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**Florida  
Power**  
CORPORATION

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October 26, 1989

Mr. Steve C. Tribble  
Director of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, FL 32399-0872

Re: Docket No. 890646-EI

Dear Mr. Tribble:

Enclosed please find for filing in the subject docket are fifteen (15) copies of the Prepared Direct Testimony of Maurice H. Phillips.

ACK \_\_\_\_\_ Please acknowledge receipt and filing of the above by completing the form  
AFA \_\_\_\_\_ provided on the duplicate copy of this letter enclosed and return same to  
APP \_\_\_\_\_ this writer.

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Enc.

OPC \_\_\_\_\_ cc: Parties of Record

RCH \_\_\_\_\_

SEC 1

WAS \_\_\_\_\_

OTH \_\_\_\_\_

Very truly yours,

James A. McGee

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DOCUMENT NUMBER-DATE  
10630 OCT 27 1989  
FPSC-RECORDS/REPORTING

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition of Tampa Electric )  
Company for resolution of territorial )  
dispute with Florida Power Corporation )

Docket No. 890646-EI

CERTIFICATE OF SERVICE

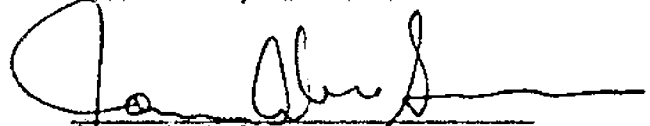
I HEREBY CERTIFY that the Prepared Direct Testimony of Maurice H. Phillips has been furnished by regular U.S. mail this 26th day of October, 1989.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY OF

MAURICE H. PHILLIPS

- 1 Q. Please state your name and business address.
- 2 A. My name is Maurice H. Phillips. My business address  
3 is Post Office Box 11042, St. Petersburg, Florida  
4 33733.  
5
- 6 Q. By whom are you employed and in what capacity?
- 7 A. I am employed by Florida Power Corporation in the  
8 capacity of Executive Vice President.  
9
- 10 Q. Please summarize your educational background and  
11 business experience.
- 12 A. I received a Bachelor of Science degree in Electrical  
13 Engineering from the University of Florida in 1961  
14 and a Master of Science degree in Management from  
15 Rollins College in 1976. In addition, I have  
16 completed numerous industry executive courses,  
17 including the Utility Executive course at Georgia  
18 Tech and the Edison Electric Institute Executive  
19 Management course at Hershey, Pennsylvania. I joined  
20 Florida Power as an Associate Engineer in 1961.  
21 After various supervisory assignments in the areas of

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1 engineering, construction, operations and customer  
2 service, I was elected Vice President, Central and  
3 Northern Divisions in 1978; Senior Vice President,  
4 Operations in 1983; and Executive Vice President in  
5 July of this year.

6

7 Q. Please describe the duties and responsibilities of  
8 your position as Executive Vice President.

9 A. I am responsible for the Company's division and  
10 district office operations and their supporting staff  
11 departments, which include distribution engineering  
12 and operations, customer administration, and energy  
13 management. I am also responsible for the planning,  
14 engineering and construction of the Company's power  
15 plants, transmission lines, and substations.

16

17 Q. What is the purpose of your testimony?

18 A. The purpose of my testimony is to describe the  
19 circumstances which lead to the service we currently  
20 provide to Agrico Chemical Company (Agrico) in Hardee  
21 County, and to explain our position on Agrico's plan  
22 to transmit power received from us into Polk County  
23 for use in the service area of Tampa Electric Company  
24 (TECO).

25

26 Q. Please describe the service Florida Power currently  
27 provides to Agrico.

1 A. Florida Power provides 69 KV interruptible service to  
2 Agrico at a metering station located on the eastern  
3 edge of its property in northwestern Hardee County,  
4 approximately two miles south of the Polk County  
5 line. This property is part of a larger tract owned  
6 by Agrico extending into southwestern Polk County,  
7 which Agrico refers to as its Fort Green Mine. The  
8 portion of the Hardee - Polk County line which runs  
9 across this tract is also the territorial boundary  
10 between the service areas of TECO to the north and  
11 Florida Power to the south.

12

13 Q. Please describe the circumstances which lead to  
14 Florida Power providing this service.

15 A. Beginning in August 1988, we were contacted by Agrico  
16 on several occasions regarding their plans to expand  
17 their Fort Green mining operations from Polk County,  
18 where most of the phosphate reserves had already been  
19 mined, into their previously unmined reserves in  
20 Hardee County. They indicated this expansion would  
21 initially involve relocating two of their three  
22 draglines to Hardee County, along with the associated  
23 slurry pipelines and pumping stations required to  
24 transport the phosphate ore to their processing  
25 facility (a washer plant and a beneficiation plant)  
26 in Polk County. Agrico's longer range plans  
27 contemplate relocating the washer plant to Hardee

1 County as well. Because of this major expansion  
2 into our service area, Agrico requested us to provide  
3 them with service in Hardee County by early 1989, at  
4 a point of delivery that would be located next to a  
5 69 KV substation they were planning to construct and  
6 place in service by that time.

7  
8 Service was extended to Agrico by constructing a 69  
9 KV transmission line from a tap off of an existing  
10 transmission line approximately two miles to a  
11 metering station installed on the edge of Agrico's  
12 property. The metering station was then connected to  
13 Agrico's newly constructed 69 KV substation, which  
14 they in turn connected to their mining equipment  
15 (draglines, pipeline slurry pumps, etc.) through  
16 Agrico's own electrical distribution system. We  
17 began service to the metering station on March 6,  
18 1989.

