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SID J. WHITE

OCT 6 1998

FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition to resolve
Territorial dispute with Gulf
Coast Electric Cooperative, Inc.
By Gulf Power Company.

CLERK, SUPREME COURT
By
DOCKET NO. 930885-ED

FILED

SID J. WHITE

OCT 24 1995

CLERK, SUPREME COURT
SECOND DAY - MORNING SESSION
By
Chief Deputy Clerk

VOLUME 3

PAGES 282 through 451

PROCEEDINGS:	HEARING
BEFORE:	CHAIRMAN J. TERRY DEASON COMMISSIONER SUSAN F. CLARK COMMISSIONER JULIA L. JOHNSON
DATE:	Thursday, October 20, 1994
TIME:	Commenced at 9:35 a.m.
PLACE:	FPSC Hearing Room 106 101 East Gaines Street Tallahassee, Florida
REPORTED BY:	LISA GIROD JONES, RPR, CM
APPEARANCES:	

(As heretofore noted.)

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and Associates*

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BUREAU OF REPORTING

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PROCEEDINGS

(Hearing reconvened at 9:35 a.m.)

(Transcript continued in sequence from Volume 2.)

CHAIRMAN DEASON: Call the hearing to order.

Mr. Haswell, I believe your witness is next.

Could you turn your microphone on, please?

MR. HASWELL: We do have a late-filed Exhibit No. 13 prepared for distribution.

CHAIRMAN DEASON: Okay, great. Mr. Haswell, now that this exhibit has been provided, do you intend to actually move it into evidence as part of this hearing?

MR. HASWELL: Actually, I believe that was an exhibit that Gulf Power requested.

MS. LILES: Yes, Mr. Chairman, that was the late-filed exhibit that we requested and we would move it into evidence at this time.

CHAIRMAN DEASON: Any objection? There being no objection show that Exhibit 13 is admitted.

MR. HASWELL: Mr. Chairman, if there are no other preliminary matters, Mr. Floyd will be handling the direct examination of Mr. Norris.

CHAIRMAN DEASON: Very well. At some point we do need to address Exhibit No. 1.

MR. FLOYD: Mr. Chairman, I have spoken with Mr. Kronenberger's office on that. He advises that it was

1 provided by his office to Mr. Cresse, and therefore we
2 don't have any objection to it.

3 CHAIRMAN DEASON: Okay. There being no
4 objection then to the admittance of Exhibit 1, show that
5 Exhibit 1 also is admitted. Thank you.

6 (Exhibit Nos. 1 and 13 received into evidence.)

7 MR. FLOYD: Mr. Chairman, we would call Hub
8 Norris on behalf of Gulf Coast Electric.

9 H. W. NORRIS

10 was called as a witness on behalf of Gulf Coast Electric
11 Cooperative, and having been duly sworn, testified as
12 follows:

13 DIRECT EXAMINATION

14 BY MR. FLOYD:

15 Q Would you state your name for the record?

16 A Name is H. W. Norris.

17 Q Are you the same H. W. Norris who has prefiled
18 direct testimony in this case?

19 A Yes, sir.

20 Q Mr. Norris, do you have any corrections to the
21 prefiled testimony?

22 A I have no corrections, sir.

23 Q Do you have any exhibits that you are
24 sponsoring?

25 A They're attached to my testimony.

1 Q Those would be the five exhibits attached to
2 your prefiled testimony?

3 A That's correct, sir.

4 Q Mr. Norris, if I asked you the same questions
5 today that are set forth in your prefiled direct
6 testimony, would your answers be the same, as amended or
7 corrected?

8 A They would be the same, sir.

9 MR. FLOYD: Mr. Chairman, therefore -- that
10 would be true, of course, except for that -- Mr. Chairman,
11 what I would like to do would be to move that the direct
12 testimony of Mr. Norris, except for Page 22, Lines 9
13 through 15 which has been previously stricken, be entered
14 into the record as read.

15 CHAIRMAN DEASON: Without objection.

16 MS. LILES: Mr. Chairman, we were given leave to
17 file an objection to those portions of the Cooperative
18 witnesses' testimony that addressed certain issues
19 involving the history and background of rural electric
20 cooperatives, investor-owned utilities. We wanted to be
21 given the opportunity to rebut those issues and feel that
22 we could rebut those issues very coherently. However in
23 the interest of the expediency, rather than going through
24 a page by page and line by line recitation of those
25 portions of his testimony that we feel do go beyond the

1 scope of this proceeding, we're willing to let those
2 remain in the record and give the Commission the
3 opportunity, as we know it will, to give those matters
4 only the weight to which they're entitled. So we have no
5 further objections to that testimony.

6 CHAIRMAN DEASON: Thank you. We appreciate
7 that. And being that there is no objection, Mr. Norris's
8 testimony, with the exception as noted, will be inserted
9 into the record as though read.

10 MR. CRESSE: Mr. Chairman, I did not get that
11 exception. What portion is it they're not going to file?

12 MR. HASWELL: It's on Page -- Mr. Cresse, it's
13 on Page 22, Lines 9 through 15.

14 CHAIRMAN DEASON: Mr. Floyd, do you wish to have
15 the prefiled exhibits identified?

16 MR. FLOYD: Yes, sir, if it would be convenient
17 with you, we would like to have them identified as -- just
18 as a total Exhibit No. 15.

19 CHAIRMAN DEASON: It will be so identified.

20 (Exhibit No. 15 marked for identification.)
21
22
23
24
25

1 GULF COAST ELECTRIC COOPERATIVE, INC.
2 Before The Florida Public Service Commission

3 DIRECT TESTIMONY OF

4 H. W. NORRIS

5 Docket No. 930885-EU

6 Date of Filing: May 24, 1994

7 Q: What is your name, business address and position
8 with Gulf Coast Electric
9 Cooperative, Inc?

10 A: H. W. Norris, P. O. Box 220, Highway 22,
11 Wewahitchka, Florida and I am the Manager of Gulf
12 Coast Electric.

13

14 Q: As Manager, do you hold the highest authority
15 position employed by Gulf Coast Electric
16 Cooperative, Inc?

17 A: Yes, I do.

18

19 Q: How long have you held the position as Manager and
20 can you give us some background of your service in
21 the electrical distribution business.

22 A: I have continuously served as General Manager for
23 Gulf Coast Electric Cooperative, Inc. since
24 November of 1976. I started working for Electric
25 Cooperatives in 1960, served with one Coop for

1 five years, then moved to another Cooperative and
2 served for some 13 years. During the course of my
3 career, I have served as Assistant Manager, Member
4 Services Advisor and numerous other positions.

5

6 Q: Does your family have a history of service to
7 electric cooperatives?

8 A: Yes. My Father was Manager for a number of years
9 and has been in the business since the inception of
10 Cooperatives in 1939. He continued in his service
11 for electric cooperatives until his retirement a
12 few years ago.

13

14 Q: What is the mission of Gulf Coast?

15 A: To provide electric service to the cooperative's
16 members in our service area at the lowest cost
17 possible following prudent business practices, and
18 in compliance with rules and regulations of the
19 Rural Electrification Administration.

20

21 Q: What counties make up your service area?

22 A: Washington, Jackson, Calhoun, Walton, Bay and Gulf
23 Counties.

24

25 Q: Why was Gulf Coast Electric Cooperative created?

1 A: Gulf Coast Electric Cooperative was created out of
2 necessity by the people in the unincorporated areas
3 of Washington, Jackson, Calhoun, Walton, Bay and
4 Gulf Counties because there was no other way for
5 them to get electric service.

6

7 Q: Why couldn't they get electric service from Gulf
8 Power or other for profit utilities?

9 A: Gulf Power, and other investor owned, for profit
10 utilities, made a conscious decision not to provide
11 service in any rural area where they felt they
12 could not make a profit. It was an economic
13 decision not to serve the rural, low density areas.

14

15 Q: So service in rural areas is more expensive than
16 that to urban areas?

17 A: Yes it is. We have far fewer customers per mile of
18 line, and hence, less revenue per mile of line than
19 our investor owned neighbors who basically confined
20 service to more urban areas and commercial loads.

21

22 Q: What did the rural residents of your service area
23 do to get electricity?

24 A: They got together and formed Gulf Coast Electric
25 Cooperative, Inc. in 1941, and began the process of

1 building our electric distribution system in the
2 areas they lived and worked. The cooperative form
3 of this utility is democratic, one member, one
4 vote. All members have a direct voice in the
5 management and operation of their cooperative. It
6 is a non-profit business. We are committed to
7 providing the best service at the lowest cost.

8

9 Q: How does your "lowest cost" policy compare to the
10 costs of an IOU, such as Gulf Power?

11 A: Naturally our lowest cost, based on prudent utility
12 practices, is going to be higher than the lowest
13 cost of a system that has a density 10 times
14 greater than ours and keep in mind that if Gulf
15 Power served our areas their system costs would be
16 higher, and their costs in the same rural areas
17 should be no less than ours.

18

19 Q: Did you plan the costs to stay the same or did you
20 plan to get those costs down?

21 A: To comply with REA requirements that we provide
22 "area coverage" to all who requested it in our
23 service area, we, like any other utility, developed
24 long range plans and construction work plans that
25 anticipated growth and a higher density. Our goal,

1 of course, was, and still is, to increase our
2 density and acquire more industrial and commercial
3 loads and improve efficiency and load factor. This
4 will benefit all our members and allow us to spread
5 our costs over a larger number of services.

6

7 Q: If you do not serve more commercial and industrial
8 loads that locate in your service area, and do not
9 provide service to higher density residential
10 developments, what will happen to your costs?

11 A: Our costs will go up. Unless the cooperative
12 continues to grow and fill in the service to
13 commercial and industrial loads in our service
14 area, we will have ever increasing costs to spread
15 over fewer people.

16

17 Q: So your goals include increasing your density and
18 class diversity?

19 A: Yes. We would not be acting in the best interest
20 of our members who are the rate-payers, if we
21 didn't. Gulf Power's customer base is 44%
22 residential, 29% commercial and 19% industrial.
23 81% of Gulf Coast's members are residential and
24 approximately 17.5% are commercial. In addition,
25 the more urban residential customers of Gulf Power

1 use more energy than the customers of Gulf Coast on
2 a per consumer basis, so there is a higher
3 utilization of facilities by Gulf Power's urban
4 customers, hence a lower cost to Gulf Power per
5 unit sold. Net revenue per mile of distribution
6 line of Gulf Power totals \$66,011, nearly 12 times
7 the net revenue of Gulf Coast which is \$5,357.

8

9 Q: Then because of its initial reason for existing and
10 due to geography, demographics and class diversity,
11 Gulf Coast has operating disadvantages compared to
12 Gulf Power?

13 A: Yes, and those disadvantages will continue unless
14 we continue our efforts to improve our density,
15 class diversity, and utilization. If we maintain
16 the right to serve new customers within our
17 established service area, existing and new
18 customers will benefit through lower costs of a
19 more efficient system.

20

21 Q: Does Gulf Coast Electric Cooperative, Inc. have a
22 rural development policy?

23 A: Yes. Historically, the rural areas of the country
24 have lacked leadership in rural area development.
25 Our state and federal governments up until recent

1 years have paid little attention to efforts to
2 enable people to acquire jobs in manufacturing,
3 industrial and commercial type professions in rural
4 areas. The Cooperatives found themselves in the
5 position of a leadership role in trying to
6 stimulate and motivate rural development in their
7 service areas which would also enable the
8 cooperative to attain better density and class
9 diversity, and lower our rates.

10 For many years the country's cooperatives, some
11 1000 of them, have played that role without federal
12 or state assistance. Now the federal and state
13 governments, including Florida, see the wisdom of
14 encouraging rural development and have adjusted
15 policies and plans to implement rural area
16 development.

17 Local county governments, the State of Florida and
18 federal officials have established requirements for
19 rural development and endorse it as one of the
20 primary goals for the expansion of the economy and
21 the provision of service opportunities to the
22 people in rural areas.

23

24 Q: Can you provide us an example with an actual
25 situation

1 where Gulf Coast Electric has put into effect their
2 rural development policy?

3 A: Yes. Recently, Gulf Coast was involved in the
4 location of a Correctional Facility by the State of
5 Florida in Gulf County. The Department of
6 Corrections was considering the location of a
7 correctional facility in Gulf County but had to
8 have the land provided at no cost to it and had to
9 have this done quickly because there were other
10 counties within the state that were competing for
11 the facility as a boost to their economy, and rural
12 development. Gulf County did not have the funds to
13 pay for the land to donate to the State of Florida
14 for the correctional facility. The facility
15 offered some 300 jobs in a very small rural
16 community of Wewahitchka, Florida, which lacked an
17 industrial base. Gulf County saw the opportunity
18 as an advantage because the state would pay for the
19 required infrastructure and therefore the County
20 would not have to provide or finance items such as
21 water and sewer service. As part of the rural
22 development action plan of Gulf Coast Electric the
23 members of the Cooperative agreed to provide
24 \$45,000 to add to the County's \$95,000 to enable
25 the County to purchase the necessary property.

1 The \$45,000 paid by the Cooperative's members was
2 paid from general funds, and was money that was
3 owned by the members.

4

5 Q: The \$45,000 was not money allocated for
6 construction purposes?

7 A: No. The funds had nothing to do with building
8 facilities. In comparing this to Gulf Power, it
9 would be similar to the stockholders of Gulf Power
10 making a contribution out of stockholder earnings
11 for rural development. Consequently it would not,
12 and should not affect Gulf Power's rate base.

13

14 Q: What has been the result of your rural development
15 effort in Gulf County?

16 A: In this one case there are probably more than 150
17 people that were hired locally, and most of them
18 are members of the Cooperative. We also find that
19 happening in a number of the other counties.
20 The addition of 150 new members to our existing
21 system has helped to improve our density. Because
22 our system is already in place and is capable of
23 serving much more of a load than it is presently
24 serving, the more people that are added to the
25 lines, the more revenue that is going to come in.

1 The more revenue that comes in, since this is a
2 non-profit corporation, the more the rates are
3 going to decrease as the cost of providing this
4 service will be spread out among the increasing
5 number of residents.

6 The prison itself is an ideal load for load
7 balancing and diversity. The prison runs 24 hours
8 a day, 7 days a week and that has a tendency to
9 increase load factor and better regulate the
10 demand. Normally the demand peaks early in the
11 morning when people get up and at night when they
12 are eating supper and going to bed. When you level
13 those demands you can keep your costs down, and
14 that affects our rates in a beneficial manner.

15

16 Q: Regarding the area in Gulf County where the Gulf
17 Correctional Facility was located, were there any
18 other power suppliers to provide service to that
19 facility?

20 A: No, there were no others. As a matter of fact the
21 nearest other power supplier other than Gulf Coast
22 Electric was located some 17 or 18 miles away. We
23 were not competing with anyone when we gave the
24 \$45,000 to Gulf County in order to allow them to
25 secure the Gulf Correctional Facility. Our purpose

1 was to work together to acquire an industry to
2 benefit the residents of the County. There was no
3 other electric utility that was involved that would
4 require us to compete as far as that load was
5 concerned.

6

7 Q: Mr. Norris, in the South Washington County area
8 which utilities were providing people with
9 electricity first and when did that take place?

10 A: In 1951 there was no power being provided to the
11 people in that area at all. Gulf Coast Electric
12 Cooperative, Inc. was asked to supply electricity
13 into the South Washington area and we built a line
14 and furnished electricity to members as they
15 requested it in their homes and businesses. At
16 that time Gulf Power was only serving customers in
17 the towns of Vernon and Chipley. This, of course,
18 was part of Gulf Power's development and expansion
19 plan that it only serve those areas where it could
20 make a profit.

21

22 Q: When you began serving South Washington County in
23 1951, did Gulf Power object?

24 A: No. They were not interested in serving those high
25 cost, low density areas.

1 Q: Do you have an exhibit that refers to this area?

2 A: Yes. My exhibit, which is Exhibit 4 (HN-4)
3 shows our facilities in red and Gulf Power's in
4 green. This is not intended to be a detail map
5 that shows every line of the two utilities.

6

7 Q: Generally, tell us about the disputed area and your
8 cooperative's service to it.

9 A: As I said, we began service to the area in 1950-51.
10 We constructed a line up SR 77 towards Wassau, past
11 what is now Sunny Hills. We had a line in place on
12 Red Sapp Road in 1950 which runs right through the
13 disputed area, to serve customers in the area and
14 to the west and north, prior to the construction of
15 CR 279. For over 20 years we built, developed and
16 maintained service in the area shown on the exhibit
17 without any presence of Gulf Power. Then in 1971
18 the county completed CR 279 from Vernon to the
19 intersection of SR 77. About the same time the
20 Deltona Corporation announced plans to develop
21 Sunny Hills as a residential development. Gulf
22 Power then built, over our objection, a new line
23 down 279 and up 77 to Sunny hills. They crossed
24 our lines many times to do so.

25

1 Q: Did you make a formal complaint?

2 A: Yes we did. We filed a suit in circuit court to
3 enjoin Gulf Power from serving Sunny Hills. At
4 that time, the PSC had no jurisdiction over these
5 kinds of disputes.

6

7 Q: What happened as a result of your complaint?

8 A: The circuit court dissolved the temporary
9 injunction, and allowed the customer, Deltona, to
10 select the power supplier, and they chose Gulf
11 Power.

12

13 Q: So Gulf Power did not build its line on 279 to
14 serve any of your customers in that area?

15 A: No. They built the line to serve Sunny Hills,
16 because they could not get a substation in at Sunny
17 Hills fast enough to suit Deltona.

18

19 Q: Gulf Power then built a substation in Sunny Hills?

20 A: Yes. They built it at the end of a long tap to
21 their transmission line and installed 24,640 MVA of
22 capacity.

23

24 Q: What's their load on that substation after 23 years
25 of growth in Sunny Hills?

1 A: According to Mr. Weintritt, the load is 2,203 KVA.
2 That means that after 23 years of "careful
3 planning", the Gulf Power facilities are loaded to
4 less than 10% of capacity they built to serve the
5 tens of thousands of residents they projected for
6 Deltona's Sunny Hills subdivision.

7

8 Q: Would you call that good planning?

9 A: No.

10

11 Q: Did Gulf Power attempt to serve any other areas in
12 your service area?

13 A: Confining myself to my exhibit, yes, in the area
14 of Leisure Lakes. The reason this is important is
15 that Mr. Weintritt claims we crossed Gulf Power's
16 facilities twice, and one of those crossings is
17 where Gulf Power built a line on the west side of
18 77 down to the entrance road to Leisure Lakes and
19 then into the area. The PSC found that Gulf Power
20 should not have done so, and awarded the service to
21 Gulf Coast. The PSC in Order No. 13668, Docket No.
22 830484-BU, found that Gulf Power "Blatantly
23 constructed facilities in total disregard of the
24 Cooperative's facilities." It further found that
25 Gulf Power's construction of 2.2 miles of

1 distribution line and its Greenhead substation was
2 an uneconomic duplication of facilities.

3

4 Q: What did Gulf Power do after that order was
5 entered?

6 A: It removed its substation, but left its
7 distribution line on 77.

8

9 Q: So the line you are accused of crossing over should
10 not even be there.

11 A: Yes, that's right.

12

13 Q: What is the purpose of your testimony here today?

14 A: As I have already explained, to provide information
15 and background to this dispute and to show the
16 process we went through that led us to assist
17 Washington County in acquiring an economic benefit
18 for that County.

19

20 Q: Was this process similar to that in Gulf County?

21 A: Yes. The Washington County Board of County
22 Commissioners wanted the DOC to locate a
23 correctional facility in a rural area of South
24 Washington County to help the citizens and
25 residents from an economic standpoint.

1 In order to make this possible, they had to locate
2 and purchase the property free of all
3 encumbrances. They had to act quickly or else
4 another county might be selected.

5 To ensure our members and their children with the
6 benefits of the location of this facility in
7 Washington County in terms of jobs, increased
8 payroll in the local community as well as other
9 factors, the members of the Cooperative, pursuant
10 to their rural development financial assistance
11 policy, likewise offered a grant of \$45,000 and
12 agreed to bear the cost of relocation of the Gulf
13 Coast Electric lines on Red Sapp Road which have
14 been located on the property for over 40 years.
15 According to Washington County, the financial
16 assistance provided under the rural development
17 policy of Gulf Coast was crucial to their even
18 being able to secure the prison for Washington
19 County. See Exhibit 15 (HN-5). Therefore
20 without the action taken by Gulf Coast which is
21 complained about by Gulf Power in this case, there
22 would be no correctional facility and therefore no
23 service to be disputed here.

24 After considering the rates, reliability of
25 service, the location of Gulf Coast lines on the

1 property itself and the assistance provided by Gulf
2 Coast to make this addition to the economy of the
3 county possible, the County Commissioners of
4 Washington County voted unanimously for Gulf Coast
5 to serve the property where the correctional
6 facility is to be located. Furthermore, the
7 residents in this rural area of South Washington
8 County, as members of Gulf Coast Electric
9 Cooperative, Inc., borrowed money over 40 years ago
10 (a part of which is still owed) to provide
11 themselves and their neighbors with reliable
12 electrical service with the anticipation of serving
13 any type of industrial or commercial loads that
14 might come in the future. This projected plan of
15 serving these type loads was actually the basis of
16 borrowing the monies, being able to pay back the
17 monies and formulation of the long range plans in
18 the anticipation of one day realizing better rates
19 when these type facilities and loads could be
20 served.

