
18 refer there to your -- to the greater Freeport in your
19 method of calculation. But for Crestview and DeFuniak
20 Springs, you have stated the population within the city
21 limits, and I'm asking you what is the population within
22 the city limits of Freeport?

23 A. I don't believe I have that information here
24 with me, Mr. Horton.

25 Q. Did you ever look at anything that listed the

1 population for Freeport?

2 A. I believe I actually recall calling the town
3 clerk of the city of Freeport and their best estimate
4 was around 2,000, maybe a little more than 2,000. I
5 found that to be consistent with the number of accounts
6 that I list here inside the city limits provided by
7 CHELCO of 1,151. In my personal opinion, based on
8 looking at demographics and those types of estimates, I
9 believe that population just within the city limits to
10 be somewhere between 2,000 and 2,500 persons.

11 Q. That would be a rural area under 425.03, would
12 it not?

13 A. No, sir, it would not, because that would only
14 include those just inside the municipal limits. It
15 would not include those in the greater Freeport area,
16 which clearly are part and parcel of the Freeport
17 community.

18 Q. Okay. We are going to get to the greater area
19 argument in a second. I'm wanting to know the
20 population strictly within the city limits of Freeport.

21 A. And I think I just answered that.

22 Q. Okay. Mr. Spangenberg, if you would look at
23 that page, or that document I just handed you. What
24 does that say the total population of the City of
25 Freeport was in 2010?

1 A. If I am reading this correctly, again, without
2 worrying with the disclaimers about non-sampling errors
3 and those types of things, it lists the total
4 population -- it says here the City of Freeport as 1,787
5 persons.

6 Q. And can you tell from looking at that document
7 the source of that document?

8 A. What is printed on here is being labeled as
9 being from the U.S. Census Bureau.

10 Q. All right. And that would also be reflected
11 in the -- here I go with the technology, the URL across
12 the bottom?

13 A. Yes, sir. Seeing that it comes from the
14 factfindertocensus.gov website, I would have to concur
15 with that conclusion.

16 Q. Okay. So this appears to be data provided by
17 the U.S. Census Bureau, does it not?

18 A. Yes, sir, it does.

19 Q. All right. And 1,787 is significantly below
20 the number 2,500 found in the definition of rural area
21 in 425.03, is it not?

22 A. I would agree that 1,787 is below 2,500. I
23 would disagree that that fits the exact definition,
24 because you have failed to include the unincorporated
25 provisions of Chapter 425.

1 Q. But just by itself we would be able to --
2 CHELCO -- okay, all right.

3 Is there another utility that provides service
4 to Freeport?

5 A. Other than who?

6 Q. Other than CHELCO?

7 A. Not that I'm aware. Not electric utility.

8 Q. Electric utilities. Gulf doesn't provide
9 service there?

10 A. No, sir, we do not.

11 Q. Does Gulf provide service in the greater area
12 of definition that you use?

13 A. No, sir, it does not.

14 Q. Do you know the closest service to Freeport
15 from Gulf, provided by Gulf?

16 A. It would be a toss-up to whether it's
17 Niceville, which is kind of just across the bayou from
18 Blue Water Bay, or whether it would be down in South
19 Walton down towards, you know, towards West Hewitt Road
20 area. The new Wal-Mart going in there, that might be
21 the closest one.

22 Q. What's that in distance in mileage, roughly?

23 A. Oh, a rough estimate, I would guess we're in
24 the neighborhood of ten miles. It could be 15, it could
25 be 25. Between 8, 15, somewhere around that range.

1 It's that order of magnitude.

2 Q. Do you know of any other electric utility that
3 would be anywhere near the City of Freeport that could
4 provide electric service other than CHELCO?

5 A. That could provide? Yes, sir, there are other
6 that might could provide. None that could readily
7 provide, based on existing facilities today.

8 Q. Okay. Now, under your interpretation and
9 under your testimony, CHELCO cannot serve nonrural
10 areas, and you have persisted in insisting that Freeport
11 is a nonrural area, so who's going to serve the people
12 of Freeport, if it's not CHELCO?

13 A. Sir, if I might, I believe you may have
14 mischaracterized my testimony. What I said is it cannot
15 serve prospective new customers. In particular, we are
16 here in a territorial dispute with respect to Freedom
17 Walk, a large group of prospective new customers, they
18 cannot serve those in nonrural areas.

19 Q. Then let's apply that to the City of Freeport.
20 If there is -- I don't know, if somebody decides to
21 build a Freedom Walk in the City of Freeport, your
22 testimony would be that CHELCO could not serve them
23 because we are in excess of the 10 percent limit right
24 now, is that not correct?

