

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint petition for approval of new territorial agreement between Florida Power & Light Company and Jacksonville Electric Authority.

DOCKET NO. 980755-EU
ORDER NO. PSC-98-1667-FOF-EU
ISSUED: DECEMBER 14, 1998

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING NEW TERRITORIAL AGREEMENT BETWEEN
FLORIDA POWER & LIGHT COMPANY AND JACKSONVILLE ELECTRIC AUTHORITY
AND PROPOSED TRANSITIONAL TARIFF

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On June 15, 1998, Jacksonville Electric Authority (JEA) and Florida Power and Light Company (FPL) filed a Joint Petition to Approve a New Territorial Agreement Between the Two Utilities. Attached to this Order as Attachment A is the new territorial agreement which is incorporated herein by reference. On August 6, 1998, a town hall meeting, called by the St. Johns County Commission, was held in Switzerland, Florida. At this meeting, FPL offered to amend the territorial agreement to allow transferred customers in St. Johns County to pay the lower of JEA's rates or FPL's rates for a period of three years. FPL further stated that customers could lower their electric bills even more if they signed up for load management control.

DOCUMENT NUMBER-DATE

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PSC-RECORDS/REPORTING

I. THE PROPOSED TERRITORIAL AGREEMENT AS AMENDED

The territorial agreement provides for the transfer of 3,561 customers between FPL and JEA. FPL will transfer 1,755 customer accounts to JEA of which 1,490 will be residential, 246 commercial, 3 industrial, and 16 other. JEA will transfer 1,806 customer accounts to FPL of which 1,664 will be residential, and 142 will be commercial. In accordance with Section 3.7 of the agreement, each of the transferred customers will be refunded or credited on their final bill their deposit from their respective utility. The receiving utility will then bill the customer for a new deposit, if any, in an amount no greater than that required by the transferring utility. The customer will be allowed to make up to three equal payments over three months to meet the deposit requirements of the receiving utility.

The distribution facilities of either party and the identified customer accounts will be transferred to the appropriate party within three years of the Commission's final order approving the territorial agreement.

Section 3.10 of the agreement provides that, in the case of exceptional circumstances, economic constraints, or good engineering practices, it may be necessary, upon written request, to provide interim service to a new customer whose end use facilities are located within the other party's territory. If the temporary service lasts, or is expected to last for more than three years, the parties will seek formal approval of the service from the Commission.

The agreement provides that it shall remain in effect until the Commission modifies or withdraws its approval after proper notice and hearing.

On August 13, 1998, FPL and JEA filed a joint motion to amend the agreement. This amendment proposes a transitional rate for those customers being transferred from JEA to FPL. FPL proposes to amend its tariffs to include the St. Johns Transitional Rider (SJT). The rider provides that JEA customers who are transferred to FPL will pay the lower of JEA's applicable rates or FPL's applicable rates for a period of three years from the date that the last customer is transferred to FPL. Because this was a separate tariff filing in this docket, FPL waived the 60 day tariff suspension period. This amendment is included in the Order as Attachment B and is incorporated by reference herein.

On August 21, 1998, FPL and JEA filed a second amendment with respect to Exhibit "E" of the proposed territorial agreement. This amendment modifies language regarding the transfer or conveyance of the Steelbald Substation addressed in Section 3.5 of the territorial agreement. This amendment is included in the Order as Attachment C and is incorporated by reference herein.

II. LEGAL AUTHORITY

Section 366.04(2)(d), Florida Statutes, grants the Commission authority to approve territorial agreements between and among rural electric cooperatives, municipal electric utilities, and other electric utilities under its jurisdiction. Rule 25-6.0440(2), Florida Administrative Code, describes the standards for approval of territorial agreements as follows:

(2) Standards for Approval. In approving territorial agreements, the Commission may consider, but not be limited to consideration of:

- (a) the reasonableness of the purchase price of any facilities being transferred;
- (b) the reasonable likelihood that the agreement, in and of itself, will not cause a decrease in the reliability of electrical service to the existing or future ratepayers of any utility party to the agreement; and
- (c) the reasonable likelihood that the agreement will eliminate existing or potential uneconomic duplication of facilities.

The above standards were adopted to ensure that the general body of ratepayers is not harmed by the approval of territorial agreements. Each of these standards relative to this territorial agreement will be individually addressed.

It should be noted that Utilities Comm'n of the City of New Smyrna Beach v. Florida Public Service Comm'n, 469 So. 2d 731, 732 (Fla. 1985), held that "[t]he PSC should base its approval decision on the effect the territorial agreement will have on all affected customers in the formerly disputed territory, not just whether transferred customers will benefit." The Florida Supreme Court went on to state that "[f]or PSC approval, any customer transfer in

a proposed territorial agreement must not harm the public" (at 733). Storey v. Mayo, 217 So. 2d 304 (Fla. 1968) held that "[a]n individual has no organic, economic or political right to service by a particular utility merely because he deems it advantageous to himself." (307, 308). When read in conjunction with Storey, City of New Smyrna Beach announces that, for Commission approval, the agreement as a whole may not contain any detriment to the public. (at 733) It is with this standard as articulated by the Florida Supreme Court in mind that we address the requirements for approving territorial agreements.