21

22 Q: Could Gulf Power have done the same thing you did?

23 A: Absolutely. All our discussions with the County,
24 the meetings of the Commission, and the DOC
25 meetings are open to public view under The Sunshine

1 Law or public records laws. Gulf Power was aware
2 of what was going on, or at least should have
3 known. They could have just as easily offered to
4 do the same assistance we offered, and could have
5 offered a larger sum of money to Washington County
6 to help them make sure the County won the approval
7 of the DOC.

8

9 Q: To your knowledge, did Gulf Power ever make such an
10 offer to assist the county in rural area
11 development?

12 A: No.

13

14 Q: Do you know why not?

15 A: My presumption is that Gulf Power could not add any
16 contribution to its rate base and would have to
17 charge it against the shareholders of the company.

18

19 Q: So Gulf Power sat back and waited until after you
20 helped secure the correctional facility for the
21 County?

22 A: Yes. Gulf Coast provided the effort and capital to
23 establish electrical service to this area and to
24 foster the rural development which has occurred to
25 date. Gulf Power, now, as it traditionally has in

1 the past, desires to pick and choose the better
2 loads out of the rural area served by Gulf Coast
3 thus relegating the members of Gulf Coast Electric
4 Cooperative to diminishing returns on their
5 investment efforts and sentencing them to ever
6 increasing rates to simply supplement the expansion
7 activity of Gulf Power.

8

9 Q: What effect will there be on your members if Gulf
10 Coast does not serve the disputed area?

11 A: If we do not serve the area we will have an
12 immediate negative effect on our ability to improve
13 system load factor, class diversity, and density.
14 In addition our members who own the Cooperative and
15 who live in our service area will have lost the
16 benefit of the rural development grant that would
17 then be a benefit to Gulf Power, and its
18 stockholders. Keep in mind that Gulf Power was
19 unwilling to do anything to help get the prison
20 located in Washington County. It sat back and
21 waited while we did the work. There would be no
22 correctional facility for Gulf Power to argue over
23 if we had not assisted Washington County.

24

25 Q: What should happen to your relocation costs and

1 costs of temporary service if you do not serve the
2 prison?

3 A: We should be reimbursed in full for those costs.
4 If Gulf Power had been selected as the power
5 supplier, it would have had to pay us to acquire
6 our facilities. It should not be allowed to keep
7 the benefits that our members paid for at the
8 request of the DOC.

9

10 Q: What about the rural development funds that you
11 granted to Washington County if you do not serve
12 the prison?

13 A: Those funds should be returned to us so they can be
14 available for other rural development projects and
15 so Gulf Power is not unjustly enriched by our
16 grant.

17

18 Q: What other assistance did you provide to Washington
19 County?

20 A: In addition to the assistance provided above, I
21 assisted Washington County in other matters to help
22 them in making the contacts with correctional
23 officials and to obtain the necessary information
24 to locate the prison in South Washington County.
25 This assistance was based on the experience that we

1 received in assisting Gulf County in securing their
2 correctional facility. Finally, I was aware that
3 there was a program which would provide an interest
4 free federal loan to further assist Washington
5 County in the purchase of their land. They had
6 already advised me that they simply had to have
7 this loan in order to secure the project.
8 We provided the expertise to write the request for
9 that loan. The documents are relatively
10 complicated and tedious to prepare. We did
11 this as a part of our rural development policy at
12 no charge to Washington County but we also at the
13 same time were not in any position to guarantee the
14 county that they would receive the amount applied
15 for (\$308,000) in terms of an interest free loan
16 from the Rural Electrification Administration. As
17 you know, the application was analyzed and the
18 Rural Electrification Administration awarded this
19 interest free loan to Washington County to assist
20 them in the purchase of the land to locate the
21 prison facility. The documentation from this Rural
22 Electrification Administration indicates that this
23 is a part of their rural development plan.
24
25 Q: Did you subsequently receive a letter to the effect

1 that it would not have been possible for Washington
2 County to obtain this correctional facility without
3 the contribution and assistance of Gulf Coast
4 Electric.

5 A: Yes, we did receive that letter and Exhibit 15
6 (HN-5) is a copy of that letter.

7
8 Q: Why did the Gulf Coast Electric line that had been
9 located on the property where the prison was to be
10 built have to be relocated?

11 ~~A: As referenced earlier, we had our lines on the~~
12 ~~property where the prison was to be built since~~
13 ~~1950 and those lines had to be relocated by someone~~
14 ~~because they were right over the area where the~~
15 ~~prison compound was going to be constructed. Some~~
16 ~~100 members of Gulf Coast Electric were being~~
17 ~~served off of that line on up to the West of where~~
18 ~~the prison was to be built towards Vernon.~~

19
20 Q: How was the proposal of Gulf Coast Electric to
21 assist Washington County presented?

22 A: This proposal was presented in writing at a public
23 hearing before the Washington County Board of
24 County Commissioners. I did not attend the meeting
25 where it was originally discussed but I know that

1 it was held at a open meeting which was open to
2 anybody and everybody and the proposal was no
3 secret to anyone that wanted to look into what it
4 was and to make a proposal of their own.
5 Furthermore, it is my recollection that the
6 proposal was not voted upon at the first meeting in
7 which it was discussed but at a later meeting.

8

9 Q: Why was the proposal presented to the Washington
10 County Board of County Commissioners?

11 A: Because they were the ones that had inquired
12 concerning the financial assistance for rural
13 development and because the authorities at the
14 Department of Corrections had informed us after our
15 initial discussions with them that their preference
16 as to who should serve the site would be exercised
17 by Washington County. In short, the DOC agreed to
18 let the Washington County Commission make the
19 selection for them.

20

21 Q: What is the reliability of the service to be
22 provided by Gulf Coast and how does it relate to
23 this dispute?

24 A: We can provide adequate and reliable service, as we
25 have been doing for the past 40 years. Based on

1 the fact that we have less than 6 miles of exposed
2 line to the site, and Gulf Power has over 13 miles
3 from Vernon and over 7 miles from Sunny Hills.
4 Gulf Power can serve the site from one of two
5 substations, so can we. If one of their taps or
6 distribution lines go out, they would have to spend
7 at least the same amount of time we would to find
8 the fault and switch the load. But in this
9 particular case, that issue is not entirely
10 relevant because the prison will have its own
11 backup generation.

12

13 Q: What have the parties to this dispute determined as
14 the "disputed area"?

15 A: The origin of the disputed area would be the prison
16 site but it certainly expands from there. Since
17 Washington County has chosen Gulf Coast to serve
18 its entire property in the area, which includes
19 the prison site, the area of dispute is already
20 expanded beyond the correctional facility.

21 In the area of South Washington County, I made a
22 count of the number of times Gulf Power crossed
23 over our lines. When they built a line into the
24 Deltona area, they crossed our lines at least five
25 times and since that time have crossed at least 20

1 more times to serve loads in this same area. As a
2 point of interest, I would like to note that since
3 the filing of this dispute, Gulf Power has crossed
4 over lines again to serve a customer in this area.
5 The fact that we haven't litigated each one of
6 these crossings and other obvious improper actions
7 is directly due to the lack of funds and a staff
8 of attorneys such as the ones employed full time by
9 Gulf Power. We simply cannot afford, as Gulf
10 Power seems to be able, to litigate every dispute.
11 In attempting to negotiate a territorial agreement
12 in Washington County, Gulf Coast proposed one of
13 three lines be examined. Gulf Power suggested
14 that the agreement negotiations also take in Bay
15 County to resolve our conflicts there. Certainly
16 this is evidence of Gulf Power's knowledge that the
17 area in dispute covers all of South Washington and
18 a large portion of Bay Counties.

19

20 Q: Do you have our exhibits showing the location of
21 both utilities in South Washington County and Bay
22 County?

23 A: Mr. Gordon, our consulting engineer has two
24 exhibits that show the facilities of the two
25 utilities. As you can see from those exhibits,

1 Exhibit 6 (AWG-6) and Exhibit 6 (AWG-7)
2 there are many areas where our facilities parallel
3 each other and intermingle. The opportunities for
4 continuing dispute is great.

5

6 Q: Do you have any other exhibits?

7 A: Yes. Exhibit 15 (HN-1) is a letter from the
8 DOC to Washington County to select the utility
9 company for the site. Exhibit 15 (HN-2) is a
10 letter from the county selecting Gulf Coast as the
11 power supplier. Exhibit 15 (HN-3) is a
12 letter from the commission expressing the county's
13 appreciation for the assistance of Gulf Coast in
14 acquiring the site for the county.

15

16 Q: Do you have any concluding remarks?

17 A: Only this. Our members are entitled to the best
18 service at the least cost. Is it not in the public
19 interest to allow our members to plan and develop
20 their own utility to enable them to obtain lower
21 rates? We planned to serve the disputed area, as
22 we did all of our service areas in all the counties
23 we serve initially because Gulf Power would not.
24 We have prepared to serve by planning and
25 developing our system following prudent utility

1 practice. We need and expect to serve more
2 industrial and commercial loads to improve density,
3 class density and load factor. The state and
4 federal governments now recognize the needs for
5 rural area development, and that's the business we
6 have been in since 1941. Times have changed.
7 There are no longer large numbers of family farms
8 in rural areas. Electric cooperatives started out
9 serving a lot of farms, but by and large, those
10 are gone. We no longer are a bunch of farmers who
11 organized a utility. We are business people,
12 school teachers, doctors, lawyers, engineers,
13 professional people and working folks, just like
14 the people in higher density urban areas served by
15 Gulf Power. Our members have the right to expect
16 decisions and policies of their government that
17 will foster fair and equitable rates for all rate-
18 payers, not just those of one utility.

19

20 Q: Which utilities rate payers will benefit most from
21 service to the disputed area?

22 A: The members of Gulf Coast Electric Cooperative.
23 This load will not help Gulf Power's diversity,
24 nor its customers. It will, however, benefit the
25 cooperative's members by improving diversity and

1 load factor, and by making more efficient use of
2 our system. Please understand the fundamental
3 difference between the Cooperative and Gulf Power.
4 Gulf Power is out to make a profit. There is
5 nothing wrong with that. In keeping with its
6 profit motive and non-resident shareholders, it
7 made decisions years ago not to serve high cost,
8 remote, and inefficient users of electricity. our
9 mission was to have anyone in our service area
10 whether they were a good customer or a bad one in
11 terms of load factor, remoteness or efficiency.
12 Now with the movement of industrial, commercial,
13 and residential customers to the rural areas we
14 have served for 50 years, we have an opportunity
15 to lower, or hold down our customer's costs of
16 service. Gulf Power objects to these opportunities
17 on a company wide policy basis. It believes, and
18 has told us so, that it has the right to take (we
19 call it cherry picking) the more profitable
20 industrial and commercial loads. If it does so,
21 and if the Commission allows it, then our entire
22 class of utility rate payers will be relegated to
23 every increasing costs, and the opportunities to
24 achieve rate equity will be lost.

25

1 Q: Are your rates unusually high?

2 A: Not at all. Our comparative rates for 1000 KWH in
3 April of 1994 were lower than seven other electric
4 cooperatives and were less than Florida Power's and
5 Tampa Electric's.

6

7 Q: Should the Commission award territory based on what
8 rate is charged by a utility?

9 A: No, unless the Commission were to find that the
10 rates of a utility were unreasonable and unjust.
11 Rates can change quickly. If Gulf Power were
12 required right now to install the same air quality
13 control devices that our wholesale power supplier
14 has, its rates would go up to cover the cost. The
15 bottom line in this case is that the Cooperative
16 has an opportunity to help all the citizens of
17 Washington County, as well as its own members to
18 work toward recognized policies for rural
19 development and lower cost service.

20

21 Q: Does this conclude your testimony?

22 A: Yes, however we have not received Gulf Power's
23 answers to our interrogatories or document
24 production request. I may wish to supplement my
25 testimony depending on receipt of that discovery.

1 Q (By Mr. Floyd) Mr. Norris, would you please
2 summarize your testimony for us?

3 A My name is H. W. Norris. I'm the general
4 manager of Gulf Coast Electric Cooperative. I've served
5 the Cooperative since 1976 as its general manager. I've
6 been employed with electric cooperatives since 1960. Gulf
7 Coast Electric was created out of a necessity by the
8 people in the unincorporated areas of Washington, Jackson,
9 Calhoun, Walton, Bay and Gulf Counties because there was
10 no one else that would and could provide electric service
11 in those areas. Gulf Coast is a member-owned, nonprofit
12 corporation.

13 Because of our firsthand knowledge and
14 experience with the location and benefits of an identical
15 correctional facility by the Department of Corrections in
16 Gulf County, when Washington County came to us and said
17 they had to have financial assistance to buy their
18 property and to donate this property subsequently to the
19 state, they would lose the prison, the board and members
20 of Gulf Coast Electric approved the financial assistance
21 and it's been provided even though, as you can see here,
22 no final decision has been made as to who will serve that
23 site electrically.

24 Although Gulf Power was aware of our providing
25 financial assistance and the necessity for it, and our

1 being given the approval by the local government,
2 Washington County, and the Department of Corrections, they
3 made a conscious decision not to provide the assistance
4 they were asked for and a conscious decision not to
5 challenge or dispute our approval to serve the facility
6 until after the financial assistance we had provided to
7 Washington County to purchase the property had been
8 secured by Washington County. Then they filed the
9 petition. I am told by Washington County, personally and
10 in correspondence, that there would be no prison in
11 Washington County had we not quickly committed the
12 necessary financial assistance.

13 MR. FLOYD: Mr. Chairman, we tender the witness
14 for cross examination.

15 CHAIRMAN DEASON: Mr. Cresse?

16 CROSS EXAMINATION

17 BY MR. CRESSE:

18 Q Good morning, Mr. Norris. I'm Joe Cresse.

19 A Good morning.

20 Q I understand you've been with the Gulf Coast
21 Electric Co-op for 18 years; is that correct?

22 A Yes, sir.

23 Q And on Page 2 of your testimony, on Lines 10
24 through 14, you talk about the mission of Gulf Coast,
25 essentially, is to provide the lowest cost service in

1 compliance with the rules and regulations of REA; is that
2 correct?

3 A On page?

4 Q Two of your testimony, Lines 10 through 15.

5 A Yes, sir.

6 Q And also you mention under the rules and
7 regulations of the REA; is that correct?

8 A Yes, sir.

9 Q Does the REA have rules and regulations which
10 guide you in your operation?

11 A Yes, sir.

12 Q Are they regulatory rules or are they rules that
13 are imposed on you as a lender, that the lender imposes on
14 you?

15 A Those rules and regulations are stipulated in
16 their policies and they govern certain aspects of our
17 business, and they are to be abided by in order for us
18 to -- in order for REA to secure our mortgage.

19 Q Does REA require you to purchase all of your
20 power from the Alabama Electric Co-op?

21 A Not to my knowledge, sir.

22 Q Do you think it's a prudent business decision to
23 tie yourself into one supplier for over a 30-year period
24 without option to go anywhere else?

25 A If that power supply is controlled by you as a

1 cooperative and you can control your own destiny, as
2 opposed to having to purchase from outside sources that
3 you have no control over.

4 Q Matter of fact, Alabama Electric Co-op purchases
5 from outside sources; do they not?

6 A On occasions they do, sir.

7 Q As a matter fact, last year they purchased more
8 than 40% of their kilowatt hours from outside sources; do
9 they not?

10 A I could not answer to that, sir.

11 Q Are you a board member of Alabama Electric
12 Cooperative?

13 A I am, sir.

14 Q Do you get their annual financial statements?

15 A Yes, sir.

16 Q And don't those annual financial statements
17 point out where Alabama -- how much electricity Alabama
18 Co-op generates and how much they purchase from third
19 parties?

20 A I review that financial statement and I cannot
21 recall all of the figures in that financial statement.

22 Q Have you not been the chairman of the board of
23 Alabama Electric Co-op?

24 A Yes, sir.

25 Q Today if you could purchase power at less cost

1 from another wholesaler, would your contract with Alabama
2 Electric Co-op permit you to do that?

3 A No, sir.

4 Q And how long are you currently tied to one sole
5 supplier for electricity?

6 A Into the next century, sir.

7 Q Would it be to the year 2025?

8 A It could be, sir.

9 Q You in fact have signed a contract to that
10 effect, have you not?

11 A That's correct.

12 Q And that contract expires in the year 2025; is
13 that correct?

14 A That's correct.

15 Q If you get ready, or Alabama Electric Co-op gets
16 ready to borrow some additional money from REA, do they
17 require an extension of that contract?

18 A Would you repeat that, sir?

19 Q If you -- if REA is going to lend any money to
20 the AEC, do they require an extension for that sole source
21 contract to the end of the term of that loan?

22 A You would have to confer with REA on that, sir.

23 Q So you don't know the answer to that; is that
24 correct?

25 A You'll have to confer with REA, sir.

1 Q All right, sir, let me ask you this: What
2 caused you to increase the term of that contract from the
3 year 2020 to the year 2025?

4 MR. FLOYD: Excuse me, Mr. Chairman, I would
5 like to object. I think this goes way beyond the scope of
6 the direct testimony. Certainly Alabama Electric
7 Cooperative is not the one -- the party who is in part of
8 this dispute, and although there was some cost mentioned,
9 it was not to this -- gone into this extent as far as the
10 operations of AEC and those type of things.

11 MR. CRESSE: Mr. Chairman, on Page 2 of his
12 testimony, he says his mission is simply to provide to the
13 Cooperative's members service at the lowest cost possible
14 following prudent business practices. I'm inquiring as to
15 the prudence of an electric distributor tying themselves
16 into one supplier for a period of over 30 years. I think
17 it is relevant.

18 CHAIRMAN DEASON: Objection overruled. I'll
19 allow the question.

20 Q (By Mr. Cresse) Can you tell me what caused you
21 to agree to extend the sole source contract from the year
22 2020 to the year 2025, recently?

23 A It was in conjunction with a loan that was made
24 from the Rural Electrification Administration.

25 Q A loan made to you or to Alabama Electric

1 Cooperative?

2 A Alabama Electric Cooperative.

3 Q Thank you, sir. Do all of your customers --

4 COMMISSIONER CLARK: Mr. Norris, I need some
5 clarification. In order for Alabama Electric Co-op to get
6 a loan from the Rural Electric Administration, they had to
7 show that they had contracts for 30 years?

8 WITNESS NORRIS: That's part of the loan
9 guarantee of REA, that they be assured that the loans will
10 be paid back. And as part of the loan guarantee with REA,
11 we as cooperatives have to guarantee that those loans will
12 be paid back.

13 COMMISSIONER CLARK: And how do you do that?

14 WITNESS NORRIS: We do that by agreeing to pay
15 or agreeing to use Alabama Electric Cooperative as our
16 power supply.

17 COMMISSIONER CLARK: Okay.

18 Q (By Mr. Cresse) On Page 3 of your testimony you
19 talk about the cooperative form of utility being
20 democratic, one member, one vote. And that all members
21 have a direct voice in the management and operation of
22 their cooperative; is that correct?

23 A Yes, sir.

24 Q Are all customers, members and nonmembers alike,
25 eligible for what was discussed yesterday called patronage

1 capital?

2 A Yes, sir.

3 Q And is it correct that you're now paying back
4 patronage capital collected over 14 years ago?

5 A Yes, sir.

6 Q Do you recall how much you've paid back in 1993?

7 A Over \$100,000. I don't recall that figure.

8 Q Was that 100% of the patronage capital earned 14
9 years ago or was it less than 100%?

10 A That was what was left after the cost of doing
11 business for that year. It was allocated on a per member
12 basis.

13 Q Does the REA place any restrictions on the
14 amount of patronage capital that you can pay back?

15 A Yes, sir.

16 Q And what are those restrictions?

17 A You cannot pay back anymore than 25%.

18 Q In your democratic process, do you allow proxy
19 voting by your members?

20 A No, sir.

21 Q In fact, in order to vote you have to appear at
22 the meeting that is called for that purpose; is that
23 correct?

24 A Annually we have an annual meeting. The members
25 are invited. We do business. We meet. We elect

1 officers. We elect directors. We conduct business. We
2 let all the members make any comments they want to, and
3 all members are invited to participate.

4 Q In order to participate in any voting that is
5 done, they have to show up at the meeting; is that
6 correct?

7 A That's right, sir.

8 Q You do not allow proxy voting for your directors
9 or any other issue that the members have to vote on; is
10 that correct?

11 A Yes, sir, that's right.

12 Q And the quorum of your members is 1% or greater;
13 is that correct?

14 A Yes, sir.

15 Q So if the majority of your members wanted to
16 sell the Co-op, they couldn't do that today, could they?

17 A I believe that's a legal question, sir.

18 Q Are you familiar with Chapter 425, Florida
19 Statutes, which you operate under?

20 A Generally.

21 Q In fact wouldn't Chapter 425 require a vote of
22 over 60% of the members of the membership as opposed to a
23 vote of 60% of those present and voting?

24 A That's your statement, sir.

25 Q I'm asking you if that's your understanding of

1 Chapter 425?

2 A That's your statement.

3 Q Do you understand Chapter 425?

4 A Yes, sir.

5 Q Is that your understanding of Chapter 425?

6 A I don't have it before me.

7 Q Sir?

8 A I do not have it before me.

9 Q On Page 5 of your testimony, you mention that
10 Gulf Power has net revenue per mile of distribution line
11 of 66,011, nearly 12 times the net revenue of Gulf Coast,
12 which is 5,357.

