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Matthew M. Childs, P.A.

July 28, 1997

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

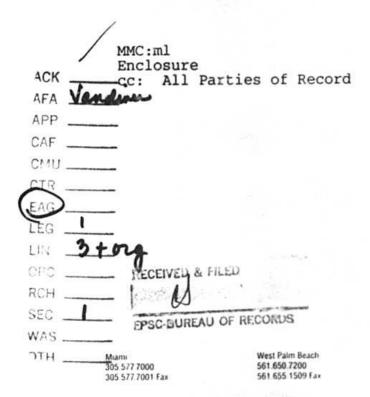
RE: DOCKET NO. 970001-BI

Dear Ms. Bayó:

Enclosed for filing please find the original and ten (12) copies Rebuttal Testimony of Mario Villar in the above referenced docket.

Very truly yours,

Matthew M. Childs, P.A.



DOCUMENT NUMBER-DATE



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1		BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
2		REBUTTAL TESTIMONY OF MARIO VILLAR
3		DOCKET NO. 970001-EI
4		JULY 28, 1997
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8	Q.	Please state your name and business address.
9	Α.	My name is Mario Villar and my business address is 9250 West Flagler Street,
10		Miami, Florida 33174.
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12	Q.	Are you the same Mario Villar who submitted testimony in this proceeding
13		on June 23, 1997?
14	Α.	Yes, I am.
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16	Q.	What is the purpose of your rebuttal testimony?
17	Α.	The purpose of my rebuttal testimony is to address Mr. Ballinger's suggestion
18		that the 80% / 20% sharing of the benefits of Schedule C sales between
19		customers and shareholders be eliminated.
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21	Q.	Could you please address your concerns regarding Mr. Ballinger's
22		suggestion that the sharing of Schedule C sales benefits between
23		customers and shareholders be eliminated?
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Yes. Mr. Ballinger's testimony introduces a new issue which had not been 1 A. previously identified in this proceeding: elimination of the sharing of benefits of 2 Schedule C sales. Mr. Ballinger goes through the history of the Broker and 3 moves from there to the present competitive environment as the major 4 justification for his proposal. He expresses concern that the benefits that were 5 once shared within the State are now transferred outside of Florida and 6 potentially across the nation through power marketers' participation in the 7 Broker. Finally, he states that the four large IOUs initially calculated buy and 8 sell quotes in a uniform fashion and therefore the 20% shareholder sharing 9 was equitable among the utilities. He appears to suggest that elimination of 10 that sharing is justified because each utility has a different interpretation of 11 what FERC Orders 888 and 889 require and because this creates a disparity 12 13 of benefits to the ratepayers.

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Mr. Ballinger's testimony does not answer the issue before the Commission, 15 which is how to treat the transmission revenues associated with Order 888. 16 Other than a conclusory statement, Mr. Ballinger does not idenuity any changes 17 in utilities' "calculated buy and sell quotes" from those that were provided to the 18 Broker prior to Order 888. Moreover, even if he were to identify any changes 19 that gave him concern, Mr. Ballinger does not explain how this makes the 80% 20 / 20% sharing of the benefits between customers and shareholders inequitable. 21 He fails to provide any justification for his proposed fix to his concern. 22 Elimination of the sharing of benefits with shareholders is not the answer. 23 While the pricing of Schedule C Broker sales is within the jurisdiction of the 24 FERC, this Commission has the prerogative to decide the regulatory treatment 25

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of the jurisdictional portion of those transmission revenues. To eliminate any perceived disparate treatment of benefits the Commission can require consistent treatment by all four IOUs.

With respect to increasing competition, Mr. Ballinger's approach may be 5 anathema to that regime. Competition is about companies doing the best they 6 can for their customers and shareholders. In the competitive market success 7 is judged by customer service and contributions to the bottom line. In Order 8 No. 12923, issued January 24, 1984, the Commission approved the 80/20 split 9 of the gain on economy sales as an incentive to preserve "current levels of 10 economy sales and may result in increased sales." The Commission found the 11 20% incentive "large enough to maximize the amount of economy sales and 12 provide a net benefit to the ratepayer." Mr. Ballinger never addresses the 13 benefits of the Broker or whether eliminating the sharing of the benefits will 14 lead to the elimination of such benefits. He has not provided any justification 15 for the Commission to depart from its conclusions in Order 12923. 16

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Removal of the shareholder incentive in a competitive market would send the 18 wrong signal as it would require companies to operate strictly on a cost 19 recovery pass-through basis for those sales. An approach that limits a seller 20 to recovery only of marginal costs will not encourage Broker sales that benefit 21 customers. Finally, Mr. Ballinger never explains why it is acceptable for parties 22 acting primarily for the benefit of their shareholders (e.g., marketers) and who 23 have the incentive and the opportunity to transfer those benefits outside the 24 State, to contribute 100% of their share of Broker benefits to their 25

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shareholders, but it is not acceptable for Florida's utilities to share those
benefits with their customers on an 80% / 20% basis. The Commission should
at least retain the current sharing of the benefits of Scheoule C sales to
preserve and encourage the entrepreneurial, competitive spirit required in this
market.

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- 7 Q. Does this conclude your testimony?
- 8 A. Yes, it does.

CERTIFICATE OF SERVICE DOCKET NO. 970001-EI

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

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