III. ANALYSIS OF THE PROPOSED AGREEMENT

A. Reasonableness of the Purchase Price of Transferred Facilities

As previously mentioned, the distribution facilities and the identified customer accounts to be transferred under the agreement will be completed within three years of the Commission's final order approving the territorial agreement. All required distribution feeders or portion of feeders (including easements and rights-of-way) to accomplish the transfer of customers will be sold at net book value. Net book value is defined as original cost less depreciation, or in the case of real property, the original acquisition cost.

In addition to the distribution facilities, FPL will sell to JEA, at net book value, its Steelbald Substation. FPL also grants JEA the option to purchase the southernmost portion of its Duval to Steelbald Transmission right-of-way at net book value. This option must be exercised by JEA within one year of final approval of the territorial agreement.

We believe that establishing the purchase price of the facilities to be transferred at net book value appears to be reasonable. The proposed territorial agreement provides for the transfer of 3,561 customers between FPL and JEA. FPL will transfer 1,755 customer accounts to JEA and JEA will transfer 1,806 customer accounts to FPL. FPL's total base revenues associated with the 1,755 customers to be transferred to JEA is approximately \$5.3 million. JEA's total base revenues associated with the 1,806 customer accounts to be transferred to FPL is approximately \$1.6 million.

JEA has indicated that the net book value of the distribution facilities that will be purchased by FPL to effect the transfer of customers in St. Johns County is approximately \$1.4 million. Additionally, FPL estimates it will need to spend approximately \$3.6 million (\$2.8 million in capital and \$.8 million in operations and maintenance expenses) to construct and operate the necessary facilities to serve the transferred customers in St. Johns County. To serve its new customers in St. Johns County, FPL will expend approximately \$5 million to receive base revenues of approximately \$1.6 million. On the other hand, FPL will be giving up potentially \$5.3 million in annual revenues and receiving an estimated \$4.2 million for its Steelbald Substation and the distribution facilities in Duval County to be sold to JEA. Thus, FPL will forego substantial revenues and incur substantial costs to acquire an area in St. Johns County that is being adequately served by JEA.

However, FPL provided a cost-effectiveness analysis of the proposed agreement. This analysis compared the effect of new and lost revenues to costs incurred and avoided as a result of the customer transfer using the Rate Impact Measure (RIM) test. Though this test is more commonly used to evaluate demand-side management programs, in this instance it allowed an analysis which took more into consideration than current rate discrepancies and net book value of electrical equipment. Based on extensions of actual customer usage characteristics and projected generation expenses, FPL found that the proposed agreement is expected to provide somewhere between no impact and a marginal benefit to its general body of ratepayers. RIM values ranged from 1.00 to 1.07.

Upon consideration, we find that the purchase price as discussed above is reasonable and comports with Rule 25-6.0440(2)(a), Florida Administrative Code.

B. Reliability of Electrical Service

In analyzing the question of reliability, we requested information from FPL and JEA regarding the total number of customers served, the total number of service interruptions, and the average length of service interruptions experienced for both Duval and St. Johns County. Following is a table depicting the information received:

| County | Duval | | St. Johns | |
|---|-------|---------|-----------|-------|
| | FPL | JEA | FPL | JEA |
| Number of Current Customers | 1,732 | 335,400 | 40,642 | 6,082 |
| Number of Service Interruptions | 107 | 6,054 | 1,440 | 163 |
| Average Length of Service Interruptions (Minutes) | 120 | 171 | 132 | 142 |
| Number of Interruptions Per Customer | .06 | .02 | .04 | .03 |

Based on the above data, it appears that the frequency and duration of service interruptions relative to the number of customers served by each company in both counties is essentially comparable. It does not appear that the reliability of service to transferred customers will decrease. Thus, we find that the proposed agreement complies with Rule 25-6.0440(2)(b), Florida Administrative Code, and will not cause a decrease in the reliability of electrical service to the existing or future ratepayers of any utility party to the agreement.

C. Elimination of Existing or Potential Uneconomic Duplication of Facilities

FPL and JEA were asked to provide a description of facilities which either do or may uneconomically duplicate the facilities of the other utility in Duval and St. Johns County. JEA responded that, in Duval County, it has a number of facilities in the western part of the county and is building and/or acquiring other facilities in that area of its service territory. JEA also has recently acquired a substation and has plans to build a generating plant in this area. JEA asserts it could easily absorb and serve FPL's service territory in western Duval County. FPL indicated that as load grows in the eastern portion of FPL's service territory in Duval County, it would be required to build a new substation. In St. Johns County, the current and potential uneconomic duplication of facilities identified by both JEA and FPL is approximately 2.4 miles of existing single phase line on State Road 210 and the eventual upgrade of this line to three phase by FPL. JEA has distribution facilities located on the opposite side of State Road 210.