13 CHAIRMAN DEASON: Let me ask. I think my page
14 numbers must be different from yours, Mr. Cresse, but I'm
15 finding the information you're inquiring about, but for
16 example, it's on my Page 6, and your previous question
17 concerning one member one vote was on my Page 4. I
18 just -- I'm wondering if there's two different versions
19 of the testimony out there and if I have the correct
20 version.

21 MR. CRESSE: I hope not, Mr. Chairman. I can
22 look and see.

23 MS. BROWN: Mr. Chairman, we've recognized that
24 problem also. It looks like we're dealing from two
25 versions of testimony.

1 CHAIRMAN DEASON: Everything is in my version,
2 but it's just a wrong page number.

3 MS. BROWN: And I am not certain what version
4 will go in the file with respect to that portion of
5 Mr. Norris's testimony that should be stricken from the
6 record. My version of that is as was stated by
7 Mr. Haswell, but Mr. Dudley's version has the part that's
8 supposed to be stricken on Page 25, starting -- starting
9 at Line 11 through 18. So I think perhaps Gulf Coast
10 should make sure that we're all reading from the same
11 version of the testimony.

12 MR. HASWELL: You've got the same one I got.

13 MS. BROWN: There's another version that's
14 different.

15 MR. FLOYD: Mr. Chairman, I think what happened
16 is that in filing this Gulf Power and Gulf Coast both had
17 a problem with their spacing the first time that they sent
18 their direct testimony in, they were all sent back and
19 consequently, new directs were sent in. And some people
20 still have some of the old versions. Yours, I believe, is
21 the correct resubmitted spacing version.

22 MS. BROWN: No, I think it's the other way
23 around.

24 MS. LILES: The copy that Mr. Cresse is working
25 on is the copy that Gulf Power was served and we don't

1 have another copy.

2 CHAIRMAN DEASON: Let's do this. This is going
3 to be difficult to follow in the record. We're going to
4 take five minutes. I'm just going to ask the parties to
5 get together, compare the versions, figure out which is
6 the correct version to be utilized, so we're all working
7 from that version, and hopefully we can get the record
8 straight. So we're going to take five minutes to make
9 sure we can do that.

10 (Recess)

11 CHAIRMAN DEASON: Call the hearing back to
12 order.

13 Mr. Floyd, I understand that the correct version
14 has been distributed to everyone, that we should be
15 working from the same version at this point forward; is
16 that correct?

17 MR. CRESSE: I don't think so.

18 MR. FLOYD: I don't think that the copies of the
19 corrected version itself did not have -- have not been
20 brought back in yet.

21 CHAIRMAN DEASON: I'm sorry. I thought that had
22 already been done. Mr. Cresse, then, you do not have the
23 correct version at this point?

24 MR. CRESSE: No, sir, I do not.

25 WITNESS NORRIS: I don't either, sir.

1 CHAIRMAN DEASON: We'll go back off the record
2 then until we get those. I am incorrect. I thought that
3 had already been done.

4 (Pause)

5 CHAIRMAN DEASON: Call the hearing back to
6 order.

7 Mr. Floyd, I understand that correct copies have
8 now been distributed to all parties.

9 MR. CRESSE: Mr. Chairman, I hope you don't
10 charge the break time to me.

11 CHAIRMAN DEASON: No, sir, we wouldn't do that.

12 MR. CRESSE: And it's going to take me a little
13 bit to move from my copy where I've got my questions
14 written to the new copy, but I'll try to expedite that as
15 much as I can.

16 MR. HASWELL: Mr. Chairman, this would change
17 our -- when we're inserting into the record, we had
18 indicated on the incorrect copies Page 22, Lines 9 to 15,
19 which actually coincided with the order on procedural
20 motions. That language appears in the correctly filed
21 testimony on Page 25, Lines 11 to 18.

22 MS. LILES: We only have one copy. Do you have
23 an additional copy of the record testimony that I can
24 refer to?

25 CHAIRMAN DEASON: You just need to make sure

1 that the court reporter has the correct version as well.

2 MR. HASWELL: Yes, sir, I apologize.

3 CHAIRMAN DEASON: Okay, Mr. Cresse, whenever
4 you're ready.

5 Q (By Mr. Cresse) I believe this relates to Page
6 6, Line 5 of your testimony. You mentioned that the net
7 revenue per mile of distribution line of Gulf Power totals
8 \$66,011 and Gulf Coast which is \$5,357; is that correct?

9 A Yes, sir, that's the statement.

10 Q And what's the source of this data?

11 A Well, this is what our records reveal as far as
12 our revenue is concerned. This \$66,000, I believe, was in
13 interrogatories.

14 Q Was in what?

15 A Interrogatories.

16 Q You think this is ostensibly because there are a
17 substantial number of industrial and commercial customers
18 in Gulf Power's territory as compared to what's in the
19 territory of Gulf Coast?

20 A Would you state that again, please, sir?

21 Q You think this is true -- and first let me ask,
22 what do you mean by net revenue?

23 A The amount of revenue that comes in.

24 Q Sir?

25 A The amount of revenue that comes in.

1 Q Is it net? Gross? When you say net, is that
2 net after expenses?

3 A No, sir.

4 Q It's gross, before you deduct expenses?

5 A That's right.

6 Q All right, sir. I've got to get to another
7 index, Mr. Chairman.

8 On Page 5, Lines 21, you mention that Gulf
9 Power's customer base is 45% residential, 29% commercial
10 and 19% industrial; is that correct?

11 A Yes, sir.

12 Q And yours are 81% residential and 17.5%
13 commercial, and no industrial; is that correct?

14 A Yes, sir.

15 Q Would you think then that the gross revenue to
16 Gulf Power would be primarily based upon the fact that
17 they have a substantial number more of industrial
18 customers?

19 A That's your statement, sir.

20 Q I'm asking you what you think about that.

21 A I have no way of knowing what Gulf Power's
22 commercial customers are.

23 Q Pardon me?

24 A I have no way of knowing what industrial
25 revenues for Gulf Power's sources are.

1 Q On Page 5 of your testimony, when you say Gulf
2 Power customer base, what do you mean by customer base?
3 Is that the number of customers or the revenue from those
4 customers?

5 A The source of this information was, you know,
6 picked up in your lobby in your office in Panama City.

7 Q Pardon?

8 A The source of this information was picked up as
9 a folder, a marketing folder, in your office, in your
10 Panama City office.

11 Q And I'm asking you what your understanding of
12 your testimony is? Is that customers -- the number of
13 customers, or the amount of revenue from those sources?

14 A That's a percentage of customers.

15 Q Would it surprise you if that's really the
16 percentage of gross revenue from those sources?

17 A No, sir.

18 Q Mr. Chairman, I'm trying to get to the -- on
19 Page 7 of your testimony on Line 12, would you read that
20 sentence starting with "Now" on Line 12?

21 A "Now the federal and state governments,
22 including Florida, see the wisdom of encouraging rural
23 development and have adjusted policies and plans to
24 implement rural area development."

25 Q Can the REA now make a rural development loan?

1 A Yes, sir.

2 Q Can they require the grantee of the rural
3 development loan to take service from an REA utility as a
4 condition of that grant?

5 A No, sir.

6 Q That would be against public policy today; is
7 that correct? That would be against public policy today;
8 is that correct?

9 A REA makes the loans and makes no preconditions.

10 Q And there's no precondition on the loan that you
11 made to the county of the 300 and some odd thousand
12 dollars; is that correct?

13 A There was no precondition on that.

14 Q Was there any precondition on the grant that you
15 made to the county of \$45,000?

16 A No, sir.

17 Q Was there any precondition on your removal of
18 the lines and property from that which the county wanted
19 to grant to the Department of Corrections?

20 A There was no precondition on that.

21 Q Would the same amount, the same number of jobs
22 be created in Washington County if Gulf Power provided the
23 electricity to it?

24 A Yes, sir.

25 Q So as far as economic development is concerned,

1 which ever company provides electricity, there would still
2 be benefit to Gulf Coast Electric Co-op; would there not?

3 A There would be some marginal benefit if we did
4 not serve it.

5 Q And that would be because you would have
6 additional jobs created and additional customers that
7 would improve your density?

8 A Yes, sir, somewhat.

9 Q On Page 10 of your testimony, I take it that you
10 made a \$45,000 grant to Gulf County to assist them in
11 paying for the land that they donated to a prison; is that
12 correct?

13 A Yes, sir, that's correct.

14 Q And in that case there was no dispute over who
15 should serve that facility; is that correct?

16 A There was no other power suppliers within 20
17 miles, 15, 20 miles.

18 Q And there was no dispute over who should serve
19 that area; is that right?

20 A There was no other power suppliers and there was
21 no dispute as far as I know.

22 Q You didn't have facilities available to serve
23 the prison; you had to construct new facilities to serve
24 them, didn't you?

25 A You're talking pretty fast now.

1 Q Didn't you have to construct new facilities to
2 serve the prison in Washington County?

3 A At Washington County?

4 Q Yes, sir.

5 A We had to reroute a line.

6 Q And you had to enhance that line from a single-
7 phase to a three-phase; did you not?

8 A When we rerouted the line, we --

9 MR. CRESSE: Mr. Chairman, it would be helpful
10 if the witness would follow the guidance in the prehearing
11 order and answer the questions yes or no with whatever
12 explanation he would like.

13 CHAIRMAN DEASON: Mr. Norris, we normally here
14 at the Commission when a question is asked that can be
15 answered yes or no, we certainly encourage a witness to
16 answer yes or no and then give whatever explanation you
17 deem appropriate. So if you could do that early on, it
18 would help us understand your testimony.

19 WITNESS NORRIS: All right.

20 Q (By Mr. Cresse) Mr. Norris, I just asked if you
21 had to construct additional facilities to serve the
22 prison.

23 A Yes, sir.

24 CHAIRMAN DEASON: While Mr. Cresse is trying to
25 locate his questions, if there are other versions of

1 testimony which had to be replaced, let's kind be working
2 on that and make sure we all have it so we can expedite
3 the following the witnesses' testimony.

4 Q (By Mr. Cresse) Do you recall your testimony
5 where you mentioned that you should be repaid for the
6 relocation of lines from Red Sapp Road?

7 A Where is that in my testimony, sir?

8 Q That's what I was trying to find it in the new
9 testimony. I'm having some difficulty. (Pause) On Page
10 19. I finally found it, Mr. Chairman. I'm sorry.

11 On Page 19, Line 25, I believe you mentioned
12 that if you're not selected as the supplier, you should be
13 reimbursed for removal of those lines; is that correct?

14 A We would hope to be, sir.

15 Q On what basis do you think Gulf Power should be
16 required to reimburse you?

17 A Our line that's there is adequate. It serves
18 100 or some odd people up the road to 79, and if we have
19 to move it, then someone should bear that expense for the
20 convenience of others.

21 Q Was that line on or adjoining a county road that
22 was closed?

23 A I haven't really got a full definition of that
24 road.

25 Q You testified earlier that you removed those

1 lines voluntarily to assist in economic development; is
2 that correct?

3 A Yes, sir.

4 Q If those lines were on the county road, you were
5 obligated to move them; were you not?

6 A I don't know if they're on a county road, sir.
7 I don't know the definition of that road.

8 Q My question is, if they were on a county road,
9 you were obligated to move those lines, were you not, if
10 they closed the road?

11 A If they were on county right of way.

12 Q Yes, sir. That's what I'm asking you.

13 A If they're on private property, then it's a
14 different --

15 Q Were those lines on private property or were
16 they on a county road?

17 A That has not been defined to me, sir.

18 Q So at this moment you don't know whether you
19 would have been required to remove them or not; is that
20 correct?

21 A That's possible.

22 Q And they were required to be removed in order to
23 dedicate that property to the Department of Corrections
24 free and clear as pursuant to their requirement; is that
25 correct?

1 A Ask that again, sir.

2 Q They were -- those lines were required to be
3 removed in order to dedicate that property to the
4 Department of Corrections free and clear pursuant to their
5 requirements; is that correct?

6 A Yes, sir.

7 Q On Page 20, Line 10 -- Mr. Chairman, let me
8 before I get to that, Florida Statutes, Chapter 337.403
9 relates to the relocation of utility expenses. I assume
10 the Commission would -- could take notice of that, or
11 would copies of that need to be inserted into the record?

12 CHAIRMAN DEASON: I don't believe there's any
13 requirement to put statutes into the record. The statutes
14 are there and they can be readily referenced and I'm sure
15 that you probably will do so in your brief.

16 MS. BROWN: Mr. Chairman, if I just might
17 suggest it might be helpful to everyone in the hearing to
18 have copies if they're available.

19 CHAIRMAN DEASON: Do you have a copy?

20 MR. CRESSE: I'll be glad to give copies to
21 everybody. I had not intended to ask any questions of his
22 understanding.

23 CHAIRMAN DEASON: I think you've put everyone on
24 notice that you may be relying on -- was it Chapter
25 337.403? Is that it?

1 MR. CRESSE: Yes.

2 CHAIRMAN DEASON: Very well.

3 Q (By Mr. Cresse) On Page 20 of your testimony,
4 you suggest that the rural development funds that you
5 granted to Washington County should be returned to you; is
6 that correct?

7 A We would hope they could be.

8 Q To whom would you look to receive the grant back
9 from -- who would you ask to pay it back?

10 A We would look to Washington County to pay it
11 back.

12 Q So in essence what you're saying is we'll give
13 you \$45,000 if we are selected as the elect supplier; is
14 that correct?

15 A We made a proposal to Washington County. Time
16 was of the essence with regard to whether Washington
17 County got the prison or not. We stipulated certain
18 things in the proposal, Washington County received the
19 proposal, read it at their meeting, acknowledged that they
20 would in fact make an agreement with us, and sent it back
21 to us. As far as what would be done with the \$45,000 if
22 we don't serve the property has not been discussed.

23 Q What, sir?

24 A Has not been discussed.

25 Q So your gift was not conditioned on you giving

1 it back, but you would like to have it back unless you get
2 the business; is that correct?

3 A We would like to -- if we don't get the
4 business, we would like to be able to put it in
5 circulation in other rural areas throughout our service
6 area to stimulate and motivate rural development.

7 Q Do you think the Commission should consider the
8 \$45,000 as an incremental cost of you providing this
9 service?

10 A No, sir.

11 Q But you would like to have it back if you didn't
12 provide the service; is that right?

13 A We would like to recirculate it.

14 Q And that's a cost that your ratepayers would
15 incur; is that correct?

16 A No, sir. That's a cost that our members agreed
17 to give Washington County for them to develop the rural
18 area of South Washington County.

19 Q But that cost --

20 A It doesn't have anything to do with rates.

21 Q This has nothing to do with rates?

22 A No, sir. It's not part of the rates.

23 Q Does it affect your patronage capital?

24 A Yes, sir, it does affect patronage capital, but
25 the members knowingly made a decision and approved the

1 grant of \$45,000 not only to Washington County, but to
2 Gulf County alike. Neither county had the money to make
3 the land deal if we hadn't of participated. So therefore,
4 it's 350 jobs, 350 people working in Gulf County now, and
5 there will be that many people working in Washington
6 County when the prison is completed. So our people, our
7 members, made that conscious decision.

8 Q Did your members vote on this contribution or
9 was this done by the board?

10 A Both groups approved it when they voted.

11 Q Where did the members vote on it?

12 A At the annual meeting.

13 Q Do you remember the number of people present at
14 the annual meeting?

15 A Our bylaws say that 3% of our membership is
16 required at our annual meeting. You made some reference
17 to 1% in the statute, but our bylaws say that 3% are
18 required.

19 Q So at least 3% of the members were present?

20 A There were over 3% of our members present. We
21 cannot have a meeting unless we have 3% present. And all
22 those that were present voted on this issue and approved
23 it.

24 Q Mr. Norris, at the time that you made your
25 proposal to Washington County, were you aware that Gulf

1 Power Company had three-phase lines on both the east and
2 west side -- east and west side of the prison property?

3 A Yes, sir. I was aware that either one of us
4 could serve it, that we both had the potential to serve
5 it.

6 Q Do you think that in resolving this dispute, the
7 Commission should continue to look at who can provide the
8 service at the least incremental cost?

9 A I think that the Commission should look at all
10 the factors like they are doing here, hopefully today,
11 that the locations shouldn't be the primary factor, or the
12 rates the primary factor. There are many, many factors
13 involved in the location of this prison. There are many
14 advantages to the county, the DOC and the people of
15 Washington County. And I think that all the factors
16 should be considered.

17 Q Are you familiar with the Commission's policy on
18 settling territorial disputes?

19 A They have the authority to settle territorial
20 disputes as I understand it, sir.

21 Q Are you familiar with their policy in settling
22 territorial disputes?

23 A I do not know it word for word, sir.

24 Q Can you describe what your understanding of
25 their policy is?

1 A They have the authority to settle territorial
2 disputes. That's what we're up here today about.

3 Q Yes, sir, I understand that, but in settling
4 territorial disputes, are you familiar with the guidelines
5 the Commission has adopted to apply to those facts that
6 may be presented to them in a hearing such as this?

7 A Not numerically, no, sir.

8 Q Would you extend service to a location if you
9 thought that was in violation of Commission policy as it
10 relates to settling of territorial disputes?

11 A Please repeat that, Mr. Cresse.

12 Q Would you extend service to a territory if you
13 knew that was in violation of the Commission's policy in
14 settling territorial disputes?

15 A No, sir.

16 Q Do you know whether or not your extension of
17 services to serve the prison is in violation of Commission
18 policy regarding settling territorial disputes?

19 A We did not violate the policy.

20 Q But you told me while ago you didn't know the
21 policy. How do you know you didn't violate it?

22 A I told you I was not familiar totally with it.

23 Q Doesn't the Commission look primarily at
24 incremental cost to serve?

25 A Yes, sir, that's one of the factors.

1 Q In the settlement of the dispute that you had
2 with Gulf Power at Leisure Lakes, was not incremental cost
3 the factor that settlement was concluded on in your favor?

4 MR. FLOYD: Your Honor -- I mean Mr. Chairman, I
5 would like to object to this particular line of
6 questioning in terms of what was the basis for the ruling
7 of the Leisure Lakes decision in favor of Gulf Coast. I
8 think that that decision, which it can be referred to by
9 the Commission and will be, states the particular basis
10 for it right in there and it's not necessary for us to go
11 into it here.

12 CHAIRMAN DEASON: Mr. Cresse.

13 MR. CRESSE: Mr. Chairman, the purpose of cross
14 examination is to determine the head man's knowledge of
15 the Commission policy in settling territorial disputes.
16 If one is not aware of your policy, they make some
17 decisions that are not in the best interest of their
18 consumers. If one is aware of it, then they are more
19 likely to be guided by what your past decisions have
20 been. And I am merely inquiring as to his knowledge of
21 the policy and his compliance with it.

22 CHAIRMAN DEASON: Objection overruled. I will
23 allow the question.

24 MR. CRESSE: Would you read that question back
25 for me please?

1 (Record read.)

2 WITNESS NORRIS: The case in Leisure Lakes was
3 presented to this esteemed commission, and the factors
4 that they considered were numerous, and I suppose that
5 cost would be one of them. I cannot speak for this
6 Commission as to their total ruling in that case.

7 MR. CRESSE: Mr. Chairman, I believe that order
8 has already been inserted in the record as an exhibit.

9 CHAIRMAN DEASON: I believe we've taken notice
10 of it.

11 MR. CRESSE: All right, sir.

12 Q (By Mr. Cresse) Let me ask you this question,
13 Mr. Norris. Is it not in the best interest of all
14 customers if the utility who can provide service to a
15 disputed territory, that the utility who can provide it at
16 the least incremental cost should be allowed to do so?

17 A That doesn't seem to be altogether true because
18 there are numerous places that I can take you and show you
19 where Gulf Power has made additional expenditures far
20 beyond what we would do to serve a customer in the same
21 area. As a matter of fact, since this petition has been
22 filed, I can take you and show you where that Gulf Power
23 Company has built a facility to serve a real estate office
24 within the last four months that costs them a great deal
25 more than we could have dropped right off of one of our

1 poles and served it.

2 Q I guess I don't think that answer was responsive
3 to my question. I'm going to repeat the question again.
4 Is it not the best interest of all ratepayers if the
5 utility who can provide service at the least incremental
6 cost be allowed to do so?

7 A Cost should be a very contributing factor, yes,
8 sir.

9 Q Is the answer to that yes or no?

10 A Yes, sir.

11 Q On Page 27 you mention that this load will not
12 help Gulf Power's diversity or its customers; is that
13 correct?

14 A What line is that, sir?

15 Q On Page -- Line 23 and 24.

16 A 23. 23?

17 Q Yes.

18 A Yes, sir, that's what it says.

19 Q What leads you to that conclusion?

20 A Gulf Coast Electric has a density of 6.5 members
21 per mile of line. Gulf Power's density is far greater
22 than that. Gulf Coast Electric originally made investment
23 into that area of South Washington County to serve homes
24 and businesses as they came to that area in 1951. Gulf
25 Coast is trying simply to enhance its business and develop

1 its business, load its lines, make a more efficient
2 operation and reduce its rates.

3 Q The same factors that assist you also would
4 assist Gulf Power; would it not?

5 A I think that's -- yes, sir, I think that's true.

6 Q So the statement that this load will not help
7 Gulf Power's diversity or its customers is really not
8 correct; is it?

9 A That would be for Gulf Power Company to say,
10 sir.

11 Q I'm asking you, based upon you what you said, if
12 that statement is correct.

13 A I would assume that Gulf Power's density and
14 diversity would be enhanced by that.

15 Q Thank you, sir. Can you describe the
16 conservation activities that your utility is involved in?

17 A Yes, sir. We have a member services department
18 which provides audits, provides advice to members. We do
19 a limited amount of advertising, encouragement of people
20 how to conserve. We travel to the schools, teach the
21 young people. We have a one-man department out of a
22 membership of some 13,500 people, and we're on a limited
23 budget, but we feel that our conservation practices and
24 procedures for the limited amount of funds that we have to
25 use, are exceptional for our members.

