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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 060512-EU

FLORIDA ELECTRIC COOPERATIVES ASSOCIATION, INC.

DIRECT TESTIMONY OF JOHN MARTZ

SEPTEMBER 8, 2006

Q. Please state your name, your position, and your business address.

A. My name is John Martz. I am the Executive Vice President and Chief Executive Officer of the Suwannee Valley Electric Cooperative ("SVEC"). My business address is P.O. Box 160, Live Oak, Florida 32064-0160.

Q. Please summarize your background and experience.

A. I have over 25 years in the electric utility business, having worked for an investor-owned, a municipally-owned and two cooperative electric utilities. For most of my career, I worked for Florida Power Corporation ("FPC") in various levels of management.

Q. Have you previously testified before the Florida Public Service Commission?

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A. Yes. I have previously testified before the Florida Public Service Commission (“Commission”) on behalf of the Florida Power Corporation the late 80’s and early 90’s, involving a dispute FPC and the Sebring Utilities Commission and subsequently during the purchase of Sebring Utilities’ distribution system by FPC.

Q. What is the purpose of your testimony?

A. My testimony addresses: (a) SVEC and the relationship between SVEC’s member-owners and its Board of Directors; (b) the connections between SVEC and other electric utilities; and (c) why the dispute resolution process in proposed Rule 25-6.0343(4) would be detrimental to SVEC and its members, aside and apart from whether it is within the Commission’s jurisdiction.

Q. Please tell the Commission about SVEC.

A. SVEC provides electric service to approximately 26,000 end-users in Columbia, Hamilton, Lafayette, and Suwannee counties. SVEC has approximately 6 meters per mile of line, and more than 3 poles per meter. SVEC is entirely dependent upon the transmission facilities (“grids”) owned by Progress Energy Florida (“PEF”) and Florida Power & Light

1 Company ("FPL") to receive its wholesale, all-requirements power from  
2 Seminole Electric Cooperative, Inc. SVEC has 5 transmission poles  
3 comprising a short transmission line between a PEF transmission line and  
4 a substation owned by a SVEC customer which takes service from SVEC  
5 at transmission voltage. That transmission line is not used or relied upon  
6 by any utility other than SVEC.

7  
8 SVEC operates pursuant to Chapter 425, Florida Statutes. SVEC also  
9 must comply with the rules and regulations of the Rural Utilities Service  
10 ("RUS"), which is a division of the United States Department of  
11 Agriculture. The RUS rules and regulations contain extensive design,  
12 construction, operation and maintenance standards designed to ensure  
13 reliability and safety of SVEC's transmission and distribution systems.  
14 Among those requirements is compliance with the National Electrical  
15 Safety Code ("NEESC").

16  
17 SVEC was incorporated in 1937 . Like other electric co-ops, SVEC was  
18 created by the people and businesses that needed electricity in their  
19 unserved and underserved rural communities. SVEC is not-for-profit and  
20 is owned and controlled by those we serve. All of our customers are  
21 members and owners of the co-op, and every member-owner has one vote.  
22 SVEC has a nine person board, one-third of which is elected by the  
23 member-owners each year at SVEC's annual meeting. Each trustee must

1 be a member of the cooperative and must live in the district they represent.  
2 The trustees ultimately are responsible to the member-owners of SVEC  
3 regarding the co-op's service and rates. The trustees take great pride in  
4 serving SVEC, and they make sure that their constituents receive reliable  
5 service at a reasonable rate.

6  
7 Q. On page 20 of the their analysis of proposed Rule 25-6.0343, dated June 8,  
8 2006, the Commission Staff stated that "Given the ever increasing  
9 interconnection between numerous separate electrical systems, and the  
10 increasing complexity of the statewide electric grid, staff does not believe  
11 continued exclusion of the Municipals and Cooperatives is in the best  
12 interest of the state's electric customers." Are any of SVEC's facilities  
13 interconnected with other electric utilities?

14  
15 A. SVEC's system is connected to PEF's and FPL's transmission grids. The  
16 point of interconnection between SVEC and other electric utilities is at the  
17 transmission level, with the transmission lines of transmission providers  
18 connected to either SVEC's sole transmission line or at the high side  
19 (transmission voltage) of SVEC's substations. SVEC's distribution system  
20 lies on the other side of the SVEC substations. This substation  
21 interconnection is akin to a plug and a socket where SVEC's substation is  
22 the plug, the other utility's transmission facilities are the socket and  
23 SVEC's distribution network is the line running from the plug. If SVEC

1           were to drop off line, it would have no effect on PEF's and FPL's  
2           customers. PEF and FPL do not use our transmission or distribution  
3           facilities to serve their customers or to move electricity to customers of  
4           other electric utilities.

5  
6           No electric utility uses SVEC distribution facilities now, and there is no  
7           reason to believe they would use our distribution facilities at any time in  
8           the foreseeable future. SVEC's distribution facilities are not relied upon  
9           by any electric utility (other than SVEC) to provide electric service.  
10          Indeed, none of SVEC's system is relied upon to wheel power or  
11          otherwise provide electric service to customers other than SVEC  
12          customers.

13  
14          The transmission service that other utilities provide to SVEC is strictly a  
15          one-way transaction. SVEC does not provide transmission service to  
16          other electric utilities, and it certainly does not use its distribution system  
17          to provide transmission service.

18  
19          The fact is that the restoration by SVEC of its distribution system would  
20          have no impact on the restoration of service by any other electric utility in  
21          the state. In contrast, the speed of restoration of FPL's and PEF's  
22          transmission system is important not only to FPL and PEF customers, but  
23          also to customers of other electric utilities.

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Q. In proposed Rule 25-6.0343(4), the Commission proposes that it shall resolve “[a]ny dispute or challenge to a utility’s construction standards by a customer, applicant for service, or attaching entity.” Is this a good policy for the cooperative or its members?

A. With all due respect, no.

In the first place, I am quite sure that neither I nor the Board would ever let a legitimate complaint from a member get to the level where it needed to be resolved by the Commission.. We have amicably handled member issues for almost 70 years, and I am not aware of any need or justification for the Commission to intervene between our members and the co-op. SVEC and its Board are very open to every member’s issue, and we have to respond because the members ultimately control the Board and the co-op. SVEC and its Board have every incentive, and no disincentive, to resolve any legitimate dispute to the satisfaction of its members.

Second, I can’t imagine how the Commission can possibly make a more informed decision about the particular circumstances of SVEC than our Board, which has an intimate day-to-day working knowledge of the co-op and is personally responsible to their constituent members. The Board

1 consists of members charged with the responsibility to assure reliable,  
2 cost-based service to fellow members.

3

4 Third, even if the Commission had such jurisdiction (a matter about which  
5 I am not testifying), involving the Commission would simply increase the  
6 cost and time to resolve the issue. Why should our members be forced to  
7 deal with folks in Tallahassee, no matter how well intentioned, when they  
8 already have a local, less formal dispute resolution process before elected  
9 fellow members comprising the SVEC Board? It would be less  
10 convenient and more costly for the Commission to be involved, and I see  
11 no ultimate benefit to our members.

12

13 Q. Does this conclude your testimony?

14

15 A. Yes, and thank you for the opportunity to express these opinions.