If JEA has acquired a substation in Duval County and is planning to build a generation plant, the action is being done to meet the current and future electrical needs of its service territory as it currently exists. The establishment of territorial boundaries is intended to define service territories to allow each utility to plan for growth and construct or acquire the facilities necessary to provide reliable electric service within those service areas. Thus, we find that the proposed agreement comports with Rule 25-6.0440(2)(c), Florida Administrative Code, and will eliminate existing or potential uneconomic duplication of facilities.

D. Customer Notification

Rule 25-6.0440(1)(d), Florida Administrative Code, requires, in part, that customers affected by a proposed territorial agreement be contacted and any difference in rates between the two utilities be explained. Customer notifications were mailed to those customers in Duval and St. Johns Counties affected by the proposed agreement. The utilities also are required to provide information with respect to the degree of acceptance by affected customers, i.e., the number in favor of and those opposed to the transfer. FPL mailed notifications to its customers in Duval County on June 18, 1998 and June 29, 1998. FPL has indicated it received 29 customer contacts, 20 expressing support for the territorial agreement and 9 opposed to the territorial agreement. JEA mailed notification to its customers in St. Johns County on June 19, 1998, resulting in 11 customer contacts, all of whom were opposed to the territorial agreement. Given this notice and customer input, we find that the petitions have met the requirements of Rule 25-6.0440(1)(d) and (e), Florida Administrative Code.

E. Rates

Following is a comparison of rates between FPL and JEA, rounded to the nearest dollar:

| KWH/Month Usage | Residential Monthly Bill | | KWH/Month Usage | Residential Monthly Bill | |
|-----------------|--------------------------|-------|-----------------|--------------------------|-------|
| | FPL | JEA | | FPL | JEA |
| 250 | \$22 | \$22 | 1750 | \$133 | \$118 |
| 500 | \$39 | \$38 | 2000 | \$152 | \$134 |
| 750 | \$56 | \$54 | 2250 | \$171 | \$150 |
| 1000 | \$75 | \$70 | 2500 | \$191 | \$166 |
| 1250 | \$94 | \$86 | 2750 | \$209 | \$182 |
| 1500 | \$114 | \$102 | 3000 | \$229 | \$198 |

As offered at the St. Johns County town hall meeting, FPL and JEA filed a joint motion to amend the proposed territorial agreement in which FPL proposed to amend its tariffs by the adoption of the St. Johns Transitional Rider (SJT). As previously mentioned, the rider, as proposed originally, would ensure that JEA customers who are transferred to FPL will pay the lower of JEA's applicable rates or FPL's applicable rates for a period of three years from the date that the last customer is transferred to FPL. FPL verbally amended its tariff filing at the November 17, 1998, Agenda Conference to allow customers who were transferred from JEA to FPL to have their rates frozen at the lower of the JEA or FPL rate for a period of five years after the transfer of the last customer from JEA to FPL. This five year rate freeze applies only to existing customers. In addition, these transferred customers may exercise their option to participate in FPL's load management program. According to FPL, the customer who chooses to participate in this program could have even lower bills under the transitional rates than what the bills would have been had the customer still received service from JEA. With the current rate difference, roughly one-half of the transferred customers will have lower bills if they opt for load management.

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IV. CONCLUSION

Based on the foregoing, we find the amended agreement, taken as a whole, does not contain any detriment to the public. Therefore, we approve the amended agreement. However, we are concerned with the reliability issues raised by customers who attended the November 17, 1998, Agenda Conference. Accordingly, we will monitor reliability in the areas transferred to FPL by JEA in St. Johns County, and will take further action if it is determined to be appropriate.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Joint Petition for Approval of New Territorial Agreement Between Florida Power & Light Company and Jacksonville Electric Authority, as amended, is approved. It is further

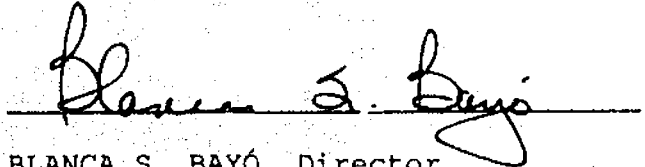
ORDERED that the Saint Johns Transitional Rider tariff filing, as amended, is approved, effective the date that this Order becomes final. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

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By ORDER of the Florida Public Service Commission this 14th
day of December, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

LJP/GAJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 4, 1999.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date.

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Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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**TERRITORIAL AGREEMENT
BETWEEN
FLORIDA POWER & LIGHT COMPANY
AND
JACKSONVILLE ELECTRIC AUTHORITY**

Section 0.1 Territorial Agreement - This is a Territorial Agreement made and entered into by and between FLORIDA POWER & LIGHT COMPANY, a corporation organized and existing under the laws of the State of Florida ("COMPANY"), and JACKSONVILLE ELECTRIC AUTHORITY ("AUTHORITY") for the express purpose of seeking an Order of the Florida Public Service Commission adopting the following recommended Territorial Agreement;

Section 0.2 WHEREAS, the COMPANY, by virtue of its Charter and the laws of the State of Florida, is authorized and empowered to furnish electricity and power to persons, firms and corporations throughout the State of Florida and pursuant to such authority presently furnishes electricity and power to customers in areas of St. Johns, Nassau and Duval Counties, Florida, and elsewhere; and