1 Q Do you have any assistance programs for ceiling
2 insulation or improvement of air conditioners, that sort
3 of thing?

4 A I didn't catch the first, Mr. Cresse.

5 Q Any financial assistance program for your
6 members to improve insulation or to acquire more efficient
7 appliances, that sort of thing?

8 A You mean a lending program, to that effect?

9 Q Or payments that would be cost-effective for the
10 general body of customers.

11 A We furnish a recovery unit on heating and
12 cooling equipment.

13 Q A recovery unit on heating and cooling
14 equipment?

15 A Yes, sir.

16 Q And is that program cost-effective?

17 A Yes, sir, we hope it is.

18 Q You can calculate it fairly easily, can you not?

19 A Not here.

20 Q Isn't it a fact that for every kW demand that
21 you reduce your demand from AEC on the peak, that you save
22 \$9.58 immediately in payments to AEC?

23 A No, sir, I'm not familiar with that. I would
24 not know.

25 Q Don't you pay AEC a demand charge of \$9.58 per

1 kW?

2 A \$9.31, sir.

3 Q All right, sir. Don't you pay them a demand
4 charge of \$9.31?

5 A Yes, sir.

6 Q And to the extent you reduce that demand, you
7 save that amount of money immediately, don't you?

8 A Yes, sir.

9 Q And what were the total expenditures you made
10 for conservation last year; do you know?

11 A No, sir, I don't.

12 Q Do your financial statements reflect that?

13 A Yes, sir, I would think so.

14 Q Can you --

15 MR. HASWELL: Do you have a copy of what you're
16 showing the witness?

17 MR. CRESSE: I just have one copy. I don't plan
18 on inserting it into the record. December 31st, 1993
19 Financial Statements for Gulf Coast Electric Co-op.

20 (Pause)

21 MR. CRESSE: Mr. Chairman, while he's checking
22 that if we took five minutes, I think I could probably
23 wrap it up pretty quick after we come back.

24 CHAIRMAN DEASON: That sounds fine. We'll take
25 five minutes.

1 (Recess)

2 CHAIRMAN DEASON: Call the hearing back to
3 order. Mr. Cresse?

4 Q (By Mr. Cresse) Mr. Norris, are you able to
5 find out the conservation expenditures from that financial
6 statement?

7 A Yes, sir. It's shown under customer accounting
8 expense on Page 4. They aren't numbered.

9 Q How much was it?

10 A \$773,472.

11 Q And that's expenditures for conservation
12 efforts; is that correct?

13 A Not altogether. There are other customers --
14 it's broken down customer accounting expenses. There are
15 a number of accounts involved beyond conservation.

16 Q All right, sir, so if you tried to isolate it in
17 conservation, your financial statements do not reflect
18 that isolation; is that correct?

19 A No, sir.

20 Q Could you supply us with a late-filed exhibit --
21 no, I'll scratch that. Sorry. Let me just have that
22 back.

23 A You want this back?

24 Q Yes, it's mine. Thank you.

25 A Yes, sir.

1 Q Mr. Norris, when we took your deposition we got
2 the impression that there was a contingency on the \$45,000
3 grant, and let me hand you a copy of that, and just for
4 clarification's sake, one more time, ask you if there was
5 a contingency on the \$45,000 grant.

6 A There was no contingency on the \$45,000 grant.
7 There was some correspondence saying that we would hope
8 that they would return it if we did not serve it.

9 Q Do you have copies of that correspondence?

10 A No, sir, I don't.

11 Q Has that been --

12 MS. BROWN: Mr. Chairman, Staff has proposed an
13 exhibit that includes that April 13th letter and we have
14 copies that we could pass around to everyone now if you
15 like. We were going to move to have that in. I'm just
16 trying to assist.

17 CHAIRMAN DEASON: Mr. Cresse?

18 MR. CRESSE: That's fine.

19 CHAIRMAN DEASON: You want it distributed now or
20 let Staff cover it when they do their cross examination?

21 MR. CRESSE: I suspect, Mr. Chairman, we ought
22 to look at it now.

23 CHAIRMAN DEASON: If Staff has that available,
24 if you could distribute it, it might be helpful.

25 MR. FLOYD: Mr. Chairman, I might note that

1 those are all letters that have been provided in
2 discovery, so they do have a copy of those, maybe not
3 readily available.

4 MR. CRESSE: I didn't hear that. I was
5 listening to something else.

6 CHAIRMAN DEASON: He simply said this was
7 information that was provided through discovery and that
8 you probably should already have a copy of it.

9 MS. LILES: I'm sure we do, Mr. Chairman.

10 CHAIRMAN DEASON: I think by Staff distributing
11 this, just to facilitate everybody having a copy in front
12 of them. (Pause)

13 Q (By Mr. Cresse) Mr. Norris, in your response
14 are you referring to the April 13th, 1993 letter?

15 A In my response to your question, sir?

16 Q Yes, sir.

17 A Could you read that question?

18 (The following question and answer were read
19 back by the reporter:

20 "Q Mr. Norris, when we took your deposition
21 we got the impression that there was a contingency on
22 the \$45,000 grant, and let hand you a copy of that, and
23 just for clarification's sake, one more time, ask you if
24 there was a contingency on the \$45,000 grant.

25 "A There was no contingency on the \$45,000

1 grant. There was some correspondence saying that we
2 would hope that they would return it if we did not serve
3 it.)"

4 WITNESS NORRIS: Mr. Cresse, this letter is the
5 original proposal that I made Washington County that the
6 Staff has presented, and the Commission needs to know, in
7 fact, that the rapidity of the Department of Corrections
8 in moving toward prisons did not lend itself to delays.
9 The smaller counties, particularly the smaller counties,
10 are standing in lines waiting to compete for these prisons
11 because there are so many jobs, and it helps the economy
12 greatly.

13 The discussions concerning returns of monies and
14 preconditions and conditions have not been discussed in
15 this. The statement that I have made in these letters,
16 which there is probably this one and perhaps one other,
17 are things that we hoped would transpire, but the main
18 reason that we made the grant, the money was given after
19 these -- this agreement letter was verified that the
20 county commission had read it, had approved it. The
21 Department of Corrections had approved Gulf Coast. We
22 proceeded. After the fact that we had given them the
23 money and they had bought the land and caused the
24 correctional facility to happen, and whatever questions
25 you have, Mr. Cresse.

1 Q (By Mr. Cresse) This letter is dated April
2 13th, 1993; is that correct?

3 A Yes, sir.

4 Q The Department did not delegate to the county
5 the authority to select the electrical supplier until May;
6 is that correct?

7 A The Department of Corrections --

8 MR. FLOYD: Mr. Chairman, I would like to object
9 to that particular question. It presumes that the
10 Department of Corrections did delegate to the county the
11 decision, and the testimony of Mr. Kronenberger has
12 already been inserted into the record is that the
13 Department of Corrections made their own decision and that
14 the county made their own decision too. So that assumes
15 facts that are incorrect and not in evidence.

16 MR. CRESSE: Mr. Chairman, I think the timing of
17 the delegation will be reflected in the record and we can
18 let it stand based upon what's in the record.

19 CHAIRMAN DEASON: Very well. I understand then
20 you are withdrawing that question.

21 Q (By Mr. Cresse) Mr. Norris, would you read
22 Section E on Page 2 of your letter?

23 A The above assistance will be provided, including
24 section A, part of section B relating to the cost of the
25 loan application, and section C having to do with

1 retirement of existing lines and reconstruction,
2 relocation, based on the agreement with the county, and
3 the Cooperative will be allowed to serve this facility
4 with all of its electrical needs.

5 Q Does that appear to you to be a condition placed
6 on the \$45,000 grant?

7 A We would hope that we would serve this prison.

8 Q But you're not going to look to the county to
9 repay it if you don't; is that correct?

10 A That decision hasn't been made. This Commission
11 will make that.

12 Q Let me ask you an altogether different
13 question. In the Leisure Lakes dispute Gulf Power and
14 Gulf Coast Electric, I believe, agreed that beyond the
15 point of entrance to Leisure Lakes development, the cost
16 to run transmission lines over the undeveloped property by
17 each utility would be approximately the same. Do you
18 remember that?

19 A Mr. Chairman, sir, could I ask a question?

20 CHAIRMAN DEASON: You can ask me a question,
21 yes, sir. Go right ahead.

22 WITNESS NORRIS: Mr. Cresse was part of the
23 decision in the Leisure Lakes dispute. It would seem to
24 me that his questioning with regard to this would be
25 somewhat of a conflict. Am I wrong in my interpretation?

1 CHAIRMAN DEASON: Well, no, sir, I don't think
2 that it is, but I'll defer to legal counsel. Mr. Pruitt?
3 Do you understand the nature of the question?

4 MR. PRUITT: I think I understand,
5 Mr. Chairman. I don't see where there's any conflict at
6 all. Everybody knows Mr. Cresse was on the Commission for
7 a number of years and he's been off the Commission for a
8 number of years, and the required statutory number of
9 years, and he can participate in the case fully.

10 MR. FLOYD: Mr. Chairman, I wanted to suggest to
11 Mr. Norris if he could go ahead and answer the question to
12 the extent that he knows the information, although I
13 continue to assert that it's irrelevant in terms of what
14 happened in the Leisure Lakes. But to the extent that you
15 know and remember it, I don't think that we would have any
16 problem providing the information.

17 WITNESS NORRIS: Very well. Proceed.

18 Q (By Mr. Cresse) The question was, sir, that in
19 the Leisure Lakes decision there was a dispute as to who
20 should serve that area, and the Commission ruled in your
21 favor in that dispute.

22 A Yes, sir.

23 Q But in that dispute I believe there was a
24 stipulation by the parties that once they got to the
25 development, the cost of wiring the development itself was

1 about the same between each utility. Do you recall that?

2 A Yes, sir.

3 Q Has that changed any, in your mind now?

4 A Well in regards to this case, it would be
5 different.

6 Q So if both of you had to extend the line five
7 miles, do you think you could extend that line five miles
8 cheaper than Gulf Power could?

9 A That wasn't your original question.

10 Q Let me -- then let me clarify the question.
11 Let me ask you that today. If both of you had to extend
12 the line five miles right over the same territory, could
13 one of you do it substantially cheaper than the other?

14 A I feel like that we could do it cheaper than
15 Gulf Power Company.

16 Q And what's happened in your operation since the
17 Leisure Lakes decision that makes you that much more
18 efficient?

19 A As the years progress, we have to get more
20 efficient with our operations.

21 Q And have you had any evidence that you can
22 provide those lines cheaper than Gulf Power?

23 A Not with me, sir.

24 Q Do you have any at home?

25 A Generally efficiency operations are part of our

1 business.

2 MR. CRESSE: No further questions,
3 Mr. Chairman.

4 CHAIRMAN DEASON: Staff?

5 MS. BROWN: Mr. Chairman, we have quite a bit
6 for Mr. Norris. I hate to take another break after we've
7 just had one, but it would really help us to cut down on
8 our questions if we could just have a real short time.

9 CHAIRMAN DEASON: We'll just go off the record
10 for a little while. As soon as you're ready you let us
11 know because I'm going to be sitting right here.

12 MS. BROWN: Okay, that's fine.

13 (Recess)

14 CHAIRMAN DEASON: Call the hearing back to
15 order. Ms. Brown?

16 CROSS EXAMINATION

17 BY MS. BROWN:

18 Q Good morning, Mr. Norris.

19 A Good morning.

20 MS. BROWN: Mr. Chairman, before we get started,
21 we would like to have the exhibit that we just passed
22 around, Gulf Power's First Set of Interrogatories to Gulf
23 Coast, Item No. 13, marked for identification.

24 CHAIRMAN DEASON: It will be identified as
25 Exhibit No. 16.

1 (Exhibit No. 16 marked for identification.)

2 Q (By Ms. Brown) Mr. Norris, let's just go to
3 that Exhibit 16 for a minute.

4 A Yes, ma'am.

5 Q And on Page 2 at the top of that page you
6 indicated that Gulf Coast was willing to spend up to
7 \$11,500 to acquire the loan for Washington County. What I
8 want to know is did you spend this amount of money to
9 acquire that loan?

10 A Yes, ma'am, we hired a professional firm to
11 write that document for Washington County, and --

12 Q And it was in fact the \$11,500, is that what you
13 spent?

14 A Yes, ma'am.

15 Q No more than that?

16 A No, ma'am.

17 Q Were you reimbursed for that money, or is that
18 an expense that you -- that you covered yourself?

19 A That was an expense that we incurred.

20 Q To the Cooperative?

21 A Yes, sir.

22 Q Still on that letter, briefly, Page 2, paragraph
23 C, would you -- do you see the last sentence in that
24 paragraph that says, "If the county wants a dollar figure
25 on this work, it will be available later. However, this

1 work will not be at the Department of Corrections' or the
2 county's expense." Do you see that?

3 A Yes.

4 Q Now that refers to the relocation of the Red
5 Sapp line, correct?

6 A Yes, ma'am, the time was of essence. And
7 through all of these letters that were -- most of my
8 correspondence -- most of my dealings with the county
9 commission were not meetings. It was done through
10 correspondence. I did not appear at a county commission
11 meeting seeking this business. I sent this letter to
12 them. I met with the county commissioner, the chairman
13 and the administrator, and told them, after I had gotten a
14 call from one of the commissioners, I met with the
15 chairman of the commission and the county administrator
16 and told them approximately what we had done for Gulf
17 County and that I felt that our board would do this for
18 Washington County. I told them how important that it was
19 economically for them; that I had seen what it had done in
20 Gulf County, and that in fact they needed to move on it
21 because there were other counties that would come in and
22 take this facility from them if action wasn't taken.

23 So finally, to get around to answering your
24 question, at the time that this letter was written, there
25 had not been a dollar figure set on that. And you know, I

1 said that we could set a figure later, but that that
2 was -- that was the background of that context, and that
3 if we in fact were allowed to serve the prison, that we
4 could recoup this money that in fact we are having to
5 spend to relocate. So that was what I was making
6 reference to there.

7 Q Well, my real interest in that sentence was the
8 representation that you made that you would not seek to be
9 reimbursed for this from the Department of Corrections.
10 Is that --

11 A See, I knew that one of them would have to -- I
12 knew that the line would have to be moved. It was in
13 their way.

14 Q Right. And do you interpret this sentence to be
15 a representation that you will not seek reimbursement from
16 the Department of Corrections for the costs associated
17 with moving that line; yes or no, please?

18 A I interpret this sentence to say that we will
19 not charge the Department of Corrections or the county for
20 this line.

21 Q Have you made similar representations to the --
22 to Washington County that you will not seek reimbursement
23 from them for the costs of relocating the loans?

24 A Yes, ma'am.

25 Q Now, is that only in the situation where you

1 will be permitted to provide electric service, or is it in
2 any situation, even if you're not --

3 A Well, the decision, you know, has not been made
4 yet as to who will serve the prison. The Commission will
5 ultimately make that. We had to move on this project for
6 the county, give them the money, and the decision as to
7 who will serve it has not been made yet.

8 Q That's correct, but my question was, is your
9 representation to the county and to the Department of
10 Corrections, that you will not seek reimbursement from
11 them even if you don't get to serve -- provide electric
12 service? That's the question.

13 A Yes, we would hope that we would be reimbursed,
14 but that decision by our board has not been made.

15 Q Okay. So the representation you've made to
16 them -- and tell me again, this applies to both Washington
17 County and the Department of Corrections?

18 A Right.

19 Q Is that if you can provide electric service to
20 them, if you are permitted to, you won't seek
21 reimbursement?

22 A That's correct.

23 Q But you've made no representation to them that
24 if you're not permitted to provide electric service you
25 won't seek --

1 A What will happen we don't know.

2 Q You were present when Mr. Weintritt testified
3 yesterday, weren't you?

4 A Yes, ma'am.

5 Q Do you remember the testimony he gave -- I think
6 it was in his summary -- where he said that the Commission
7 should only resolve this particular dispute over the
8 correctional facility because things were working well,
9 there hadn't been a territorial dispute between these two
10 utilities in nine years, and the system that had developed
11 between you was satisfactory to avoid uneconomic
12 duplication of facilities; do you remember that?

13 A Yes, ma'am.

14 Q And there was considerable discussion about just
15 what that "system" was. Do you believe that this system
16 that Mr. Weintritt described yesterday has worked well for
17 your utility?

18 A No, ma'am. As a matter of fact, when I went to
19 Gulf Coast in 1976 it was about a year and a half later
20 that I gathered the managers of Northwest Florida -- there
21 are four of them, four different cooperatives -- and went
22 to Pensacola, because I had moved from the state of South
23 Carolina where all the territory had been resolved. I
24 didn't think it could be resolved in South Carolina. I
25 worked there and I didn't think it could be resolved. But

1 it took, you know, 30 meetings and three years, but the
2 legislature told us we had to do it, or either the
3 Commission was going to do it. So we all got together and
4 we did it.

5 So then I had all kind of high hopes, and I went
6 and met with Mr. Ed Addison, who is now president of the
7 Southern Company. And Mr. Addison told me and those
8 managers, finally, after three or four hours talking, that
9 they were not desirous to draw any lines on the ground;
10 that their whole area encompassed everything on the west
11 side of the Apalachicola River to the state line on the
12 west side of the state, and that they would go anywhere
13 that they deemed feasible to serve any load that they
14 deemed feasible, and that they liked it all, they liked
15 that rule just like it was, and in fact that's what they
16 were going to adhere to. That was in 1980 -- '78, about.

17 Since that time I've been to their office in
18 Pensacola on three to four different occasions. I have
19 been to their office in Panama City on occasions. I have
20 met with Mr. Weintritt on occasions about territorial
21 disputes. And the reason we don't bring them up here to
22 you is we can't afford them. If I brought every one up
23 here to you that -- I couldn't -- our membership could not
24 afford it. I could have brought one up here since we
25 started this dispute. I can take you and show you where

1 they crossed us to serve a real estate company. I've said
2 that. But I've made every effort that I could to sit down
3 with them and negotiate territory, and I have not been
4 successful.

5 Q Have you -- excuse me for a minute,
6 Mr. Chairman. I can't see through these microphones.
7 Have you equally made every effort, in the years that
8 you've been with Gulf Coast, to avoid further uneconomic
9 duplication of facilities that are in existence?

10 A Yes, ma'am.

11 Q Now, there's a conflict in this case concerning
12 what is the area in dispute between these two utilities.
13 There is one position that it is only the Washington
14 Correctional facility, and as I understand your position,
15 it is not just the Washington Correctional facility.
16 Would you please tell me what is in your mind the area of
17 dispute in this case?

18 A The area of dispute in this case is South
19 Washington County where we have facilities, Bay County
20 along 231, where the growth areas -- the rural growth
21 areas are going to develop into urban areas around Panama
22 City, above Panama City, and an area known as Bayou George
23 area, which is a very fast growing area. The
24 comprehensive plans are indicating that much of the
25 designated land for growth is in areas where we presently

1 have power lines and where in fact Gulf Power Company
2 would like to run lines, and in fact do run lines when the
3 load is suitable. So there are potential problems
4 throughout South Washington and Bay Counties.

5 Q In South Washington and Bay County, is there
6 duplication of facilities between your two utilities'
7 systems?

8 A In certain areas there are, yes, ma'am.

9 Q Would you say that it is extensive?

10 A In some areas it is, yes, ma'am.

11 Q Now, you're speaking in very general terms. Is
12 there a map in evidence in this record which you could use
13 to be more specific about the area that you consider to be
14 in dispute?

15 MR. FLOYD: Mr. Chairman, I might want to help
16 out on this, and there is a map that we have that we could
17 furnish that might be able to be utilized for this
18 purpose.

19 MS. BROWN: That's in Mr. Gordon's testimony?

20 MR. FLOYD: I believe it is. Also there's some
21 bigger maps that we gave Staff.

22 WITNESS NORRIS: Yes, there's a map that we gave
23 Staff.

24 Q (By Ms. Brown) Now that map that we asked you
25 for just shows your facilities, does it not?

1 A Yes, that's correct.

2 Q So that's really not going to be sufficient, I
3 think, to demonstrate --

4 A You asked the question is there a map that shows
5 both companies' facilities?

6 Q That you can point to so that you can
7 demonstrate to the Commission more specifically where you
8 believe the disputed area is. Now, I would suggest, if I
9 can, I think it's Gulf Coast's responsibility to provide
10 the evidence that will be needed for the Commission to
11 make a decision on this issue. But I suggest you look at
12 Mr. Gordon's maps.

13 MR. FLOYD: Yes, those are the ones that would
14 be utilized. Just a minute.

15 MS. BROWN: That would be Exhibit No. 6 attached
16 to his testimony.

17 MR. FLOYD: Mr. Chairman, if we might have him,
18 for the convenience of the Staff, point these out and then
19 have this published again through the Commission so that
20 they could see those, it might be more convenient.

21 CHAIRMAN DEASON: Well, the witness has the maps
22 that are part of Exhibit 6. Staff has those maps. If
23 Staff has questions they just need to go ahead and ask
24 those questions concerning those maps.

