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Matthew M. Childs, P.A.

July 28, 1997

Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
4075 Esplanade Way, Room 110
Tallahassee, FL 32399

RE: **DOCKET NO. 970001-EI**

Dear Ms. Bayó:

Enclosed for filing please find the original and ten (10) copies Rebuttal Testimony of Mario Villar in the above referenced docket.

Very truly yours,

Matthew M. Childs, P.A.

MMC:ml
Enclosure
cc: All Parties of Record

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY OF MARIO VILLAR

DOCKET NO. 970001-EI

JULY 28, 1997

Q. Please state your name and business address.

A. My name is Mario Villar and my business address is 9250 West Flagler Street, Miami, Florida 33174.

Q. Are you the same Mario Villar who submitted testimony in this proceeding on June 23, 1997?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address Mr. Ballinger's suggestion that the 80% / 20% sharing of the benefits of Schedule C sales between customers and shareholders be eliminated.

Q. Could you please address your concerns regarding Mr. Ballinger's suggestion that the sharing of Schedule C sales benefits between customers and shareholders be eliminated?

A. Yes. Mr. Ballinger's testimony introduces a new issue which had not been previously identified in this proceeding: elimination of the sharing of benefits of Schedule C sales. Mr. Ballinger goes through the history of the Broker and moves from there to the present competitive environment as the major justification for his proposal. He expresses concern that the benefits that were once shared within the State are now transferred outside of Florida and potentially across the nation through power marketers' participation in the Broker. Finally, he states that the four large IOUs initially calculated buy and sell quotes in a uniform fashion and therefore the 20% shareholder sharing was equitable among the utilities. He appears to suggest that elimination of that sharing is justified because each utility has a different interpretation of what FERC Orders 888 and 889 require and because this creates a disparity of benefits to the ratepayers.

Mr. Ballinger's testimony does not answer the issue before the Commission, which is how to treat the transmission revenues associated with Order 888. Other than a conclusory statement, Mr. Ballinger does not identify any changes in utilities' "calculated buy and sell quotes" from those that were provided to the Broker prior to Order 888. Moreover, even if he were to identify any changes that gave him concern, Mr. Ballinger does not explain how this makes the 80% / 20% sharing of the benefits between customers and shareholders inequitable. He fails to provide any justification for his proposed fix to his concern. Elimination of the sharing of benefits with shareholders is not the answer. While the pricing of Schedule C Broker sales is within the jurisdiction of the FERC, this Commission has the prerogative to decide the regulatory treatment of the jurisdictional portion of those transmission revenues. To eliminate any perceived disparate treatment of benefits the Commission can require consistent treatment by all four IOUs.

With respect to increasing competition, Mr. Ballinger's approach may be anathema to that regime. Competition is about companies doing the best they can for their customers and shareholders. In the competitive market success is judged by customer service and contributions to the bottom line. In Order No. 12923, issued January 24, 1984, the Commission approved the 80/20 split of the gain on economy sales as an incentive to preserve "current levels of economy sales and may result in increased sales." The Commission found the 20% incentive "large enough to maximize the amount of economy sales and provide a net benefit to the ratepayer." Mr. Ballinger never addresses the benefits of the Broker or whether eliminating the sharing of the benefits will lead to the elimination of such benefits. He has not provided any justification for the Commission to depart from its conclusions in Order 12923.

Removal of the shareholder incentive in a competitive market would send the wrong signal as it would require companies to operate strictly on a cost recovery pass-through basis for those sales. An approach that limits a seller to recovery only of marginal costs will not encourage Broker sales that benefit customers. Finally, Mr. Ballinger never explains why it is acceptable for parties acting primarily for the benefit of their shareholders (e.g., marketers) and who have the incentive and the opportunity to transfer those benefits outside the State, to contribute 100% of their share of Broker benefits to their shareholders, but it is not acceptable for Florida's utilities to share those benefits with their customers on an 80% / 20% basis. The Commission should at least retain the current sharing of the benefits of Scheoule C sales to preserve and encourage the entrepreneurial, competitive spirit required in this market.

Q. Does this conclude your testimony?

A. Yes, it does.

CERTIFICATE OF SERVICE
DOCKET NO. 970001-EI

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Rebuttal Testimony of Mario Villar has been furnished by Hand Delivery,** or U.S. Mail this 28th day of July, 1997, to the following:

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