Section 0.3 WHEREAS, the AUTHORITY, as an electric utility created by the Charter of the Consolidated City of Jacksonville, Florida, is authorized under that Charter and the laws of the State of Florida to produce and provide electricity and power to customers in Duval County and elsewhere; and

Section 0.4 WHEREAS, the respective areas of service of the parties in Duval, Clay, St. Johns and Nassau Counties are

contiguous in many places with the result that potential growth within the area may result in future uneconomic duplication of facilities unless such duplication is precluded by a territorial agreement; and

Section 0.5 WHEREAS, the Florida Public Service Commission ("COMMISSION") has previously recognized that any such duplication of said service facilities by the parties will result in needless and wasteful expenditures; and

Section 0.6 WHEREAS, the COMPANY and the AUTHORITY have previously entered into territorial agreements and such agreements have been approved by the COMMISSION; and

Section 0.7 WHEREAS, the AUTHORITY has previously entered into a territorial agreement with Clay Electric Cooperative ("CEC") which has been approved by the COMMISSION and by which, CEC has agreed to transfer all of its customers in Duval County to JEA. A portion of those customers are situated west of the existing JEA-FPL territorial boundary which is the subject matter of this Agreement. If approved, these CEC customers west of the existing FPL-JEA line will become JEA customers; and

Section 0.8 WHEREAS, the COMPANY and the AUTHORITY desire to avoid and eliminate any circumstances giving rise to possible duplication of service facilities and also desire to eliminate any

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inconsistencies with the AUTHORITY's agreement with CEC, and, to that end, to modify the existing territorial boundaries; and

Section 0.9 WHEREAS, the COMMISSION is empowered by Section 366.04, Florida Statutes, to approve territorial agreements.

Section 0.10 NOW, THEREFORE, in fulfillment of the purposes and desires aforesaid, and in consideration of the mutual covenants and agreements herein contained, the parties hereto, subject to the approval of the COMMISSION, and subject to the terms and conditions herein set forth, do hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Territorial Boundary Lines - As used herein, the term "Territorial Boundary Lines" shall mean boundary lines which delineate areas on the maps and legal description attached hereto as Exhibits "A" and "B" and which differentiate and divide the COMPANY Territorial Area from the AUTHORITY Territorial Area in the counties of St. Johns, Nassau, Clay and Duval.

Section 1.2 COMPANY Territorial Area - As used herein, the term "COMPANY Territorial Area" shall mean the geographic area shown on Exhibits "A" and "B" labeled "FPL."

Section 1.3 AUTHORITY Territorial Area - As used herein, the term "AUTHORITY Territorial Area" shall mean the geographic area shown on Exhibits "A" and "B" labeled "JEA."

Section 1.4 End Use Facilities - As used herein, the term "End Use Facilities" shall mean a geographic location where the electric energy used by a customer is ultimately consumed.

Section 1.5 Distribution Facilities - As used herein, the term "Distribution Facilities" shall mean all electric facilities of either party having a voltage rating of up to but not including 69 KV.

Section 1.6 Net Book Value - As used herein, the term Net Book Value shall mean original installation cost less depreciation, or in the case of real property, the original acquisition cost.

ARTICLE II
TERMINATION OF PRE-EXISTING TERRITORIAL AGREEMENTS

Section 2.1 Pre-Existing Territorial Agreements - Upon final approval of this agreement by the COMMISSION, all previous Territorial Agreements between the COMPANY and the AUTHORITY are hereby terminated.

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ARTICLE III
ELIMINATION OF OVERLAPPING FACILITIES

Section 3.1 **Transfer of Customers** - As a result of the establishment of the boundary herein certain customer accounts and distribution facilities shall be transferred between the parties to comply with Section 1.1. Until such transfers are accomplished pursuant to Section 3.5, each utility is authorized to continue providing service to those identified customer locations.

Section 3.2 Those customer accounts identified in Exhibit "C" shall be transferred from the AUTHORITY to the COMPANY.

Section 3.3 Those customer accounts identified in Exhibit "D" shall be transferred from the COMPANY to the AUTHORITY.

Section 3.4 Each party is responsible for making the necessary modifications to its facilities to effect the transfers in Sections 3.2 and 3.3. Both parties agree to coordinate those modifications such that they do not unduly impede the progress of the other party.

Section 3.5 **Timing of Transfers** - The distribution facilities of either party that are located in the other party's Territorial Area, not including the express feeders referred to by section 3.12 of this Agreement, and the identified customer accounts, shall be transferred to the appropriate party within three years of the

COMMISSION's final order approving this Territorial Agreement. The three-year period beginning with the COMMISSION's final order of approval shall be the "Transfer Period".