25 MS. BROWN: All right.

1 MS. LILES: Excuse me, Mr. Chairman, when that
2 exhibit was introduced we did not object to the
3 introduction of the exhibit. Those maps were prepared and
4 provided in the course of settlement discussions between
5 the parties, and I am told that they do not represent a
6 completely accurate depiction of all the facilities in the
7 area and we would just like to have that on the record for
8 purposes of discussion.

9 CHAIRMAN DEASON: It's been noted. Please
10 proceed.

11 Q (By Ms. Brown) Mr. Norris, you testified that
12 it's your opinion that there is a dispute between these
13 two utilities in Washington County. Can you point out to
14 the Commission where that is with respect to the --
15 Mr. Gordon's map, generally speaking?

16 A Well, the facilities of the Cooperative are
17 shown here in the legend, which is shown in Mr. Gordon's
18 Exhibit 7 in pink, or a rather purple color, while the
19 facilities of Gulf Power Company are shown in green.

20 Q It appears to me from this map, Mr. Norris, that
21 the utility's lines are closest right around the area of
22 where the new correctional facility is going to go in. Do
23 you agree with that?

24 A Yes, ma'am, both facilities are there.

25 Q What other areas do you anticipate growing where

1 some conflict may develop in the reasonable future in
2 Washington County?

3 A Well, one can only assume that 279, the road
4 279, and up 77 and -- I don't know what we've done with
5 that line, it comes down from 279 to the south, what Gulf
6 Power is supposed to do with that line, but I would say
7 that those were pretty significant errors that would very
8 possibly cause conflicts.

9 But I might mention something else to the
10 Commission that hasn't been brought up, is the fact that
11 in recent years these -- this whole area for so many years
12 was controlled by a large conglomerate, and they have now
13 started selling it off. So everywhere there's water
14 around those -- on this map here, there's going to be
15 people building houses. So I would say that the potential
16 is great for the whole of South Washington County, unless
17 we can sit down and draw some lines.

18 Q What about Bay, let's go to that Bay map now.
19 Where on that map do you expect that there would be
20 conflict in the reasonable future between you all's
21 facilities, service?

22 A The area that you see highlighted in pink to the
23 north of 231, and to the east of 231 in certain areas, are
24 designated by the planning commission to be areas for
25 development projects. And I see the whole area up 231 as

1 being a potential area for territorial problems.

2 Q Now you don't just serve in Washington and Bay
3 counties, correct?

4 A That's correct.

5 Q Where else do you serve? You serve --

6 A Really what you're looking at in these two
7 counties is about half of our system. We serve everything
8 except Port St. Joe in Gulf County, and we serve up to
9 Blountstown and to the south of Blountstown and to the
10 west of Blountstown all the way across to 231. So our
11 membership is extensive in all of these rural counties.
12 The Jackson and the Walton County is just at the edge of
13 the line. So there, as far as membership, is
14 insignificant. We have a power supplier in -- another
15 power supplier in Gulf County, Florida Power Corporation.
16 They serve down around Mexico Beach.

17 Q Excuse me for interrupting you, but I wanted to
18 know if you have a territorial agreement with them.

19 A We, some ten years ago, came up with a
20 territorial agreement, which this Commission approved so
21 that we didn't have any squabble in this Mexico Beach
22 area.

23 Q And has that turned out to be correct, that you
24 do not have any problems?

25 A We don't have any problems there.

1 Q Do you have any problems in the other counties
2 with any other utilities?

3 A No, ma'am.

4 Q Do you have any problems in the other counties
5 with Gulf?

6 A Bay and Washington.

7 Q Bay and Washington are the ones. All right.
8 Now, if the Commission decides that the real area in
9 dispute in this case is South Washington County and Bay
10 County, not just the correctional facility, what do you
11 propose that the Commission do about it? I mean it's one
12 thing to say there is a dispute. It's another thing to
13 fix it. How do you suggest the Commission fix it?

14 A I would like to see the two parties be able to
15 sit down and negotiate territory and agree to some lines
16 on the ground. The Commission has asked us to do that.
17 We tried. We made proposals on the ground. These were
18 not accepted by the power company. Unless it's mandated,
19 I don't know if it can be done. We have tried three times
20 to get a territorial bill passed through the legislature.
21 And in the wisdom of the legislature, three times it's
22 been defeated. We feel like that it's just not in the
23 best interests of either party to not have some reasonable
24 territorial lines and an agreement so that we don't have
25 these things and have these complaints up here and occupy

1 y'all's time.

2 Q Does it affect your ability to plan your system
3 that you have what you characterize as a dispute with Gulf
4 Power Corporation in Bay and Washington Counties?

5 A It's extremely difficult to do financial
6 planning and to do load planning when the loads that
7 you're anticipating coming on your system are taken by
8 others.

9 Q I want to get back to that question I asked
10 you. What do you propose that the Commission do to
11 resolve this dispute if they determine there is one? In
12 some of the pleadings that Gulf Power Corporation has
13 filed in this case, they have recommended that another
14 proceeding be held to consider the broader issue of a
15 broader dispute between you two utilities. If the
16 Commission decided to solve the Washington Correctional
17 facility matter and keep this docket open to have another
18 formal proceeding to draw lines in Bay and Washington
19 County, would you -- do you think that would be a
20 reasonable action for the Commission to take under these
21 circumstances?

22 A Yes, ma'am. I can't speak for my board of
23 directors because this -- like I say, these proceedings
24 are a burden on y'all's time and an extreme expense and
25 burden on all of our time. We are a small operation, but

1 I am sure that our board would look favorably on any
2 reconciliation suggestions, and we would be willing to
3 participate. We evidenced it over the years I've been to
4 see them. I've pleaded with them, and I've always gotten
5 the same answer Mr. Addison gave me: "We have an
6 obligation to serve anywhere in Northwest Florida and
7 we'll serve anything that we deem feasible for us to
8 serve."

9 Q Do you believe there's sufficient evidence in
10 this record for the Commission to draw lines in Washington
11 and Bay County in this proceeding now?

12 A Yes, ma'am, I think you have to take a position.

13 Q But have you submitted a proposal to the
14 Commission as to where those lines should go?

15 A At one point in time we offered proposals.

16 Q Is it in this record?

17 A No, ma'am.

18 Q Okay. I want to go back just briefly to the
19 arrangements that you made with Washington County, the
20 \$45,000 grant and the \$308,000 loan. Can you explain Gulf
21 Coast's involvement in the interest free loan from the
22 Rural Electric Association? What I want to know is who
23 will repay the loan and --

24 A Yes, ma'am. The Rural Electrification
25 Administration will make the loan to Gulf Coast and in

1 turn Gulf Coast will make it without change to Washington
2 County. Washington County will make payments to us. We
3 will in turn pay the Rural Electrification
4 Administration. There are no administrative charges.
5 There are no hidden charges. That's straight like it will
6 be.

7 Q Over what term?

8 A Ten years.

9 CHAIRMAN DEASON: What happens if the county
10 defaults on the payment; you're still obligated -- you
11 being Gulf Coast, are still obligated to make the payment.

12 WITNESS NORRIS: Yes, sir. We are committed to
13 guarantee it.

14 Q (By Ms. Brown) How many acres of land were
15 purchased with that loan, or I guess it was \$353,000 it
16 cost to purchase the land?

17 A I'm not sure, ma'am. It was somewhere around
18 400, I believe.

19 Q Now, my understanding is that you have
20 participated in a similar development project in Gulf
21 County.

22 A Yes, ma'am.

23 Q Is that amount of land purchase typical of the
24 land purchase that goes with the development of a facility
25 like this?

1 A In Gulf County the acreage was 230 acres for a
2 primary facility. The Commission needs probably to -- and
3 may understand that Department of Corrections builds all
4 their institutions just alike. Washington County is a
5 mirror of the Gulf County and so many others in Northwest
6 Florida. The acreage depends on, to some extent, the type
7 of soil and the drainage for the sewage facility. We
8 have -- since the Gulf one has been established, we have
9 in fact purchased 120 additional acres, and right now dirt
10 is being moved to put another facility right by that one
11 just like the one in Washington County. They did that on
12 120 acres. But normally DOC requires somewhere in the
13 vicinity of 230 to 250 acres for a facility of this type.

14 Q Now, it's my understanding that the projected
15 load of the proposed facility is 372 kilowatts and it
16 projected energy usage of 163,450 kilowatt hours per
17 month. Do you agree with those numbers?

18 A That was what DOC gave us, I believe.

19 Q So you do agree with those numbers?

20 A Yes, ma'am.

21 Q What will be the additional capacity cost to
22 Gulf Coast to serve the new prison load?

23 A The additional capacity? We have the present
24 capacity in the substation at Crystal Lake six miles
25 below. We already have it.

1 Q What --

2 MR. CRESSE: Mr. Chairman, I think the question
3 she asked is the subject matter of Mr. Parish's
4 testimony.

5 MS. BROWN: Okay, thank you. We'll ask it of
6 him.

7 Q (By Ms. Brown) Now you just said you have the
8 capacity at your Crystal Lake substation and that's the
9 station through which you will serve the institute. When
10 was the Crystal Lake substation brought into service?

11 A About eight, ten years ago. Mr. Parish may have
12 that.

13 Q All right. Can Gulf Coast continue to serve the
14 prison load if the Crystal Lake substation goes off line?

15 A No, ma'am.

16 Q It cannot?

17 A It cannot. There is a loop feed to that
18 substation, transmission lines. If that station goes off
19 line, then it cannot be served.

20 Q Can Gulf Coast remotely switch the prison load
21 back and between Crystal Lake and its Southport
22 substation?

23 A Yes, ma'am.

24 Q It can?

25 A It was recently done.

1 Q But you said that if Crystal Lake goes off line,
2 the prison could not be served?

3 A Well, with some switching it can be.

4 Q How far is Crystal Lake from the correctional
5 facility?

6 A Approximately six miles.

7 Q How far is Southport?

8 A Approximately 12 miles.

9 Q That's 12 miles to the intersection of the two
10 highways, to the facility?

11 A Yes, from Southport district office to the
12 intersection of 279 and 77.

13 MS. BROWN: Excuse us for just a minute,
14 Mr. Chairman. (Pause)

15 Q (By Ms. Brown) Mr. Norris, how many metered
16 customers does Gulf Coast currently have within the
17 five-mile radius of the intersection of 279 and 77?

18 A I believe Mr. Dykes referred to that in his
19 testimony. I think that might be --

20 Q All right, we have him coming along. I can ask
21 him that question if you feel better.

22 Does Gulf Coast maintain customer support
23 facilities near the correctional facility?

24 A Support facilities near the correctional
25 facility?

1 Q Yes.

2 A Could you define that?

3 Q Well, you said -- for customer service.

4 A Oh, yes, throughout the system.

5 Q Where are they located?

6 A Well, we have the Southport branch office and we
7 have linemen, just like Mr. Weintritt referred to, that
8 take vehicles. We have standby crews that live in that
9 area.

10 Q Now, if Gulf Coast is not permitted to serve the
11 correctional facility, will it nevertheless receive a
12 benefit from the facility locating in Washington County?

13 A There will be some limited benefits, perhaps a
14 few -- perhaps a few new dwellings, if we are allowed to
15 serve those. You see, that's one of the problems of
16 planning. We don't know, you know, if a large store, for
17 example, locates, we don't know if we'll be able to serve
18 it because we may have to compete for it and then if we do
19 compete for it, then, that's fine, but then we wind up up
20 here with y'all.

21 Q I just had one question from yesterday. Do you
22 have a copy of Exhibit No. 7 that's been identified as
23 Exhibit No. 7, which is Staff's sheet that has the rate
24 comparison between Gulf Coast and Gulf Power? Remember I
25 asked Mr. Gordon yesterday how long those rates had been

1 in effect, the customer charge, the demand --

2 A Yes. Yes, I have it here. Yes, ma'am, I have
3 it. And as you asked the question yesterday, our rate as
4 shown on Exhibit 7 has been in effect since 1982.

5 Q That's with the exception of the last rate, the
6 C.O.P.S.A., which changes?

7 A Right, it changes.

8 Q Thank you very much. I have nothing further.

9 CHAIRMAN DEASON: Commissioners, questions?

10 COMMISSIONER CLARK: I have a question.

11 Mr. Norris, to your knowledge what retail customers does
12 Gulf Power serve below the intersection of State Road 77
13 and 279?

14 WITNESS NORRIS: How many customers does Gulf
15 Power serve below --

16 COMMISSIONER CLARK: Yes, below the intersection
17 of --

18 WITNESS NORRIS: Yes, ma'am, yes, ma'am. I'm
19 looking. To my knowledge they have that one line down
20 there, and no one is being served off of that line. There
21 would be no one that I know -- they would have to answer
22 that. I would --

23 COMMISSIONER CLARK: None that you know of.

24 WITNESS NORRIS: I would respectfully -- in my
25 opinion they don't have any.

1 COMMISSIONER CLARK: I'm looking at your
2 Exhibit 4. And as I understand it, according to this
3 exhibit, the Washington Correctional Institution basically
4 occupies what would be called Section 5 on that map.

5 WITNESS NORRIS: On this map, yes, ma'am.
6 Ms. Clark, would you ask that again?

7 COMMISSIONER CLARK: Yes, it looks like
8 Washington Correctional Institution basically occupies
9 Section 5 on this map.

10 WITNESS NORRIS: Right.

11 COMMISSIONER CLARK: To your knowledge, does
12 Gulf Power have any retail customers in that area, in
13 Section 5, anywhere in Section 5?

14 WITNESS NORRIS: Yes, ma'am, they serve some off
15 of the line that was constructed from Vernon down to 279
16 and then back up 77 in 1971. They served some customers
17 off of that line. We were there in '51, they were there
18 in '71 to serve Deltona, but they have since opted to
19 serve customers off of that line that was run from Vernon
20 up to Deltona. We additionally have some 100 customers
21 along that area of line.

22 COMMISSIONER CLARK: There is somebody's
23 testimony that indicates the number of customers in the
24 area. And I am just trying to get a feel for what area
25 we're talking about. And I can't remember whose testimony

1 it is that --

2 WITNESS NORRIS: We both serve --

3 COMMISSIONER CLARK: Retail customers in
4 Section 5?

5 WITNESS NORRIS: Right, yes, ma'am. See, all of
6 our retail customers along the road up 279 were served
7 through this line that ran right across the compound of
8 the facility.

9 COMMISSIONER CLARK: Let me ask you another
10 question. When you say you think there are -- the dispute
11 should encompass South Washington County and Bay County,
12 what do you define as South Washington County? Can you
13 give me -- I guess it's a section description?

14 WITNESS NORRIS: Perhaps as far as we've got
15 extended lines up into Washington County.

16 COMMISSIONER CLARK: Okay. So I could look on
17 the map, on Mr. Gordon's map, which is AWG-7, and any
18 section which has some purple lines in it, you would
19 suggest that it's that territory and south in Washington
20 County that we should look at and resolve who serves what
21 territory?

22 WITNESS NORRIS: Yes, ma'am.

23 CHAIRMAN DEASON: Redirect?

24 MR. FLOYD: Thank you, Mr. Chairman.

25

REDIRECT EXAMINATION

1

2 BY MR. FLOYD:

3 Q Mr. Norris, doesn't -- isn't there a diagram --
4 I believe we have it in evidence as an attachment to -- as
5 Exhibit No. 3 to Archie Gordon's, that's the substation
6 and main feed or switching diagram that actually evidences
7 how the switching would take place, switching from the
8 Crystal Lakes substation to the Southport substation in
9 the event that vandals would disable or put out the
10 Crystal Lake substation?

11 A Yes. As a matter of fact, approximately four
12 months ago we had the main substation transformer in
13 Crystal Lake shot and the oil leaked out of it and it
14 faulted. It cost approximately \$450,000 to move all the
15 dirt, put in a temporary substation and put a new -- put a
16 rebuilt transformer, or new transformer, in. Our power to
17 that area was off for 45 minutes. We fed it through the
18 Southport substation, and service was restored within 45
19 minutes of the fault.

20 MR. FLOYD: Mr. Chairman, and Commission, I'm
21 sorry. That reference to the exhibit, that's actually
22 Exhibit No. 6, Item No. 3 to Mr. Archie Gordon's.

23 Q (By Mr. Floyd) So Mr. Norris, actually, when
24 the question was put to you if something happened that the
25 Crystal Lake substation went down, that particular

1 substation would not supply the power to the prison
2 anymore; it would be actually switched over to the
3 Southport substation?

4 A That's correct.

5 Q Mr. Norris, we've had a lot of discussion
6 concerning this \$45,000 and the letters and different
7 proposals and suggestions made to the -- to the Washington
8 County Board of County Commissioners. Let me ask -- and I
9 know, knowing that there is a difference between what
10 proposals and suggestions, et cetera, are, and what
11 actuality is, what I want to ask you is, what happened in
12 reality? If you waited -- if you had waited until it was
13 finally determined that Gulf Coast was the supplier, power
14 supplier in this situation, what would happen?

15 A Well, we had to move quickly because the county
16 had given us permission, and said they wanted our
17 service. DOC had approved us. But if we had waited until
18 a complaint or something was filed, then it would have
19 been too late; another county would have taken this
20 business, it would have taken these jobs. And Washington
21 County responded in their letter of appreciation, saying
22 that without us giving this money without question,
23 stipulating that we would like to recoup our investment,
24 stipulating that if they didn't use our electricity, then
25 we would hope we would get our investment money back so we

1 could put it into some other rural development. But we
2 had to step forward and give the money and help them buy
3 the land so they could produce it. Otherwise they would
4 have lost this. No one else stepped up to the plate to
5 say, you know, they would help. We did. We just said,
6 "Okay, you know, here's this money, buy your land and
7 we'll talk about the rest of it later."

8 Q And Mr. Norris, that's actually what happened?

9 A That's what happened.

10 Q Regardless of what had been talked about and the
11 conditions, you already had put the money, Gulf Coast put
12 the money and delivered the money into the hands of
13 Washington County?

14 A We went up and presented them with a check.

15 Q And it's still not been determined as to who is
16 going to serve this prison?

17 A That's correct.

18 MR. CRESSE: Is that a question or a statement,
19 counselor?

20 MR. FLOYD: Yes, that is a question.

21 MR. CRESSE: Thank you.

22 Q (By Mr. Floyd) And in terms of sorting this out
23 as to what's going to happen with the 308,000 and the --
24 or sorting out what's going to happen with the 45,000,
25 that hasn't come up yet because there hasn't been any

1 indication that there was going to be a change of the
2 power supply, has there?

3 A No, sir.

4 CHAIRMAN DEASON: Mr. Floyd, I think you're
5 about to get an objection of leading questions.

6 MR. FLOYD: All right, sir, I'll change that.

7 Q (By Mr. Floyd) Mr. Norris, do you know how much
8 the amount that was paid for this property -- do you know
9 whether it was higher than the 308,000 plus \$45,000?

10 A No, sir. I don't know how much the amount of
11 the property was.

12 Q Was it more than that, though?

13 A Yes, it was more than that.

14 Q More than 308 --

15 A More than 308- and 45-.

16 Q So Washington County, can you tell us whether or
17 not Washington County put in money towards --

18 A I feel sure they did.

19 Q You were questioned regarding the capital
20 credit, and some type of regulation regarding 25%. I
21 wanted to ask you to explain that in light of your
22 questions and clarify it to the Commission, please.

23 A I believe the question was: What restrictions
24 did the REA have on capital credits? I said 25%. What
25 the 25% represents is that REA says that if we made a

1 margin, say last year of a million dollars, that we could
2 only pay up to 25% of that in capital credits, but we
3 can -- in other words every year that we're clearing out
4 capital credits, say for example in 1978 -- well, let's
5 use this year. This year our capital credits will be
6 \$117,000. That was our margin in 1979, and it will be
7 paid this year back to the members.

8 Now, if we don't make -- if we made less than
9 25%, or if we made less than \$500,000, then we would have
10 to restrict those capital credits to that 25%. But in
11 fact if we made a margin of a million dollars, then there
12 would be no restrictions and we've not ever run into any
13 restrictions on paying back capital credits. So far we
14 have refunded each year since 1976, I suppose, and retired
15 them completely.

16 Q At 100%?

17 A At 100%.

18 Q Mr. Norris, you heard Mr. Archie Gordon
19 concerning the county -- concerning the county rights
20 extending to the area of maintenance on dirt roads, did
21 you not?

22 A Yes.

23 Q And what type of road is this Red Sapp Road?

24 A It's a type of a sand road that has berms on
25 both sides.

1 Q It's not a paved road, is it?

2 A No, it's not a paved road.

3 Q And are the facilities of Gulf Coast located off
4 of the area maintained by the county, or whoever else does
5 it?

6 A It's off of the maintained curb ways.

7 Q Can you tell us whether or not, sir, Gulf Coast
8 has always treated those facilities as being on private
9 property?

10 A That's correct. That's the way we treat those.

11 Q Have you ever been advised otherwise by
12 Washington County?

13 A No, sir.

14 CHAIRMAN DEASON: How do you treat --
15 distribution lines that's on private property, how do you
16 treat those differently than those that are on right of
17 way?

18 WITNESS NORRIS: Normally whoever is requesting
19 that they be moved pay for those to be moved, because the
20 right of way is ours, given to us by private individuals.

21 CHAIRMAN DEASON: Do you have a right of way for
22 that property, for that line that I assume has been -- is
23 the Red Sapp Road line, do you have a right of way for
24 that line. Our old records, many of them have been
25 destroyed. We don't have an easement for that property,

1 even though we are there by prescriptive rights, there for
2 so many years.