25 A. Yes, sir. Particularly if it came up in the

1 context of a territorial dispute, I believe that leaves
2 CHELCO in a legal conundrum because of basically a
3 failure to kind of keep up with the law over the years
4 as facilities have expanded and customers have been
5 added. And I'm not proposing as part of this
6 territorial dispute that we figure out how to resolve
7 that conundrum. We are simply trying to apply the
8 provisions of Chapter 425 to the Freedom Walk
9 development there in the City of Crestview.

10 Q. Well, none of the cities that you have
11 referred to, other than the city, none of the cities are
12 anywhere near the area that is in dispute, are they?

13 A. I'm sorry?

14 Q. DeFuniak Springs is how far from Crestview?

15 A. Oh, I'm sorry. No, none are very close to
16 Crestview, but certainly Crestview is part and parcel of
17 the dispute.

18 Q. Blue Water Bay is nowhere near Crestview or
19 Freedom Walk, is it?

20 A. It depends on your definition of nowhere near.
21 It's in the same county, but it's over ten miles away, I
22 believe.

23 MR. HORTON: One moment.

24 CHAIRMAN GRAHAM: Sure.

25 (Pause.)

1 **MR. HORTON:** I don't believe I have any more
2 questions.

3 **CHAIRMAN GRAHAM:** Okay. Staff.

4 **MR. JAEGER:** Staff has no questions.

5 **CHAIRMAN GRAHAM:** Commission board?
6 Redirect?

7 **MR. BADDERS:** No redirect.

8 **CHAIRMAN GRAHAM:** Okay. Do we have exhibits?

9 **MR. BADDERS:** Yes, we do. At this time I will
10 move Exhibits 34, 35, 36, and 37 into the record.

11 **CHAIRMAN GRAHAM:** Let the record show we are
12 moving Exhibits 34, 35, 36, and 37 into the record.

13 (Exhibit Number 34 through 37 admitted into
14 the record.)

15 **MR. BADDERS:** I believe that's the end of
16 Gulf's part of the case.

17 **CHAIRMAN GRAHAM:** Okay. Staff, have we moved
18 all the exhibits into the record from what I can tell?

19 **MR. JAEGER:** Let me check. I think we have,
20 Chairman.

21 **MS. HELTON:** By my check we have, Mr.
22 Chairman.

23 **CHAIRMAN GRAHAM:** Okay.

24 **MR. JAEGER:** Yes, by mine, also.

25 **MR. HORTON:** Mr. Chairman, I don't know if you

1 want to mark the Census Bureau report that we just
2 referred to or not.

3 **CHAIRMAN GRAHAM:** Actually, that's probably a
4 fair idea. If we can mark that and enter that into the
5 record, unless there is some dispute about that.

6 **MR. HORTON:** Then we would identify it --

7 **MR. BADDERS:** I'm sorry, Commissioner, no, we
8 have no objection.

9 **CHAIRMAN GRAHAM:** So that would be Hearing ID
10 Number 63, and the description will be 2010 Census for
11 Freeport City.

12 **MR. HORTON:** Thank you.

13 **CHAIRMAN GRAHAM:** And we will move that into
14 the record, 63.

15 (Exhibit Number 63 marked for identification
16 and admitted into the record.)

17 **CHAIRMAN GRAHAM:** All right. Staff, can you
18 provide us with dates for post-hearing decisions?

19 **MR. JAEGER:** Yes, Chairman. The transcripts
20 are due May 26th. I don't see any need to move it up a
21 day, since we are finishing a day early. I think we can
22 just leave that May 26th, and give our court reporters a
23 break. And that would make the briefs due on June 9th.
24 The staff recommendation is scheduled to be filed on
25 July 14th for the July 26th, 2011, Commission

1 Conference. And that would make the final order due out
2 August 15th, 2011.

3 **CHAIRMAN GRAHAM:** Is everybody okay with those
4 dates?

5 **MR. BADDERS:** Gulf is.

6 **MR. HORTON:** Yes, sir.

7 **CHAIRMAN GRAHAM:** Okay. Do we have anything
8 else to come before us, while we are all here together?

9 Staff?

10 **MR. JAEGER:** Nothing from staff, Chairman.

11 **CHAIRMAN GRAHAM:** Gulf?

12 **MR. BADDERS:** Nothing from Gulf.

13 **CHAIRMAN GRAHAM:** CHELCO?

14 **MR. EARLY:** Nothing.

15 **CHAIRMAN GRAHAM:** All right. That all being
16 the case, I believe that we are adjourned. Thank you
17 very much for coming.

18 (The hearing concluded at 3:18 p.m.)
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STATE OF FLORIDA)
 : CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 23rd day of May, 2011.



JANE FAUROT, RPR
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