If during the transfer period major repairs to the facilities to be transferred occur before the transfer due to damage from a hurricane, tropical storm, or tornado, then the party which is to acquire those facilities shall pay, upon presentation of appropriate cost information, all capital costs only of the aforesaid repairs. However, before any major storm damage repairs are made, the acquiring party shall be given the opportunity to do the repairs itself, and effectuate the transfer of those storm damage customers at the time of repair. The parties hereto agree to timely notify each other, by letter, of any governmental mandate to relocate, for road modifications, facilities scheduled for transfer, and coordinate the customer transfers to allow the receiving party to carry out the relocation.

It is further agreed that upon final approval of this Territorial Agreement by the COMMISSION that the COMPANY shall sell the COMPANY's Steelbald Substation to the AUTHORITY at net book value, which conveyance of real and personal property shall be made in accordance with Exhibit "E" attached hereto. Notwithstanding any delay that may occur in the execution of the conveyance documents, it is agreed by the parties that the AUTHORITY shall have the right to the use, egress and ingress, and occupancy of the described land and facilities effective immediately upon final approval of this Territorial Agreement. In accordance with Exhibit

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"E", the COMPANY will remove all its transmission voltage facilities from said substation at the COMPANY's expense, and such removal shall be consistent with the orderly transfer of customers and facilities during the Transfer Period. The COMPANY shall sell to the AUTHORITY and the AUTHORITY shall sell to the COMPANY, at net book value, all required distribution feeders or portions of feeders (including easements and rights of way) to effect the transfer of customers as provided for in this Agreement. The COMPANY also grants the AUTHORITY an option to purchase the southernmost portion of the COMPANY's Duval to Steelbald Transmission right-of-way at net book value, which portion shall be no more than 100 feet wide and adequate for a double circuit 230 kv transmission line of vertical construction, and all necessary easements or licenses for cross-over of existing lines where necessary. Said option shall be exercised by the AUTHORITY within one year of final COMMISSION approval of the Territorial Agreement. The COMPANY will also allow unlimited access and use of the existing patrol road by the AUTHORITY on this Right of Way necessary to access the AUTHORITY's distribution or transmission facilities. The AUTHORITY and the COMPANY further agree to construct whatever additional facilities are necessary to serve the transferred customers and each will bear the cost of such construction in their new territories.

The AUTHORITY and COMPANY's 115kv interconnection from the AUTHORITY's Normandy Substation to the COMPANY's Baldwin Substation will be discontinued.

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Prior to and after transfer of these facilities, it may be necessary for the parties to jointly use certain facilities and the COMPANY and the AUTHORITY shall enter into, as necessary, an appropriate joint use agreement for those specific facilities. Facilities are to be transferred in good operating condition. Customer meters and oil-filled equipment will not be transferred (with the exception of those specified oil-filled items of equipment in Exhibit "E"). Upon transfer of any facilities, the receiving utility shall be solely responsible for any maintenance, removal, upgrading or improvements to those facilities.

It is agreed that voltage flicker and var fluctuations from the steel mill and other existing industrial operations will be acceptable to either the COMPANY or the AUTHORITY, so long as the detrimental effects do not exceed current levels.

Section 1.6 Bulk Power - No provision of this Agreement shall be construed as applying to either bulk power supply for resale, or to facilities dedicated to such bulk power supply that operate at a voltage of 69 KV or higher.

Section 1.7 Customer Deposits - The utilities intend that transferred customers suffer no hardship due to different deposit requirements of each utility. The transferring utility will refund and/or apply to the final bill any deposit currently applicable. The receiving utility may then bill the customer a deposit, provided that such deposit is no greater than the deposit required

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by the transferring utility. The customer will be allowed to make up to three equal payments over three months to meet the deposit requirements of the receiving utility.

Section 3.8 Assignment of Rights - All easements, street light contracts, franchise agreements and joint use agreements held by either the COMPANY or the AUTHORITY necessary or appurtenant to serving customers transferred pursuant to this Agreement are hereby assigned to the utility receiving the transferred customers.

Section 3.9 Allocations - The COMPANY's Territorial Area, as herein defined in Exhibit "A", is hereby allocated to the COMPANY as its service area, and the AUTHORITY's Territorial Area, as herein defined, is hereby allocated to the AUTHORITY as its service area. The parties shall each have the right to provide retail distribution electric service to all customers within their respective territorial area. Neither party shall hereafter serve or offer to serve a retail customer whose End Use Facilities are located in the territorial area of the other party except as provided in Section 3.10 below.

Section 3.10 Temporary Service - The parties recognize that in exceptional circumstances, economic constraints or good engineering practices may indicate that a customer's end use facilities either cannot or should not be immediately served by the party in whose territorial area they are located. In such situations, upon

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written request by the party in whose territorial area the end use facilities are located, to the other party, the other party may agree in writing to temporarily provide service to such customer. If such temporary service lasts, or is expected to last for more than three years, the parties will seek formal approval of the service from the COMMISSION.

Except as outlined in Section 3.11, during the Transfer Period, as defined in Section 3.5, in the event any customer located within one party's service territory requests service from the other party, and the party within whose territory the customer is located approves the provision of such service, then, upon final transfer of that customer, that party shall reimburse the other party for the difference in revenues received from that customer and the capital costs expended in providing such service. Transformers and meters shall not be considered as capital costs with respect to the provision of new service.