3 CHAIRMAN DEASON: Well if you're there so many
4 years, does that in essence mean you do have a right of
5 way after the --

6 WITNESS NORRIS: That's a legal question, sir.
7 As I understand it in the state of Florida, that you're
8 there by prescriptive rights after so many years.

9 Q (By Mr. Floyd) Mr. Norris, it's your
10 understanding that after you've been there for that number
11 of years that you have an easement right to continue to
12 maintain those facilities in that area?

13 A Right.

14 Q Mr. Norris, there were some questions given to
15 you by Mr. Cresse concerning the incremental cost. My
16 question to you is are there other factors besides
17 incremental costs that are to be considered when deciding
18 a dispute in the interest of the ratepayer?

19 A There are a number of other factors.

20 Q What are some of those other factors?

21 A The location, density, just a number of factors.

22 Q Historical service, reliability?

23 A Yes.

24 MR. CRESSE: Mr. Chairman, I believe the lawyer
25 is again leading the witness.

1 MR. FLOYD: I'm sorry?

2 CHAIRMAN DEASON: Mr. Floyd, the objection is
3 that you're leading the witness. And as I recall, I
4 believe Mr. Haswell made a similar objection yesterday
5 about leading on redirect, and I sustained that objection,
6 and I'm about to do the same with you.

7 MR. FLOYD: All right, sir. I will make sure
8 this last one is not leading and it is the last question
9 that I have.

10 Q (By Mr. Floyd) Mr. Norris, can you tell us
11 whether or not the effect on Gulf Coast concerning this
12 load in helping diversity and load factor, can you tell us
13 whether or not that would have a far greater impact on
14 Gulf Coast as compared with a similar effect on Gulf
15 Power?

16 A Gulf Coast in 1951 borrowed money and made an
17 investment in that rural area of Washington County hoping
18 that the load would come, that houses would be built,
19 commercial buildings would be built, and we -- the members
20 of Gulf Coast have been paying notes on those lines ever
21 since to the Rural Electrification Administration. It
22 seems rather unfair then for someone else to move in and
23 claim the good loads. Our density -- our load factor
24 would be enhanced, our density would be increased from 6.5
25 upward. Our rates, hopefully -- our lines are rated for

1 far beyond the capacity that they are now serving --

2 Q Excuse me, Mr. Norris, but what I wanted to get
3 to quickly, so that we can move on, is how the -- what
4 comparison of the effect between obtaining the load for
5 Gulf Coast would have in terms of diversity and load
6 factor, having a far greater significant effect in terms
7 of Gulf Coast as opposed to a similar effect on Gulf
8 Power?

9 A Well, in Gulf Power's case it would be
10 relatively insignificant.

11 Q Why?

12 A Because they're so large and they've got, like
13 \$66,000 of revenue per mile, and ours is like \$5,300 per
14 mile of line. The significance would be inconsequential
15 to them, but to us it would be extremely important.

16 MR. FLOYD: I don't have any further questions,
17 Mr. Chairman.

18 CHAIRMAN DEASON: Exhibits?

19 MS. BROWN: Staff moves Exhibit 16.

20 CHAIRMAN DEASON: Without objection, Exhibit 16
21 is admitted.

22 MR. FLOYD: Mr. Chairman, we would move all of
23 the exhibits that were attached to the direct testimony.

24 CHAIRMAN DEASON: Okay, that's Composite Exhibit
25 15. Without objection, Exhibit 15 is admitted.

1 (Exhibit Nos. 15 and 16 received into evidence.)

2 CHAIRMAN DEASON: Thank you, Mr. Norris.

3 (Witness Norris excused.)

4 * * *

5 CHAIRMAN DEASON: We're going to continue to
6 work, and you may call your next witness. And I'm not
7 sure exactly what we're going to do for lunch, so just be
8 put on notice that we may not even take a lunch break.

9 MR. HASWELL: Mr. Chairman, our next witness is
10 William S. Dykes.

11 WILLIAM SIDNEY DYKES

12 was called as a witness on behalf of Gulf Coast Electric
13 Cooperative, and having been duly sworn, testified as
14 follows:

15 DIRECT EXAMINATION

16 BY MR. HASWELL:

17 Q Mr. Dykes, could you state your name for the
18 record please, sir?

19 A William Sidney Dykes.

20 Q Are you the same Mr. Dykes who has filed direct
21 testimony in this case?

22 A Yes, I am.

23 Q Do you have any corrections to your prefiled
24 testimony?

25 A No, I don't.

1 Q Do you have any exhibits that you are
2 sponsoring?

3 A Yes, I have Exhibit WSD-1 and Exhibit WSD-2.

4 Q Thank you. If I were to ask you the same
5 questions today, would your answers be the same?

6 A Yes.

7 MR. HASWELL: Mr. Chairman, I move that the
8 direct testimony of Mr. Dykes be entered into the record
9 as though read.

10 CHAIRMAN DEASON: Without objection, it will be
11 so inserted.

12 MR. HASWELL: And that we identify the exhibits
13 by an exhibit number.

14 CHAIRMAN DEASON: The prefiled exhibits will be
15 identified as Composite Exhibit No. 17.

16 (Exhibit No. 17 marked for identification.)
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PREFILED DIRECT TESTIMONY OF WILLIAM S. DYKES

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- Q. Please state your name and business address.
- A. William S. Dykes, P.O. Box 8370, Southport, Florida 32409.
- Q. What is your current employment?
- A. I am the Manager of Engineering for the Southport District office of Gulf Coast Electric Cooperative, Inc.
- Q. What geographic areas does the South Port office serve?
- A. Primarily Washington, Bay, Calhoun, and part of Walton Counties.
- Q. How long have you been an employee of Gulf Coast?
- A. For eighteen years. I started as a Mapping Technician, was promoted to Staking Engineer, then to Supervisor of Engineering, in 1986. In 1992 the title was upgraded to Manager of Engineering.
- Q. What are your duties?
- A. My duties include system planning for the Southport distribution system, daily operational and maintenance functions, load forecasting, and monitoring our substations. Alabama Electric Cooperative, Inc., our wholesale power supplier, handles transmission planning and is directly responsible for the maintenance of the substations.
- Q. Are you a professional engineer?
- A. I have submitted my notification of intent to qualify for the examination.

1 The Cooperatives consulting engineer, Archie W. Gordon, is a professional
2 engineer and he and I maintain close contact for review of my work.

3

4 Q. What is the purpose of your testimony?

5 A. To address the issues identified by the staff of the Florida Public Service
6 Commission in this docket, particularly those issues relating to the location
7 and extent of Gulf Coast Facilities prior to the decision of the Department
8 of Corrections to locate a prison site in our service area in South Washington
9 County, the construction of facilities to provide primary service to the
10 correctional facility site, the cost associated with that construction, and
11 generally about our system in the area.

12

13 Q. Do you have any exhibits that you are sponsoring?

14 A. Yes. Exhibit 17 (WSD-1) is an exhibit showing our facilities in the
15 general area of the DOC site prior to the construction of any new facilities.
16 Exhibit 17 (WSD-2) is an exhibit showing what was constructed to
17 provide primary service to the site along the entrance road as shown the
18 exhibit.

19

20 Q. Would you tell us generally about Exhibit 17 (WSD-1), what it shows
21 and describe the facilities that existed prior to the time the Cooperative
22 learned that the DOC would locate a correctional facility in the area.

23 A. Gulf Coast has electric distribution lines on both County Road 279 and State
24 Road 77, which have existed since 1949-50. The facilities that serve the
25 disputed area, which is the area lying between County Road 279 and State

1 Road 77 near their intersection, are served from our Crystal Lake substation
2 which is approximately 5.4 miles South of the intersection of 279 and 77.
3 The Crystal Lake substation has a normal rating of 7,500 KVA, which can
4 easily handle the 375 KVA load of the correctional institution. Our circuit
5 out of the substation that serves the area in question is 3 phase 25 KV line of
6 2/0ACSR conductor and runs North up 77 to just South of Wausau.

7
8 Q. Were any of your facilities physically located on the property that became
9 the site of the correctional facility?

10 A. Yes. Gulf Coast has maintained service on the site itself since approximately
11 1950. One of our service locations shows an in-service date of 1950. Before
12 County Road 279 was even built to the intersection of 77 our lines ran West
13 from 77 along Red Sapp Road, cutting directly through what is the now the
14 correctional facility site (the disputed area). This service was installed as
15 single phase service, cuts across the disputed area along Red Sapp Road and
16 turns North up 279.

17
18 Q. Did you have any facilities on 279 in the area?

19 A. Yes. We have single phase service on 279 from the intersection of Red Sapp
20 Road North towards Vernon, and we serve many customers in the area.
21 Those facilities and the facilities on Highway 77 appear on both of my
22 exhibits and in greater detail on exhibits that will be submitted by Mr. Norris
23 and Mr. Gordon.

24
25 Q. So prior to your ever hearing about the DOC site location, Gulf Coast had

1 established service facilities on what is now the disputed area?

2 A. Yes, for at least the last forty years. We have facilities on the West side, East
3 side, and the property itself.

4
5 Q. Have you had any incidents on the circuit that serves the disputed area in the
6 last year?

7 A. As we pointed out in our interrogatory questions, we have had no lock outs
8 on the circuit, except for a deliberate vandalizing of our Crystal Lake
9 transformer, which occurred after we answered the interrogatories.

10

11 Q. Lets take a look at what happened after the Department of Corrections
12 decided to locate a correctional facility on the land at and adjacent to the
13 intersection of 279 and 77.

14 A. Exhibit 17 (WSD-2) which is basically our answer to staff's production
15 of document request (1) (a) shows the boundaries of the DOC property. As
16 you can see, Red Sapp Road runs right through the property, including our
17 single phase distribution facilities. Those facilities, incidentally, serve
18 customers on to 279 and we have two service locations just off the site on
19 Lake McDaniel.

20

21 Q. Did you have anything to do with the Department of Corrections request for
22 Gulf Coast to be the power supplier to the site?

23 A. No. My first direct contact with the DOC was a meeting with the DOC,
24 their consulting engineers and myself on June 23, 1993 in Panama City at the
25 offices of William M. Bishop Consulting Engineers.

- 1 Q. What happened at that meeting?
- 2 A. The DOC and its engineers requested Gulf Coast to provide temporary
3 construction service to the site and then permanent service. We went over
4 the plans on how to do that.
5
- 6 Q. Could you have provided temporary and permanent service to the site by
7 using your existing service facilities on Red Sapp Road?
- 8 A. Yes, we could have, depending on how the DOC laid out their construction
9 site. We could supply temporary service from our existing lines, and could
10 have added a short span of three phase from our existing facilities on
11 Highway 77 for the permanent service.
12
- 13 Q. I take it the Department of Corrections requested or needed three phase
14 service?
- 15 A. Yes. For their permanent service they requested three phase, but during
16 construction, they could use and are using single phase service.
17
- 18 Q. Did you build the permanent three phase service in from State Road 77?
- 19 A. No. The Department of Corrections requested that we build the three phase
20 service in from County Road 279 along an entrance road as shown on their
21 plans and specifications.
22
- 23 Q. So even though you could have served the Department of Corrections from
24 77 from your existing facilities with a short three phase extension, they asked
25 you to provide that service on their entrance road on 279?

- 1 A. Yes, the choice of the route was theirs. Keep in mind we already had service
2 on the site. We planned and have used our existing service to provide
3 temporary construction service while the correctional institution is being
4 built. By using our existing facilities we have been able to feed the site both
5 from the West and the East. We will eventually remove the Red Sapp line
6 and that portion of our system has been relocated on 279.
7
- 8 Q. So no matter who served the site, whether it was Gulf Coast or Gulf Power,
9 your Red Sapp line would have to be relocated to County Road 279.
- 10 A. Yes. That line provides service to members West and North of the disputed
11 area, and whether Gulf Coast or Gulf Power served the correctional facility
12 the line would have to be moved.
13
- 14 Q. If Gulf Power was the power supplier, would Gulf Power have to pay the
15 cooperative to move the Red Sapp line?
- 16 A. Yes. Someone would have to pay us to move it. I assume that might involve
17 a condemnation suit by Gulf Power, or at least an agreement on the cost
18 involved.
19
- 20 Q. Whatever cost you incur to move and relocate the line would be incurred by
21 any other power supplier?
- 22 A. Yes.
23
- 24 Q. What was your cost to relocate the Red Sapp line?
- 25 A. The cost to relocate the Red Sapp line was calculated on the difference

1 between what it would cost us or any power supplier to relocate our single
2 phase service and the additional cost to make the line three phase for DOC's
3 requirements. That additional cost was \$14,582.54, which was the figure we
4 reported to the PSC in our answers to staff interrogatories.

5
6 Q. Where did you relocate the line to?

7 A. The only logical location, following prudent utility practices and to comply
8 with the DOC requirements was up CR 279, from our line at the intersection
9 of 279 and 77 to the West end of Red Sapp Road.

10
11 Q. Did you have to cross any of Gulf Power's lines to construct the relocated
12 facilities?

13 A. Yes. We crossed existing GP lines at the intersection of 279 and 77, and
14 crossed their line at the entrance road to the correctional facility. I should
15 point out that the GP line that we crossed on 77 was a section of Gulf
16 Power's lines running South down 77 toward a substation that GP built to
17 serve Leisure Lakes. That area is shown on an exhibit of Mr. Norris.
18 Exhibit 15 (HN- 4). At the conclusion of a territorial dispute with
19 Gulf Power, some years ago, the PSC ordered Gulf Power to cease serving
20 Leisure Lakes and awarded the territory to Gulf Coast. Gulf Power took out
21 the substation but left its line on 77, although it does not serve anybody.

22
23 Q. If you served the disputed area from 77 on your Red Sapp line would your
24 lines cross Gulf Powers?

25 A. Actually Gulf Power crossed our Red Sapp tap off of our three phase line on

1 77 back in 1971, but, so we had an existing crossing there anyway.

2

3 Q. What would Gulf Power have had to do to serve the DOC site?

4 A. Following DOC requirements, they would have had to construct new
5 facilities down the entrance road to the point of primary service, just as we
6 did. Their cost would be the same as ours, except for the width of CR 279.

7

8 Q. Was the fact that you had single phase service on the site itself an economic
9 advantage in meeting DOC needs for construction service?

10 A. Yes. We would have had to build in all the temporary service that was
11 needed. Because our lines were already there, we had been able to provide
12 temporary service from three sources, from the East end of Red Sapp, and
13 the West end, as well as from the entrance road.

14

15 Q. Would you characterize your service to the DOC from 279 as merely a
16 "service drop"?

17 A. No. The DOC requirements were substantially more than a simple service
18 drop. In addition, the requirements for temporary service were quite
19 extensive and the DOC was very particular as to the location that the
20 temporary service could be built on.

21

22 Q. Could Gulf Power have provided temporary service at the same cost as Gulf
23 Coast?

24 A. Not in my judgement. We had existing facilities on the site. Consequently
25 we did not have to build in totally new temporary service. Gulf Power would

1 have to do that.

2

3 Q. What about customer support facilities of Gulf Coast Electric Cooperative?

4 A. Our distribution services facilities are located at the Gulf Coast District
5 Office in Southport, Florida approximately 7.5 miles South of the Crystal
6 Lake substation. The total distance to the disputed area is 12.9 miles. The
7 district facility includes 13 personnel in its field services and construction
8 force along with four service and trouble trucks, three insulated bucket
9 trucks and two digger-pole trucks along with full communication facilities
10 and supporting engineering staff. Alabama Electric Cooperative, Inc.
11 maintains transmission line crews in Chipley.

12

13 Q. What happens if the Crystal Lake substation goes out?

14 A. We can feed the site from our Southport substation. In fact, we had an
15 incident recently when someone deliberately shot out our transformer at
16 Crystal Lake. In forty minutes we had service restored by switching to our
17 Southport substation. That issue was not as important in this particular case
18 because the Department of Corrections has or will have its own back up
19 generation on site as part of its design criteria for a correctional facility. So
20 no matter which power supplier provides service to the site, the DOC will
21 have its own generators in case of an outage.

22

23 Q. Gulf Power claims its system is more reliable because it has two sources of
24 feed to the site. Is that claim really true?

25 A. No it is not. As I just said, if our Crystal Lake substation goes down, we can

1 feed from Southport. Our only true exposure is 5.4 miles of distribution line
2 from the Crystal Lake substation to County Road 279. If that line went
3 down, we would not be able to feed the area from another source, however,
4 it is unlikely the outage would be for more than one to three hours,
5 depending on the cause of the outage, since our crews are not more than
6 thirty minutes away.

7
8 Q. Are the Gulf Power sources of power free from reliability problems or risks?

9 A. No. The Vernon substation of Gulf Power is off the transmission corridor
10 on a tap of approximately 4,500 feet. Their Sunnyhill substation is on a
11 much longer tap of 7.39 miles. The source of power, if served by Gulf Power
12 from Vernon is a long distribution line going North into Vernon, then East
13 and South down 279. That is approximately 13.64 miles of line exposed to
14 the elements. The other distribution feeder that Gulf Power would serve
15 from, runs from the Sunnyhill's substation through the back of Sunnyhills
16 to State Road 77, then South down 77 to the intersection of 279
17 approximately 7.58 miles. The Sunnyhill's feeder line is isolated, not readily
18 accessible, and actually runs across ponds. Their poles are in the water. I
19 would respectfully suggest that if there are any risks from a reliability
20 standpoint, they are on Gulf Power system, not ours.

21
22 Q. Mr. Weintritt stated that the Coop built the new three phase line on 279
23 beyond the point necessary to reach the Department of Corrections point of
24 service. Why did you do that?

25 A. Obviously Mr. Weintritt does not appreciate the need for us to relocate our

1 Red Sapp line to continue to provide service to our customers on 279. We
2 would indeed be foolish to build three phase only to the point of service and
3 leave the rest single phase, especially when three phase service was needed
4 further up the road at a three phase lift station, for DOC staff housing.

5

6 Q. Is this DOC site in an urban or rural area?

7 A. It is in a rural area with no urban services.

8

9 Q. What is the geographical description of the disputed area?

10 A. There are no outstanding geographic features. The land is basically flat. The
11 primary man made geographic features are Highway 77 bordering the East
12 side of the property, and Highway 279 which runs from the intersection of
13 77 North and West along the Southerly and Westerly boundaries of the
14 property. Immediately Northwest of the property is the Lake McDaniel.

15

16 Q. In the area shown by your two exhibits, how many customers are there of
17 Gulf Coast?

18 A. 122.

19

20 Q. In the same area how many customers are there of Gulf Power?

21 A. Approximately 59.

22

23 Q. What is the expected customer load, energy and population growth in the
24 disputed area?

25 A. The expected customer load in the disputed area would of course be the

1 projected load of the correctional facility. It is forecasted to be
2 approximately 30 KVA in 1994, and 372 KVA thereafter for at least the next
3 four years. The KWH forecast is 21,600 in 1994 and 1,961,400 in 1995-1998.
4 The population growth of course would simply constitute the inmate
5 population and staff.

6

7 Q. Can Gulf Coast provide adequate and reliable service to the disputed area?

8 A. Yes, it can, and it has for many years.

9

10 Q. Does this conclude your testimony?

11 A. Yes it does for the time being. However, Gulf Power has not yet responded
12 to our interrogatories and request for production of documents. Upon
13 receipt of those and depending on other discovery it may be necessary for me
14 to supplement my testimony.

15

16 TO BE SWORN TO AT HEARING

17

18

1 MR. HASWELL: In the interest of time,
2 Mr. Chairman, we're going to waive a summary and I tender
3 the witness for cross examination.

4 CHAIRMAN DEASON: Ms. Liles?

5 MS. LILES: Yes, thank you, Mr. Chairman.

6 CROSS EXAMINATION

7 BY MS. LILES:

8 Q Mr. Dykes, good afternoon. I'm Teresa Liles. I
9 have a few questions to ask you based on your prefiled
10 direct testimony. I was handed a copy of your testimony
11 today that I'm trying to make every effort to refer to,
12 and if for some reason we're not on the same page and
13 line, please let me know. On Page 2 of the testimony,
14 beginning at Line 5, I suppose, you address the purpose of
15 your testimony. And down at the bottom of your answer to
16 that paragraph, you refer to the construction of
17 facilities to provide primary service to the correctional
18 facility site, the cost associated with that construction,
19 and generally your system in the area. I would like to
20 ask you specifically with respect to the facilities to
21 serve the prison site itself, what was your role for Gulf
22 Coast Cooperative?

23 A In building the lines you're asking?

24 Q Right.

25 A I was in a supervisory role there.

1 Q Did you have general supervisory responsibility
2 during the construction phase of the Department of
3 Corrections' prison?

4 A Yes, I did.

5 Q You make reference on page -- excuse me, I may
6 be referring to an old page and line number, so let me
7 verify this -- yes, Page 4, beginning on Line 21, that you
8 met with the Department of Corrections on June 23rd in
9 Panama City, along with their consultants, William M.
10 Bishop Consulting Engineers; is that correct?

11 A That's correct.

12 Q I would like to hand you a document that I would
13 like to have marked for identification that consists of a
14 document that was provided to Gulf Power Company in
15 response to our first request to produce documents, and it
16 is entitled -- actually it is a letter on William Bishop
17 Consulting Engineers' letterhead. It's dated July 20th,
18 1993 to Mr. Marvin Moran, and it appears to summarize the
19 discussions during that meeting. Do you recognize that?

20 A I sure do.

21 Q And you're listed as one of the representatives
22 of Gulf Coast Cooperative who attended that meeting; is
23 that correct?