19  
20 During the course of our discussions with Agrico, we  
21 were also informed that they were considering the  
22 possibility of constructing a 69 KV transmission line  
23 from their new substation to the Fort Green  
24 processing facility in Polk County. They indicated  
25 that if they decided to go forward with the project,  
26 the line would not be operational before late 1989.

27

1 Q. Does Florida Power have any kind of an arrangement  
2 with Agrico, as TECO has suggested, regarding  
3 construction of the proposed transmission line  
4 between Agrico's facilities in Hardee and Polk  
5 Counties?

6 A. Absolutely not. There is no arrangement, agreement,  
7 understanding, or joint plan of any kind between  
8 Florida Power and Agrico concerning its proposed  
9 transmission line. Nor have we endorsed or  
10 encouraged Agrico's interest in pursuing its own  
11 plans to construct the line. Agrico simply informed  
12 us of their plans. Our only response was to urge  
13 that they advise TECO of their intentions.

14

15 Q. TECO claims that by agreeing to serve Agrico, Florida  
16 Power has violated the territorial agreement between  
17 TECO and Florida Power. Do you agree with this  
18 conclusion?

19 A. No, I do not. The territorial agreement prohibits us  
20 from serving a customer in TECO's service area  
21 without TECO's consent. We are serving Agrico well  
22 inside our service area, about two miles from the  
23 closest point of TECO's service area. The real  
24 issue in this proceeding is not about providing  
25 service, but about using power. The question is  
26 whether the Commission should allow Agrico to use  
27 power in TECO's service area that they receive in our

1 service area. If the Commission determines that  
2 power we deliver to Agrico should not be used in such  
3 a manner, and provides us with appropriate  
4 enforcement authority, we will of course comply.  
5 However, this would not mean that the service we have  
6 provided to Agrico in our service area violated the  
7 territorial agreement.

8

9 Q. Has Florida Power advised Agrico that it would refuse  
10 to provide service to Agrico if any part of the power  
11 delivered to it in Hardee County is used in Polk  
12 County?

13 A. No. I am unaware of any Commission rule or provision  
14 in the territorial agreement which would authorize  
15 Florida Power to refuse service requested by a  
16 customer located in our service area on the grounds  
17 that a portion of their consumption will occur  
18 outside our service area. I am also unaware of any  
19 instance where the Commission has ruled on the unique  
20 issues involved in this case. Agrico is conducting a  
21 bona fide, integrated business operation on  
22 contiguous property overlapping the service areas of  
23 two utilities. It is therefore clearly entitled to  
24 receive service from both utilities within their  
25 respective service territories. This factual  
26 situation is easily distinguishable from that  
27 involved in the Lee County case referred to by TECO.



1 The issue here is whether Agrico should be allowed to  
2 consume power within the service territory of one  
3 utility that they have legally received from the  
4 other utility in the service territory of the other  
5 utility. This situation clearly involves questions  
6 of regulatory and public policy which are within the  
7 province of the Commission, but not Florida Power, to  
8 resolve. The very fact that this issue is at the  
9 heart of the controversy that the Commission must now  
10 decide suggests to me that we would have been both  
11 premature and presumptuous to have refused Agrico's  
12 request for service based on our view of the issue.  
13 Until we have an order from the Commission that  
14 prohibits the use of power in TECO's service area,  
15 which has been obtained in Florida Power's service  
16 area, and requires us to refuse all service to  
17 Agrico's substation in Hardee County as a means of  
18 enforcing that prohibition, I do not believe it is  
19 within our authority to refuse service to Agrico.

20

21 Q. What is your position on the question of whether  
22 Agrico should be allowed to supply its load in Polk  
23 County with power received from Florida Power in  
24 Hardee County?

25 A. Although Agrico's particular circumstances present  
26 unique policy questions, (which I understand have not  
27 been uniformly decided by the utility regulators or

1 courts of the states where they have been  
2 considered) I have come to the conclusion that as a  
3 matter of general regulatory and public policy, power  
4 supplied by a utility within its service territory  
5 should not be used outside that utility's service  
6 territory. I think that allowing customers the  
7 unilateral discretion to switch utility suppliers is  
8 an undesirable situation which should be avoided to  
9 the greatest extent possible. Such discretion would  
10 inevitably lead to rate shopping and customers  
11 switching back and forth between utilities whenever  
12 rate differentials reverse. This kind of abuse  
13 results in a variety of detrimental consequences,  
14 among the more widely recognized of which are  
15 stranded investment, duplication of facilities,  
16 operating inefficiencies, impaired planning, and the  
17 adverse rate effects of each. In one form or  
18 another, these consequences are invariably given as  
19 the reasons for the long-standing policy in Florida  
20 favoring territorial agreements between electric  
21 utilities. I think it is appropriate that these  
22 policy considerations be given great weight in this  
23 proceeding.

24

25 With respect to Agrico's particular circumstances, I  
26 want to emphasize that I have recommended against  
27 their plan to transmit power from Hardee to Polk

1 County because I believe that is the better policy  
2 decision, not because their plan was wrongful or  
3 improper. Nor do I think they have attempted to  
4 abuse the fact that they are uniquely located within  
5 the service areas of two utilities. From all that I  
6 am aware of, Agrico's decisions have been based on  
7 legitimate business and operational considerations;  
8 namely, the shift of a majority of their mining  
9 operations from Polk to Hardee County and their long-  
10 standing desire to receive service for their  
11 integrated operations from a single utility.

12

13 Q. Does this conclude your testimony?

14 A. Yes, it does.