The party within whose territory the new customer is located may elect to perform any or all work necessary for the establishment of new service for a new customer; however the party actually providing service shall set a meter for the customer, bill the customer, and receive revenues from the customer until such time as a final transfer of such customer occurs.

Section 3.11 Revenues for New Accounts - Each utility shall reimburse each other for the annualized non-fuel revenue impact of any new accounts added between 5/1/98 and 4/30/99. The annualized

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revenue impact will be determined by taking the actual average monthly non-fuel revenues during the period multiplied by 12.

Section 3.12 Express Feeders - The COMPANY and the AUTHORITY shall each have the right to construct and maintain three-phase feeder lines within the Territorial Area of the other party for the purpose of express feed through the area. No such facilities shall be used by the COMPANY or the AUTHORITY to provide service to customers located in the service area of the other party.

**ARTICLE IV
PREREQUISITE APPROVAL**

Section 4.1 Regulatory Approval - The provisions of this Agreement are subject to the regulatory authority of the COMMISSION whose approval shall be a prerequisite to the validity and applicability hereof. Neither party shall be bound hereunder until such approval has been obtained.

**ARTICLE V
DURATION**

Section 5.1 Duration - This Agreement shall continue and remain in effect until the COMMISSION, by order, modifies or withdraws its approval of this Agreement after proper notice and hearing.

**ARTICLE VI
CONSTRUCTION OF AGREEMENT**

Section 6.1 Intent and Interpretation - It is hereby declared to be the purpose and intent of this Agreement, in accordance with which all provisions of this Agreement shall be interpreted and constructed, to eliminate and avoid needless and wasteful expenditures, duplication of facilities and potentially hazardous situations, which would otherwise result from unrestrained competition, between the parties operating in overlapping service areas.

Section 6.2 Annexation - Annexation or de-annexation shall not affect this Agreement.

**ARTICLE VII
MISCELLANEOUS**

Section 7.1 Negotiations - Whatever terms or conditions may have been discussed during the negotiations leading up to the execution of this Agreement, the only terms and conditions agreed upon are those set forth herein, and no alteration, modification, enlargement or supplement to this Agreement shall be binding upon either of the parties hereto unless the same shall be in writing, signed by both parties, and approved by the COMMISSION. However, nothing in this Agreement shall be construed as prohibiting either party from unilaterally initiating an action before the COMMISSION, or other entity with appropriate jurisdiction, seeking modification or cancellation of this Agreement.

Section 7.2 No Assumption of Liabilities by COMPANY - The COMPANY shall not assume or be responsible for any financial obligations or liabilities of the AUTHORITY. Without limiting the generality of the foregoing, the COMPANY shall not assume or be responsible for:

- (a) Any tax, penalty or fee assessed on the AUTHORITY arising out of or resulting from the transfer of facilities;
 - (b) Any tax, penalty or fee resulting from the operations of the facilities before the date of transfer;
 - (c) Any attorney's, accountant's or other fees or expenses incurred by the AUTHORITY in connection with this Agreement or any transaction made necessary by this Agreement;
 - (d) Any liabilities or obligations resulting from any lawsuit or proceeding in any way related to the AUTHORITY arising out of transactions or events in any way related to the facilities;
- or
- (e) Any accrued but unpaid obligation of the AUTHORITY.

Section 7.1 No Assumption of Liabilities by AUTHORITY - The AUTHORITY will not be responsible for any financial obligations or liabilities of the COMPANY. Without limiting the generality of the foregoing, the AUTHORITY shall not assume or be responsible for:

- (a) Any tax, penalty or fee assessed on the COMPANY arising out of or resulting from the transfer of facilities;
- (b) Any tax, penalty or fee resulting from the operations of the facilities after the date of transfer;

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(c) Any attorney's, accountant's or other fees or expenses incurred by the COMPANY in connection with this Agreement or any transaction made necessary by this Agreement;

(d) Any liabilities or obligations resulting from any lawsuit or proceeding in any way related to the COMPANY arising out of transactions or events in any way related to the facilities; or

(e) Any accrued but unpaid obligation of the COMPANY.

Section 7.4 Environmental Indemnification - The AUTHORITY shall indemnify and hold the COMPANY harmless from and against any claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith, including but not limited to attorney's fees, paralegal charges and expenses, arising directly, or indirectly, in whole or in part, out of:

(a) Any activity by the AUTHORITY'S employees, contractors or agents, in connection with the treatment, decontamination, handling, removal, storage, cleanup, transport or disposal of hazardous material related to the AUTHORITY'S facilities transferred to the COMPANY; and

(b) The presence caused by the AUTHORITY, its employees, agents or contractors of any hazardous materials or releases or discharges of hazardous materials associated with the AUTHORITY'S facilities transferred to the COMPANY occurring before the transfers.

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The COMPANY shall indemnify the AUTHORITY in the same manner for Section 7.4, 7.4(a), and 7.4(b) above, as they relate to the COMPANY's facilities transferred to the AUTHORITY.