24 A Yes, I am.

25 Q I would like to briefly discuss, hopefully

1 briefly, discuss some of the items that are indicated in
2 this letter, and I would like to point out to you that
3 it's on two-sided paper to save paper, so when I say flip
4 to the next page, if you'll just turn it over. First,
5 under paragraph A1 on the first page of that letter where
6 you're discussing construction power service and temporary
7 power, can you tell me -- just elaborate a little bit on
8 what discussions Gulf Coast had with the consultants and
9 with the Department of Corrections on providing temporary
10 power to the site?

11 A Yes, let me read that. Were you referring to
12 A1?

13 Q Yes, and if you would elaborate for me how those
14 discussions transpired.

15 A I haven't read this for some time. Let me read
16 it briefly, please.

17 Q I understand. Take your time.

18 CHAIRMAN DEASON: While he's reading that, do
19 you wish to have this document identified?

20 MS. LILES: Yes, sir, I'm sorry.

21 CHAIRMAN DEASON: It will be identified as
22 Exhibit No. 18.

23 (Exhibit No. 18 marked for identification.)

24 WITNESS DYKES: Okay, I'm ready.

25 Q (By Ms. Liles) Based on your recollection as

1 refreshed by this letter, what were the discussions
2 between the consultant, the Department and the Cooperative
3 at this meeting regarding the provision of temporary
4 service?

5 A That the Gulf Coast Co-op would provide
6 temporary service from a number of locations on the prison
7 site. First of all, around the Red Sapp Road, around the
8 Lake McDaniel Road a single-phase feeder was an aid in
9 this. It allowed us to feed from some existing facilities
10 and not to have to go out, spend money and build new
11 facilities to serve temporary construction costs that were
12 going to come down later. And then we had some temporary
13 services that were served from the main entrance line to
14 the institution. And what they're referring to there when
15 they say relocation, they meant that they wanted us to
16 build the main institution line down 279 in a permanent
17 fashion so as to not have to go up and down and rebuild
18 it; that once you build it, it would be there from now on.

19 Q Okay, so the discussions were based in part, or
20 the temporary service locations were based in part on the
21 facilities that already existed on the site; is that
22 correct?

23 A Yes, some there and some from the mining.

24 Q So you could have provided temporary service
25 from other areas except that you had the line already on

1 the property and that's one of the things they looked at
2 was that it would be convenient to provide it from here to
3 here. (Indicating) Is that accurate?

4 A Right, in an economic sense, yes, we all looked
5 at that.

6 Q Did the Department of Corrections just come in
7 and look at a map and say, We want you to do it here,
8 here, here and here? I mean were these points of service
9 just specified by them and accepted by you, or were there
10 any discussions concerning, Well, this point of service
11 might be better off over here?

12 A No, it didn't exactly go that way. When -- what
13 we had discussed in the -- it was clear that the Red Sapp
14 line was going to have to be relocated. It was coming out
15 of there, and we had to come in on the main entrance road
16 to serve the main institution. So naturally we had to
17 relocate out on to 279, make that three phase, down to
18 staff housing because we had a three-phase pump down in
19 there. And the temporary services are contractors that
20 come in on the site and they pick the closest place to
21 their building that they were awarded to build or
22 construct, and they pick a place out of the way and they
23 say, We need service here. So in those places, I believe
24 it was POS-2 through 13, that was the case. As they came
25 in, I assigned a staking engineer to meet with them and

1 work out the best way to serve them.

2 Q Okay, now in working out the best way to serve,
3 did it transpire that there were any facilities of yours
4 that had to be moved in order to provide the temporary
5 service requested?

6 A There were some relocations. It wasn't a large
7 amount.

8 Q Can you briefly describe the nature of those
9 relocations?

10 A I can't. I would have to see the staking
11 sheets. There were numerous places and it's a big site
12 and I don't have that.

13 Q Can you give me a ballpark figure of your cost
14 of relocation of those facilities, generally?

15 A I would have to -- I would really have to see
16 those sheets.

17 Q I mean would it be closer to -- would it be
18 \$500, more or less? \$10,000 more or less? I'm trying to
19 get an idea of the range of that cost.

20 A I can't answer you. I would have to see the
21 sheets.

22 Q Do you know if that cost of relocation is
23 included in any of the costs that have been referred to in
24 this record as incremental cost of providing service to
25 the prison?

1 A I know of some of it, but I got to look at this
2 whole package to be able to answer that for the whole --
3 all of the sites.

4 Q So just to clarify, you can't tell me whether
5 the costs that have been identified to date include all of
6 the costs of relocating facilities; you just don't know
7 whether that's correct or not?

8 A I couldn't be sure of that without reviewing my
9 records.

10 Q Okay, I would like you to turn the page over and
11 review paragraph 5 at the top of the next page. It's the
12 third paragraph down on that second page on the two-sided
13 sheet, referring to overhead primary line.

14 A Yes.

15 Q What does that refer to?

16 A Temporary service pole.

17 Q The temporary service poles --

18 A For each contractor that I described earlier.

19 Q It says here that the primary line will be
20 installed and removed at no charge. Does that mean the
21 removal is at no charge or both the removal and the
22 installation is to be performed at no charge?

23 A That reads exactly like it says, exactly what it
24 reads, that there will be no charge for that.

25 Q For either installation or removal?

1 A No.

2 Q No charge to the Department of Corrections?

3 A That's right.

4 Q The Cooperative would incur some costs in
5 connection with that installation and removal?

6 A Yes, we would.

7 Q Can you tell me what those costs are?

8 A I would have to break it down. I can't do
9 that. I don't have the information.

10 Q Would this involve some of the same information
11 that we discussed earlier concerning removal costs that
12 you stated, I believe, that you could not tell whether
13 they were or were not included in the incremental cost of
14 service numbers given in this docket so far?

15 A Well, I would have to look at those locations,
16 like I previously discussed.

17 Q So in terms of the Cooperative's cost of
18 installing and removing overhead primary line to service
19 above meter poles for the temporary service, you don't
20 know whether that cost is or is not reflected in this
21 docket as part of the Cooperative's incremental cost of
22 serving the prison?

23 A Could you repeat that, please?

24 Q I'm not sure that I can. You cannot be sure
25 whether the Cooperative's cost of installing and removing

1 the facilities referred to in this paragraph have been
2 included in the incremental cost of service figures the
3 Cooperative has provided in this docket for serving the
4 prison?

5 A Yes. I can say there is, yes.

6 Q Can you identify where those costs would be
7 reflected in an interrogatory response or in an exhibit
8 that's been referred to so far?

9 A Let me look right here. (Pause)

10 Q Let me see if I can help you out, Mr. Dykes. Do
11 you have a copy of what was identified and I believe
12 admitted yesterday as Exhibit 10 of Mr. Gordon's
13 testimony?

14 A Yes.

15 Q Is the -- are the figures listed on the Gulf
16 Coast side for temporary services, point of service No. 20
17 includes install and remove, are those the figures that
18 would be incurred under what's referred to under paragraph
19 5?

20 A Yes, if 20 had occurred. POS No. 20 was not
21 needed and that was just purely an estimate because Gulf
22 Power had included it in their figures, so we included it
23 in ours. But it never happened. It was not required.

24 Q But the 14,852, that is an actual expense
25 incurred by the Cooperative in installing and removing

1 these facilities we're talking about in paragraph 5?

2 A That's correct, at the time they were turned in.

3 Q Does that include any overhead?

4 A Pardon?

5 Q Does that figure include any overhead, do you
6 know?

7 A Yes, it does.

8 Q What percentage of that would you estimate to be
9 overhead? Is there a general rule of thumb?

10 A I can't answer that. That's an accounting
11 question.

12 Q Okay. In terms of labor, would that include
13 your labor costs in addition to overhead, or would your
14 labor be part of your overhead? Do you know?

15 A Again, that's an accounting question and that
16 would be for accounting department.

17 Q Roughly how much of a particular cost would be
18 labor and how much material on a given expense such as
19 this?

20 A I can't answer that based on just one lump
21 figure for several different services without seeing, you
22 know, more information that I don't have here.

23 Q You worked on this site, did you not? Were you
24 not supervising activities as they were on going during
25 construction?

1 A Yes, I was in supervisory control, yes.

2 Q Do you have any idea how many man hours of labor
3 would have been involved in the installation and removal
4 of these temporary facilities?

5 A Again, that's in accounting. I can't answer
6 that today.

7 Q Well, you were on the site. Did it take a day?
8 Did it take a week? Did it take a month? Just ballpark,
9 I'm not going to try to get you to give me a specific
10 exact answer. I know that's difficult to do without
11 looking at your labor records.

12 A I would say days. How many I have no way of
13 answering that today.

14 Q Do you know what charge per hour for labor Gulf
15 Coast Cooperative reflects in these amounts?

16 A No, I don't.

17 Q I would like to refer you to a document that I'm
18 going to ask be given a number for identification as an
19 exhibit. And this consists of responses that Gulf Coast
20 provided to Staff's Second Set of Interrogatories. And I
21 believe the answers I'm going to direct you to you were at
22 least jointly responsible for, but if I'm incorrect,
23 please correct me. I'm going to refer you specifically,
24 as soon as everyone has a copy, to the answer to question
25 11, your answer Ab.

1 A The answers A and B you're referring to on 11?

2 Q That's correct, and I'll wait until everyone has
3 their copy that they can read along with. This answer
4 shows an estimate for relocating or removing the Red Sapp
5 Road single-phase distribution line. And little b,,
6 subpart little b of the question, indicates that there was
7 an estimated 16 hours of labor at \$54.60 per hour.

8 A That's correct.

9 Q Would you think that that same hourly rate would
10 be appropriate for the calculation of a labor figure for
11 temporary services?

12 A I can't answer that. I'm not allowed to know
13 where those labor figures come from due to accounting, or
14 who makes what per hour. So I can only --

15 Q Does that sound reasonable for a labor figure?

16 A Yes, it would seem reasonable to me.

17 Q Who does perform the estimates for the costs
18 that you're going to incur in doing these kind of
19 activities?

20 A For labor?

21 Q For anything. For the amounts that are
22 indicated on your -- or Mr. Gordon's Exhibit 10, for
23 instance, who estimates those?

24 A Well, our -- we have a warehouse man and
25 material man process that has to be done, and the manager

1 of operations does the line crew labor, and any service --
2 the service supervisor does any of the service estimations
3 or figures, and underground -- our underground supervisor,
4 he does that, and the right of way. So there's a lot of
5 different people that play into those figures to come up
6 with a sum.

7 Q Do you review or have any review or approval
8 responsibility over the estimates that are prepared for a
9 project that you're working on?

10 A I don't believe this estimate was approved. It
11 was just an answer -- it was just an estimate to answer
12 this.

13 Q I understand. I'm not referring specifically to
14 this answer now. I'm just asking in general whether you
15 have any review or approval responsibility over estimates
16 that are prepared for projects that you're supervising.

17 A I accept them as they are.

18 Q But you do review them?

19 A Yes.

20 Q You are provided with that information?

21 A Yes.

22 Q You don't recall at this time though what the
23 estimate would have been for labor on the installation and
24 removal of the temporary services?

25 A No, there were too many. There's a lot there.

1 I don't have information to even begin to try to answer
2 that.

3 Q Who would have approved the final estimates for
4 the removal and installation of the temporary facilities?

5 A What do you mean who would approve?

6 Q Who would approve the expenditures that were
7 estimated for removal and installation of the temporary
8 facilities? I assume that someone --

9 A We didn't --

10 Q -- in the organization would have to estimate a
11 cost and someone else would have to sign off on that and
12 say, that looks reasonable or, no, I think we can do it
13 for less, or no, I think we need to spend more.

14 A We didn't, per se, do estimates on every single
15 location. We did -- we answered Staff and did an estimate
16 for this question.

17 Q Well, again, I'm not referring specifically --

18 A So we didn't have -- in other words we didn't
19 have a program where someone was responsible for approving
20 every temporary service estimate.

21 Q Well, I'm asking you in general, though, and
22 let's just talk about the prison site itself and the
23 construction of the facilities kind of as a whole. Can
24 you describe to me the process that the Cooperative takes
25 in budgeting costs and expenditures and approving those

1 costs and expenditures as reasonable for performing the
2 necessary construction?

3 A In the temporary fashion? Talking about for --

4 Q We can start --

5 A Well, it was designed and built. It was not --
6 there was not an estimate -- we didn't have to prepare an
7 estimate. It was designed and built and the answers in
8 these interrogatories are in many different places on the
9 site for many different types of service, and accounting
10 puts together a figure to answer the questions by.

11 Q Well, I guess I'm trying to get some feel for
12 the planning process. I think you state in your testimony
13 that you're partly -- part of your responsibility includes
14 planning. In planning a project, don't you try to
15 estimate or budget costs, and isn't there some goal of
16 staying close to those costs, or some responsibility that
17 someone in your organization has to look at those costs
18 and say, gee, I think to do a quality job we would have to
19 spend more than that, or no, that's way too high, you need
20 to go out and get bids?

21 A Again you're getting into the accounting
22 division. I'm responsible for designing, building,
23 serving and you get into accounting breakdown, and beyond
24 that, I account for what is there, and that's a question
25 for them. I can't answer that.

1 Q If you don't estimate your costs and have some
2 tracking system to follow those estimates, how can you
3 capture all of the costs spent on a project and include
4 that as a cost of service in this docket?

5 A Could you repeat that, please?

6 Q I'll try. If you do not have a procedure for
7 planning and estimating the costs that you intend to spend
8 on a project, how do you capture the actual costs that
9 were spent on that project in order to be able to report
10 those costs, for instance in this proceeding?

11 A Okay, these were actual figures. They came off
12 of -- they came from the accounting process and how much
13 it cost to do a particular line or build a complete --
14 construction of a particular line, those were actual
15 costs. We didn't estimate.

16 Q So you're telling me that it comes from, for
17 instance, what, invoices, time sheets of your employees?
18 Can you describe for me the documentation that that cost
19 would come from?

20 A Not exactly. It's the material and the labor and
21 the overhead factors and so on for the employees and --

22 Q But again for material, for example, you don't
23 have some procedure by which you say, gosh, it's costing
24 us a lot more for this material than we think it should,
25 and we need to go back, we're way over budget? There's

1 nothing like that in your organization that you know of,
2 for these services?

3 A I'm sure there is, but it's beyond me. I don't
4 do that.

5 Q So as the supervisor of this project, you're not
6 aware of a procedure by which someone would go back and
7 compare actual costs incurred to date and reevaluate what
8 you need to do or who you need to be getting your
9 materials from for instance?

10 A That's in another division. I'm not responsible
11 for that.

12 Q What do your responsibilities involve with
13 respect to this project?

14 A Seeing that the lines are built.

15 Q And you don't have any responsibility over the
16 cost of building those lines?

17 A Well, my responsibility of the cost would be as
18 far as whatever it cost to construct any given section of
19 line that those as-built costs would be for me to account
20 for by saying that that material was done and so on and
21 sign that sheet off and go on to accounting.

22 Q But a cost is not necessarily a cost? Wouldn't
23 you agree that you can perform the same function for any
24 number of different costs or prices, if you will? You can
25 get material for different prices; can you not?

1 A Yes, but I'm not involved in that. I don't have
2 to do a cost analysis on every job I do, or design, or my
3 people do.

4 Q I understand, and that essentially is my
5 question, what responsibility you have to keep the cost
6 down on your projects, if any?

7 A I just build it as economical as it can be built
8 and that's my responsibility, and that's the way it works.

9 Q Well, if you don't have any review of estimates
10 or any continuing approval or veto over expenses, how can
11 you guarantee that you're building them as economically as
12 they can be built if that's not within your area of
13 responsibility?

14 A We have in-stock material, et cetera, and we
15 design a job and call for different units, and these units
16 go together to build a job. I have no idea what those
17 components were purchased for.

18 Q Okay. (Pause) Okay, I would like to turn to the
19 next item that's discussed on what's been marked for
20 identification as Exhibit 18, the permanent power service,
21 and that's listed under paragraph B on the second page of
22 that exhibit. Under paragraph 3 of paragraph B, that
23 talks about the service to the staff housing; is that
24 right?

25 A That's right.

1 Q And it says that the service to staff housing
2 will be overhead primary along the entrance roadway with
3 underground service to a metering pedestal at the back of
4 each lot?

5 A That's right.

6 Q Is that how the service to the staff housing is
7 in fact being built?

8 A Yes.

9 Q I'm going to have a blowup of a map that was
10 provided to us, along with one of Gulf Coast's
11 interrogatories to Gulf Power Company, and it has a legend
12 on it indicating that it was prepared by William Bishop
13 Consulting Engineers, which I believe is the Department of
14 Corrections' consultant on this site; is that correct?

15 A They did the site plan, yes.

16 Q Does that appear to be map that you worked with
17 the consultant on in terms of providing temporary service
18 and permanent service and so forth?

19 A Yes, that looks like it.

20 Q I'm sorry, I'm going to have to get you to get
21 up again, and I'm also going to back up a little bit. If
22 you would, would you mind showing me where the facilities
23 are that we were talking about previously for overhead
24 primary line to service above-meter poles, that temporary
25 service that was going to be installed and relocated or

1 removed at no cost? Can you just point out to the
2 commissioners where that is or if it's identified by a
3 mark?

4 A You're asking for the temporary?

5 Q Yes.

6 A It would be 2 through 13.

7 Q And are those the items that are highlighted in
8 pink ink, for the benefit of the commissioners?

9 A Right.

10 Q We're just going to bring that map up a little
11 bit closer so the commissioners can see, if they can't
12 already, the pink highlighted areas where the points of
13 service are located.

14 Okay, and if you could remain up there, that is
15 a blowup of the section of the larger map which identifies
16 the staff housing. Does that appear to be correct?

17 A Yes, that looks like it.

18 Q I'm going to pass out a smaller version of that
19 same map that you'll be able to sit down and look at, and
20 you may want to come up and point at certain times in
21 order to describe what we're doing, but we do have a
22 smaller version of this map, and I would like to have this
23 document identified as an exhibit as well.

24 CHAIRMAN DEASON: Before I do that, let me ask,
25 did you want the interrogatories identified that you

1 handed out earlier?

2 MS. LILES: Yes, sir.

3 CHAIRMAN DEASON: That's Staff's Second Set,
4 selected interrogatories, that would be identified as
5 Exhibit No. 19, and the map which you are having passed
6 out presently will be identified as Exhibit No. 20.

7 (Exhibit Nos. 19 and 20 marked for
8 identification.)

9 Q (By Ms. Liles) That map reflects 27 lots for
10 staff housing; does it not?

11 A Yes.

12 Q Can you tell me where you are in terms of
13 constructing these service to the Staff housing?

14 A The overhead primary has been complete, and
15 that's about as far as I know of where it stands right
16 now. I understand just before I left there were a little
17 bit of changes within the lots.

18 Q The underground service, has that been -- has
19 that begun? Have you begun installing that yet? Have you
20 not yet begun installing that?

21 A I couldn't answer that today. I know some of it
22 has.

23 Q Some of it has. Do you happen to know whether
24 the amounts listed on Mr. Gordon's Exhibit 10 for staff
25 housing include estimated costs for that underground

1 service?

2 A Would you repeat the question again, please?

3 Q Do you know if the figure listed on Mr. Gordon's
4 Exhibit 10 -- and for the record that's \$14,128.60 for
5 staff housing -- is part of that an estimated figure for
6 completing the underground service to these lots?

7 A Let me look in my -- I believe that would be
8 costs incurred at the time. I think that's the way we
9 answered it, at the time we answered the interrog.

10 Q So that would not include any estimated costs
11 for completing the underground service?

12 A I don't believe there was.

13 Q Can you step up to the map again and show me
14 where the overhead and where the underground service is or
15 is going to be?

16 A The overhead would be --

17 CHAIRMAN DEASON: Mr. Dykes, you're going to
18 need to try to get that microphone --

19 WITNESS DYKES: The overhead is going to be down
20 the main entrance road and down to the superintendent's
21 house. The undergrounds are service laterals.

22 Q (By Ms. Liles) And I'm not an engineer, so
23 you're going to have to bear with me. Is there going to
24 be a separate underground cable for each lot then?

25 A I don't have that design with me today. I can't

1 answer that.

2 Q Let me ask you this, and maybe it will refresh
3 your recollection, and maybe it won't. It says in
4 paragraph B3 of Exhibit 18 that underground service will
5 be provided to a metering pedestal at the back of each
6 lot. Does that mean there's going to be a separate
7 underground cable for each lot, or would you somehow have
8 a number of lots on one cable with separate metering
9 points?

10 A I'm sorry, I would have to see that design. I
11 don't have that with me today. I can't answer that.

12 Q If the service was provided as stated in this
13 letter, "underground service to a metering pedestal at the
14 back of each lot," would that require a separate cable for
15 each lot?

16 A Not necessarily.

17 Q Okay. How many --

18 A Depending on the design.

19 Q Well, let me just ask you then from your
20 experience in this and from working on the site, just some
21 specific questions about how you would provide this
22 service. Approximately how many feet of overhead line
23 would you have to install along the service road that goes
24 between the parallel lots and towards the superintendent's
25 house?

1 A I don't recall the frontage on those lots, or
2 distances. None of that is on this map here.

3 Q Well, can you just tell me how many length of
4 feet it is, from, say, the entrance road beyond Lot 1 to
5 the superintendent's house, approximately?