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IN WITNESS WHEREOF, this Agreement has been caused to be executed in triplicate by the AUTHORITY in its name by its Manager and by the COMPANY in its name by its Vice President; and one of said triplicate copies has been delivered to each of the parties hereto.

JACKSONVILLE ELECTRIC AUTHORITY

By: 
James A. Dickenson
Executive Vice President, Services

FLORIDA POWER & LIGHT COMPANY

By: 
W. G. Walker, III, Vice President

Approved as to form:

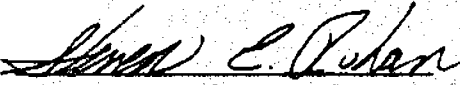

Deputy General Counsel

Exhibit "E"

The transfer or conveyance of Steelbald Substation as provided for in section 3.5 of this Agreement shall be effected over time and in accordance with this schedule.

1. That portion of the Steelbald Substation, including realty and personalty, consisting of one 70 mva and one 80 mva transformer presently in service and energized including breakers, metering equipment and other equipment ancillary thereto, presently located on the Steelbald Substation site, which conveyance shall be executed so as to be effective on the effective date of final Commission approval of the Territorial Agreement between the parties hereto.
2. The remainder of the Steelbald Substation, including breakers, metering and ancillary equipment shall be conveyed upon completion of the Authority transmission facility to serve Steelbald Substation, which facility the Authority has committed to utilize its reasonable best efforts to have completed within one year of final Commission approval of the Territorial Agreement between the parties hereto, provided the 30 mva transformer presently in service at the Steelbald site shall not be conveyed, but shall be made available to the Authority for continuation of service from said substation during the Transfer Period. The 30 mva substation transformer shall be returned to the Company upon completion of the Transfer Period. The Authority will be responsible for all costs associated with the lease, operation, maintenance and replacement costs, if any, of this transformer during such Transfer Period. Additionally, one 80 mva transformer not energized or presently in service shall be available to the Company as a spare and shall not be conveyed under this Agreement.

3. The price for the realty and equipment referred to above shall be the net book value, as defined in this Agreement, which amounts shall be paid in cash at time of closing on the respective segments of Steelbald Substation as provided in paragraphs 1 and 2 above.
4. On or before the effective date of final Commission approval of the Territorial Agreement between the Company and the Authority, the parties shall execute an agreement of conveyance that more fully sets forth the terms and conditions hereinabove described in this Exhibit "E"
5. Parties agree to enter into agreements which would address, among other things, point of interconnect between the parties, relay protection, metering, access to facilities, maintenance and operational responsibility, liability, indemnification and other applicable commercial terms and conditions during the ownership transition in accordance with industry and engineering practices.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Joint Petition of Florida)
Power & Light Company and)
Jacksonville Electric)
Authority to approve a new) DOCKET NO. 980755-EU
territorial agreement between)
the two utilities.)

**MOTION TO AMEND JOINT MOTION TO
APPROVE TERRITORIAL AGREEMENT**

Pursuant to Section 366.075, Florida Statutes, Joint Petitioner FLORIDA POWER & LIGHT COMPANY ("FPL"), with the knowledge and consent of Co-Petitioner, JACKSONVILLE ELECTRIC AUTHORITY ("JEA"), files this Motion to Amend their Joint Motion to Approve Territorial Agreement in the following manner:

Insert paragraph 9 -

9. Transitional Rates. The purpose of the territorial agreement is to eliminate duplication of facilities, thereby promoting more efficient operations of both utilities. Section 366.075(1), Florida Statutes, provides "The commission is authorized to approve rates on an experimental or transitional basis for any public utility to encourage energy conservation or to encourage efficiency. The application of such rates may be for limited geographic areas and for a limited period." Under the current rate structure, those JEA customers who are being transferred under the proposed agreement will have a rate increase. FPL proposes that, with the Commission's consent and approval, FPL's tariffs be amended by the adoption of the St. John's Transitional Rider - (SJT) attached hereto as Attachment "C". This rider will insure that JEA customers which are transferred to FPL

DOCUMENT NUMBER-DATE

08643 AUG 13 88

PROCESSING AND REPORTING

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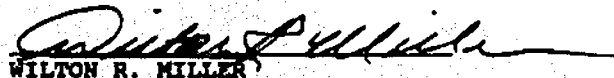
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would pay the lower of JEA's applicable rates or FPL's applicable rates for a period of three years from the date of transfer. This will provide for an equitable transition of customers, enabling the territorial agreement to reduce duplication of facilities and promote more efficient distribution of energy within the utilities' respective territories.

WHEREFORE, FPL requests that the Commission enter an order approving the St. Johns Transitional Rider attached hereto as Attachment "C".

DATED this 13th day of August, 1998.