6 A I can't begin to guess. I don't have the scale
7 or any method of doing that.

8 Q We're going to attempt to locate a scale on the
9 large version of that map to help you make that
10 estimation. According to that map, one inch is 200 feet.
11 I know you can't tell from the blowup, and I'm trying to
12 tell -- (pause) The large map that was sent to us was
13 represented as the original map and the scale appears to
14 be as stated. If you could look at that original map, and
15 based on that scale, tell me approximately how many feet
16 of overhead you would need for that entrance road.

17 (Pause)

18 A It's not exactly a straight line and I would
19 need a scale rule to answer that.

20 Q Can you give me an approximation, a range?

21 A Just a guess would be 1400 feet.

22 Q 1400 feet. Do you happen to know the cost per
23 foot of overhead line, approximately?

24 A Not off the top of my head, no.

25 Q Average? A range?

1 A No.

2 Q A dollar, more than a dollar?

3 A Oh, it's more than a dollar.

4 Q More than \$50 a foot?

5 A I can't answer that. I don't have that figure.

6 Q You don't know if it's more or less than \$50 a
7 foot for overhead line?

8 A I can't answer that figure.

9 Q Would you accept the distance of 1,360 feet as
10 being reasonable for the amount of overhead line that
11 would be needed? Does that sound --

12 A Would you repeat that, please?

13 Q 1,360 feet, would you accept that as a
14 reasonable figure for the length of line you would need to
15 serve that entrance road?

16 A I would not, until I put a scale on it, I would
17 not.

18 Q You can't tell me whether that's even close? It
19 might be more, it might be less?

20 A It looked like it was more to me, but I won't
21 commit to that.

22 Q Can you tell me approximately -- well, from your
23 experience on the site, how many overhead poles you're
24 going to need to install that overhead service?

25 A I would need the sheet, the staking sheet on

1 it. I don't have that, so I can't answer that question.

2 Q You don't recall or you don't know?

3 A Not in my memory, I do not.

4 Q If it was approximately 1400 feet -- and I'm not
5 saying that it is -- but if you would accept a line that
6 was 1400 feet, say how many poles would you need to
7 support overhead lines?

8 A I do not know.

9 Q Would you accept that seven poles would be
10 reasonable?

11 A No, I wouldn't. I do not know and could not
12 agree to that.

13 Q Well, you're the engineer in charge -- or the
14 site superintendent in charge of this project. You don't
15 have any idea whether seven would be more or less than
16 would be reasonable to serve the staff housing lots?

17 A The poles that were designed to go in there were
18 not hinged on any distance. There were other factors
19 involved. I would have to see those staking sheets.

20 Q What other factors would be involved?

21 A The locations of the property lines, and just
22 different factors, about the geographical layout of the
23 housing area.

24 Q Is a 200-foot span between poles reasonable in
25 your service area?

1 A Yes.

2 Q Would you go -- how much would you go beyond a
3 200-foot span and think that you were being prudent in
4 placing your poles?

5 A Yeah, we could go beyond 200 feet.

6 Q How far, 400?

7 A 350 is our maximum.

8 Q 350 is your maximum. Do you typically install
9 lightning arrestors on your overhead lines?

10 A Yes, we do.

11 Q Do you know how many lightning arrestors you
12 would need to install this service?

13 A Generally we're probably trying to install an
14 arrestor every quarter of a mile. That's the rule.

15 Q Do you know the approximate cost of a lightning
16 arrestor?

17 A No, I don't.

18 Q Do you know if the cost of those lightning
19 arrestors are included in the cost of service figure
20 listed on Mr. Gordon's Exhibit 10?

21 A I do not have this cost breakdown. I cannot
22 answer that.

23 Q So you don't know whether they are or not?

24 A I don't know.

25 Q How many overhead transformers would you need

1 for that service?

2 A Would you please be more specific with that?

3 Q I'm afraid I'm not going to be able to. Can you
4 just tell me how many transformers you would need to
5 provide the overhead service that you described as going
6 from that entrance road to the superintendent's house?

7 A Not without the drawing, the sheet. I am not
8 able to answer that.

9 Q More than one?

10 A It would be more than one.

11 Q How expensive is a transformer?

12 A I don't have that figure.

13 Q They're pretty expensive, though, aren't they?

14 A That would be -- that would depend.

15 Q Within the \$500,000 range?

16 A It would depend on the transformer. There's
17 some transformers that could cost that much. (Pause)

18 Q I asked you a few minutes ago whether you knew
19 whether an underground cable would be necessary for each
20 lot, and I think you stated that you wouldn't know without
21 looking at some other documents that you don't have in
22 front of you now. So you don't know to any degree of
23 certainty how much underground cable would be required to
24 provide the service to these lots?

25 A No, I do not, not without the drawings.

1 Q But the underground service hasn't been
2 completed?

3 A That's my understanding, that it is not complete
4 at this time and some changes are being made.

5 Q For the underground service, do you run conduits
6 down the pole and all the way up to the point at the back
7 of the house, typically?

8 A I would have to see the design. It's done both
9 ways. There's conduits and rider shields and a number of
10 factors involved.

11 Q The Cooperative doesn't have a general practice
12 of doing it one way or another?

13 A I think we're going all in conduit these days.

14 Q So the work that you would be performing with
15 respect to this particular project would be more than
16 likely conduit, based on your practice?

17 A Correct. However, it's not necessary. We do
18 have direct burial cables, can be directly buried.

19 Q Is conduit more expensive than direct burial
20 cable?

21 A I can't relate to expenses. I don't have any
22 information to base an answer on.

23 Q You don't know whether one is more expensive
24 than the other?

25 A I don't know.

1 Q I'm not asking you for a difference; I'm just
2 asking you does one cost more, in general?

3 A I can't answer that, not without something to
4 base it on.

5 Q Do you put the cable in conduit?

6 A I understand we're doing it that way now. I'm
7 saying that you can either put it in a conduit or directly
8 bury it.

9 Q So when you use a conduit, you do put the cable
10 in the conduit to perform that installation?

11 A Yes.

12 Q Do you use the same cable in both instances, the
13 same type of cable?

14 A The type of the -- that would be an answer for
15 an underground supervisor.

16 Q Well, there's no underground supervisor
17 testifying in this docket, I don't believe, and you're the
18 supervisor for this project. You couldn't give us an
19 answer to that question?

20 A I do not specify the cable. He does. That
21 would be an answer for him.

22 Q But you don't know whether the type of cable is
23 the same whether you use a conduit or not?

24 A I can't answer that. He would have to.

25 Q Do you know if underground installation is

1 generally more expensive than overhead service?

2 A I believe it is.

3 Q Bear with me just a minute. I'm trying to
4 coordinate so hopefully we don't take any longer than
5 necessary.

6 If you will, turn the page over to paragraph 6
7 on the last page of what's been marked as Exhibit 18,
8 "Electric Cooperative representatives" -- and that would
9 be you at this particular meeting -- "stated that there
10 would be 'no' impact fee or charge for re-routing the
11 electric service on 279." Does that refer to the
12 relocation of the Red Sapp Road line?

13 A Yes, it does.

14 Q I think it's clearer on some other maps that
15 we've used, but since we've been using this one so far,
16 could you show me generally where the Red Sapp Road line
17 was and what you had to do to remove and relocate it?

18 A Yes. Basically, the Red Sapp Road line cut
19 across the part of the complex west to east, east to west,
20 and Lake McDaniel line in a north/south direction, up to
21 Lake McDaniel, to two services up that way, and as you can
22 see, it just about catches a little bit of everything
23 there. We had to relocate those lines from within --
24 ultimately within the site itself around 279 and connect
25 on to a point on 279 to further serve our consumers to the

1 north.

2 Q All right, let me refer you to -- I'm sorry, I'm
3 through with the map. If you are, you can sit back down
4 now. Page 7, Line 1 of your testimony.

5 A Would you repeat, please?

6 Q Page 7, Line 1.

7 A Of my direct testimony?

8 Q Yes, sir. I believe in that general discussion
9 of the subject matter, you referred to the relocation of
10 that single-phase line along 279 and the upgrading to
11 three-phase service; is that correct?

12 A Let me read that, please.

13 Q Certainly. (Pause)

14 A That refers to the cost differential in the
15 relocation. That refers to the cost differential. The
16 \$14,582.54 was the added cost for three-phase along that
17 portion of construction.

18 Q On the line I just referred you to, you say
19 "what it would cost us or any power supplier to relocate
20 our single-phase service and the additional cost to make
21 the line three phase." What would any other power
22 supplier pay for you to upgrade a single-phase to a
23 three-phase if not to serve the Department of Corrections?

24 A I have no way of knowing what they would charge.

25 Q Well, you would not have otherwise needed to

1 upgrade the Red Sapp Road line to three-phase service if
2 not for Department of Corrections' requirements; is that
3 correct?

4 A Right. We had to serve the facility, so we had
5 to do it then and there, yes.

6 Q Okay.

7 CHAIRMAN DEASON: Mr. Dykes, let me ask you a
8 question on that testimony on Page 6 and 7, bottom of Page
9 6 and top of Page 7. That \$14,582 is the difference
10 between the cost of relocating the line and the
11 construction of the three-phase line along Highway 279?

12 WITNESS DYKES: Well, that cost, if I
13 understand -- the \$14,582.54 was the cost for the
14 additional phases along 279 down to the staff entrance
15 road.

16 CHAIRMAN DEASON: The 14,000 is simply the cost
17 of placing a three-phase line along Highway 279?

18 WITNESS DYKES: Yes.

19 CHAIRMAN DEASON: What do you mean when you say,
20 "The cost to relocate the Red Sapp line was calculated on
21 the difference between what it would cost us or any power
22 supplier to relocate our single-phase service and the
23 additional cost to make the line three phase for DOC's
24 requirements"?

25 WITNESS DYKES: That would be the cost of the

1 single-phase line, relocating the Red Sapp line to tie
2 back in on the highway to serve our people beyond the
3 relocated cost.

4 CHAIRMAN DEASON: Okay.

5 Q (By Ms. Liles) Mr. Dykes, I handed you earlier
6 some answers to interrogatories and they were marked, I
7 believe, for identification as Exhibit 19 and --

8 A I didn't get them. I don't have those.

9 Q I'm sorry, I'm ahead of myself. I would like to
10 hand you a copy of that and ask that it be marked for
11 identification, and it will not be Exhibit 19, it will be
12 something else. (Pause)

13 Well, now, I'm having to retract my earlier
14 statement. We did pass it out and I do have it marked as
15 Exhibit 19. I'm sorry you don't have a copy. We'll be
16 glad to provide you with another one.

17 A Sorry.

18 Q I would just like to point out in response to
19 the commissioner's question and ask you whether it's
20 accurate that subparagraph Ac of your answer to question
21 12 indicates the total of the single-phase relocation and
22 three-phase upgrade of Red Sapp Road?

23 A No, that is not an upgrade, no, that's not
24 correct.

25 Q What's incorrect about that?

1 A That \$14,582.54, as I stated, is a cost
2 differential. That's the cost for the added three-phase
3 portion of that line.

4 Q Right, but the total of the relocation and
5 upgrade it says in here, this answer that was provided by
6 you and Mr. Gordon, was \$51,579.28. And you do refer to
7 an incremental cost in the next paragraph. That's --

8 A Oh, Ac, I'm sorry. I was in the wrong place.
9 Yes, that would be correct.

10 Q Now, if you had not been selected to serve the
11 prison and had just removed the Red Sapp Road line, would
12 the customers being served off that line have been left
13 without service?

14 A Yes, they would.

15 Q If you would look at your answer to question 14
16 in that same exhibit, I believe the narrative I'm going to
17 refer to appears on Page 6. That answer states that you
18 could not simply remove it and still provide the quality
19 of service. And I believe it goes on to state that they
20 can still be served from the other side of the loop
21 service.

22 A They could. However, it would be a poor way of
23 serving it. You're talking miles and miles, I believe,
24 13, 14, 15 miles to serve back around. That's not very
25 reliable. Why do that when you could serve a mile from

1 your source or so.

2 Q So your previous answer was not they could not
3 be served, but they could not be served as reliably?

4 A They could not be served at all. We had an open
5 place in the line north of that complex on 279. They
6 would have been out if we would have had to just simply
7 take the Red Sapp line out.

8 Q So your answer to question 14 is incorrect?

9 A Let me read 14. (Pause) I believe what you're
10 asking there, 14a is the number of customers above that
11 would have been out, out of service, and the annual
12 revenues for those would have been \$67.60, and cost of
13 this relocation would have been \$36,996.74, and the
14 location was Highway 77 from Red Sapp Road to Roche Road.

15 Q But the narrative that follows, those subparts
16 says that those customers could be served from the other
17 side of the loop service. Are you telling me that there
18 was an open place somewhere that would have had to be
19 corrected for them to be served from the other side of the
20 loop service?

21 A Yes, a portion of that. There was an open place
22 somewhere, about halfway to Roche Road, I do believe.
23 Those people would have been out.

24 Q What would you have had to do to fix that open
25 place, so to speak?

1 A Well, since then it has been fixed. We pulled a
2 piece of primary wire across there and tied it back.

3 Q What do you mean by "open space"? What is that
4 exactly?

5 A Well, a storm had come through and blown that
6 down and it had never gotten repaired or had been -- it's
7 one of those things that had just been put on the back
8 burner, and there was an open place in the primary
9 conductor that serves up Highway 279.

10 Q And that's been repaired since that time?

11 A Yes, it has.

12 Q So as of today you could be serving those
13 customers from that end of the loop?

14 A We would not ever elect to serve from the loop
15 that you're describing, the long way, no.

16 Q Okay.

17 CHAIRMAN DEASON: Mr. Dykes, that answer to
18 Interrogatory 14 where it states that the average annual
19 revenue is \$67.60 per customer?

20 WITNESS DYKES: Yes.

21 CHAIRMAN DEASON: That's less than \$6 a month.

22 WITNESS DYKES: I can't really validate that 14b
23 answer. I don't have those calculations.

24 CHAIRMAN DEASON: Your customer charge is
25 probably that much per month; is it not?

1 WITNESS DYKES: Yes, sir, it's \$7 per month.

2 CHAIRMAN DEASON: Do you think that may be an
3 average monthly revenue? I'm just curious as to how --

4 WITNESS DYKES: That must be a typo. I can't --
5 I can't back that up as being an average annual of \$67.60
6 per customer.

7 CHAIRMAN DEASON: If it were, you would be the
8 envy of your -- your conservation program would be the
9 envy of everyone.

10 WITNESS DYKES: It would be very effective.

11 Q (By Ms. Liles) Let me ask you a question
12 about -- again, going back to the Staff housing that we
13 were talking about earlier. Do you have any street
14 lighting along that main entrance road there in front of
15 the street -- in front of the staff housing?

16 A It is in the design to be there. I don't have
17 the information to say whether it's there today or not,
18 but it's in the design.

19 Q You don't know whether it's been completed or
20 not?

21 A That's exactly right.

22 Q Do you know whether the estimated cost of
23 completion would be included in Mr. Gordon's Exhibit 10?

24 A I believe that is in there.

25 Q You believe it is, but you don't know?

1 A I'm pretty sure that that street lighting cost
2 is in there.

3 Q Let me just ask you one more question, and I'm
4 pretty sure this will be the last question. If I could
5 find the reference in your testimony, I think we can wrap
6 this up. If you would refer to Page 3, beginning at Line
7 10 of your testimony, you state that Gulf Coast has
8 maintained service on the site itself since approximately
9 1950?

10 A That's my understanding.

11 Q You don't actually serve a customer at the site
12 of the prison itself; you have not done that before now,
13 have you? You've just had service facilities located
14 across the property to serve other customers in the area?

15 A No, we served it on the site at Lake McDaniel.
16 We have two accounts up there.

17 Q By "up there," you mean on the site of the
18 prison?

19 A What is now the prison site, yes, on the Lake
20 McDaniel tap that was there.

21 Q Can you show me on -- let's see if we can get to
22 it from one of your -- the maps attached to your exhibit,
23 or attached to your prefiled testimony.

24 A I believe I can show you on your map here.

25 Q That's fine.

1 A It's in the -- be in the general area of right
2 in here (indicating).

3 Q Well, that is beyond the dotted lines that
4 represent the site of the prison.

5 A They have since -- since that has been drawn,
6 they have purchased that, the DOC, it's my understanding.

7 Q Okay, but according to the original plans and
8 drawings of the prison site as it's reflected on this map,
9 you have not provided service to that site prior to
10 providing it to the Department of Corrections?

11 A No. There was more services on there. I
12 believe Mr. Archie W. Gordon can address that for you and
13 validate that.

14 Q Well, you refer to it in your testimony, but all
15 you seem to refer to is customers beyond the site off of
16 Red Sapp Road.

17 A There are customers beyond.

18 MS. LILES: I don't have anymore questions.

19 Thank you.

20 CHAIRMAN DEASON: How many questions do you have
21 for this witness?

22 MS. BROWN: Just two.

23 CHAIRMAN DEASON: Please proceed.

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CROSS EXAMINATION

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BY MS. BROWN:

Q Mr. Dykes, these are questions that I asked Mr. Norris and he deferred to you to answer. How many metered customers does Gulf Coast currently have within five miles of the intersection of Highway 279 including service to the prison?

A The number was 665 customers, the answer in the interrogatories. And I would have to add up the -- I would have to add up all the services at the prison. It would take a minute or two to try to even come to that.

Q Is that the current number of metered customers, or --

A That was the number at the time that we had filed those interrogatories, 665. That's not counting all the temporary services and services within the prison now.

Q Okay. Does Gulf Coast consider that the future electrical requirements in the vicinity of the correctional facility will be primarily residential requirements or industrial requirements?

A I would say they would be primarily rural/residential.

MS. BROWN: No further questions. Thank you.

CHAIRMAN DEASON: Commissioners? Redirect?

MR. HASWELL: Thank you, Mr. Chairman.

REDIRECT EXAMINATION

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BY MR. HASWELL:

Q Mr. Dykes, in referring to the exhibit identified as No. 18, the William M. Bishop letter which Ms. Liles had you refer to, did you have any other discussions with the Department of Corrections about service to the site other than that June 23rd, 1993 meeting?

A Yes, we did.

Q A lot more meetings?

A Yes.

Q Were all the costs that you have incurred to date disclosed on your answers to Staff interrogatories and Gulf Power's interrogatories at the time of your answer to those?

A Yes, at the time we answered those, those were costs that we had available.

Q And you're aware of -- do you have before you Mr. Gordon's Exhibit No. 10?

A Yes.

Q Are all the costs that the Cooperative has actually incurred shown on this exhibit?

A No. 20 did not occur. That was an estimate.

Q I'm sorry?

A POS-20, \$1,533.28.

1 Q Other than that estimate -- that's an estimate?

2 A That was an estimate because that service was
3 not needed.

4 Q But all the other costs have been incurred?

5 A Yes, they have.

6 Q Are there any costs that are left to be incurred
7 to complete this project to the DOC requirements?

8 A Yes, there is.

9 Q What are those?

10 A I don't have it. This project is still in the
11 middle of construction.

12 Q Is it a thousand dollars to finish it or 100,000
13 to finish it?

14 A It would be more than a thousand.

15 Q Less than 10-?

16 A I would be reluctant to say. I would have to
17 review that and look at that picture.

18 Q Did your costs shown on Gulf Coast's cost to
19 serve include the metering at the primary metering point?

20 A No, it did not.

21 Q Do you know what that cost is, estimated?

22 A I would estimate it at around 11,000 to \$12,000.

23 Q You're not an accountant, are you?

24 A No, I am not.

25 Q So this is in response to some of Mrs. Liles'

1 cross. You don't count the workers who are on the job and
2 what they're actually doing, do you?

3 A That's not my responsibility.

4 Q Do you handle the final billing for the project?

5 A That's not my responsibility.

6 Q Where did you come up with these cost figures?

7 A Well, they were compiled from the different
8 material sheets, labor sheets and accounting people for
9 all the different costs and given to me to submit in these
10 interrogs.

11 Q So you had other people gather this information
12 for you?

13 A Yes, we do.

14 Q To the best of your knowledge and information
15 you've captured all of the costs to perform the work
16 that's been done as of the date of filing this Exhibit
17 No. 10 except for this position No. 20?

18 A I believe so, yes.

19 Q But you don't know the details of all the
20 breakdown because you didn't memorize them?

21 A It's too much to memorize. No, I did not
22 memorize it.

23 Q Are we talking a lot of documents that you have
24 to review to come up with all these figures?

25 A Yes, many.

1 Q Would they fit in a file box like I've got back
2 here on this table?

3 A I doubt it.

4 Q It would take more, more space?

5 A I think so.

6 Q MR. HASWELL: I have no other questions.

7 CHAIRMAN DEASON: Exhibits?

8 MS. LILES: Gulf Power moves Exhibits 18, 19 and
9 20.

10 CHAIRMAN DEASON: Without objection, Exhibits 18
11 19 and 20.

12 MR. HASWELL: We move the exhibits attached to
13 Mr. Dykes' testimony.

14 CHAIRMAN DEASON: That would be Exhibit 17.
15 Without objection, Exhibit 17 is admitted.

16 MR. HASWELL: I'm sorry, which one was No. 20?

17 CHAIRMAN DEASON: The site map.

18 MS. LILES: This small version of the Staff
19 housing.

20 CHAIRMAN DEASON: Thank you, Mr. Dykes. We're
21 going to take a short recess. If you haven't already
22 eaten lunch, I suggest you do it during this short
23 recess. We will reconvene at 1:45.

24 (Exhibit Nos. 17, 18, 19 and 20 received into
25 evidence.)

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(Witness Dykes excused.)

* * *

(Recess)

(Transcript continued in sequence in Volume 4.)