Respectfully submitted,



WILTON R. MILLER
Bryant, Miller and Olive, P.A.
201 S. Monroe Street, Suite 500
Tallahassee, Florida 32301
(850) 222-8611
Florida Bar No. 055506

ATTORNEYS FOR FLORIDA POWER &
LIGHT COMPANY

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original and fifteen copies of the foregoing Motion to Amend Joint Motion to Approve Territorial Agreement have been filed with the Florida Public Service Commission, Division of Records and Reporting, Room 110, Betty Easley Conference Center, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850 [by hand delivery]; and that true and correct copies of same have been furnished to LESLIE J. PAUGH, Staff Counsel, and GRACE A. JAYE, Staff Counsel, Florida Public Service Commission, Division of Legal Services, Room 370, Gerald L. Gunter Building, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850 [by hand delivery]; WILLIAM G. WALKER, III, Florida Power & Light Company, 215 South Monroe Street, Suite 810, Tallahassee, FL 32301-1859 [by hand delivery]; RICHARD D. MELSON, ESQUIRE, Hopping Green Sams & Smith, P. O. Box 6526, Tallahassee, FL 32314 [by U.S. Mail]; and TRACY DANESE, Vice President - Regulatory Affairs, Jacksonville Electric Authority, 21 West Church Street, Tower 11, Jacksonville, FL 32202-3139 [by U. S. Mail], this 13th day of August, 1998.


WILTON R. MILLER

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FLORIDA POWER & LIGHT COMPANY

Original Sheet No. 2309

ST. JOHN'S TRANSITIONAL RIDER - (STD)

AVAILABLE

Available limited to applicable customers in the northwest portion of St. John's County, as referenced in the PFL/JEA Territorial Agreement, Docket No. 980755-EU. Offer with the PFLC on June 15, 1998. To qualify for this rider, applicable customers must have been served by Jacksonville Electric Authority (JEA) on or after November 30, 1998.

APPLICATION:

Service under this rider shall be limited to customers who would otherwise be served under PFL's RS-1, OS-1, and GSD-1 rate schedules. OS-1 will be considered the otherwise applicable rate schedule for non-residential customers with demands below 75 kW as of November 30, 1998.

SERVICE:

The same as specified in PFL's otherwise applicable rate schedule (RS-1, OS-1, GSD-1)

MONTHLY RATE:

The monthly net billed for electric service under this rider shall equal the lower of PFL's otherwise applicable rate (RS-1, OS-1, GSD-1) or the rate that would have been charged under JEA's applicable rate schedule (R.R. OS, GSD).

In computing the electric charges under this rider, adjustments may be made to the customer charge, non-fuel energy charge, and (where appropriate) the base demand charge of PFL's otherwise applicable rate schedule. All other charges, including the fuel charge, capacity payment charge, conservation charge, transaction fee, and tax adjustment charges shall be the same as PFL's otherwise applicable rate.

TERM OF SERVICE:

Three (3) years from the date of transfer from JEA's to PFL's service territory in which prior service under this rider will be continued.

RULES AND REGULATIONS:

Service under this schedule is subject to orders of governmental bodies having jurisdiction and to the currently effective "General Rules and Regulations for Electric Service" on file with the Florida Public Service Commission. In case of conflict between any provision of this schedule and said "General Rules and Regulations for Electric Service" the provision of this schedule shall apply.

FLORIDA POWER & LIGHT COMPANY

**Thirty-Third Fourth Revised State No. 8.010
 Casest Thirty-Second Third Revised State No. 8.010**

INDEX OF RATE SCHEDULES

| <u>RATE SCHEDULE</u> | <u>DESCRIPTION</u> | <u>RATE NO.</u> |
|----------------------|---|-----------------|
| BA | Billing Adjustments | 8.030 |
| OS-1 | General Service - Non Demand (0-20 kw) | 8.101 |
| GST-1 | General Service - Non Demand - Time of Use (0-20 kw) | 8.103 |
| OSD-1 | General Service Demand (21-499 kw) | 8.105 |
| GSDT-1 | General Service Demand - Time of Use (21-499 kw) | 8.107 |
| OSL | Optional Service Load Management Program | 8.109 |
| RS-1 | Residential Service | 8.201 |
| RST-1 | Residential Service - Time of Use | 8.203 |
| RSR | Residential Load Management Program | 8.207 |
| CU | Common Use Facilities Rider | 8.211 |
| GSLS-1 | General Service Large Demand (500-1999 kw) | 8.310 |
| GSULT-1 | General Service Large Demand - Time of Use (500-1999 kw) | 8.320 |
| LS-1 | Curtable Service (500-1999 kw) | 8.340 |
| GST-1 | General Service Large Demand (2000 kw *) | 8.412 |
| GSULD-1 | General Service Large Demand - Time of Use (2000 kw *) | 8.420 |
| CS-2 | Curtable Service (2000 kw *) | 8.432 |
| GST-2 | General Service Large Demand (2000 kw *) | 8.440 |
| GSULD-3 | General Service Large Demand - Time of Use (2000 kw *) | 8.511 |
| CS-3 | Curtable Service (2000 kw *) | 8.532 |
| GST-3 | General Service Large Demand (2000 kw *) | 8.544 |
| OSB-2 | Special Field Service | 8.545 |
| MET | Metropolitan Transit Service | 8.602 |
| RTP-20X | Rail Train Pricing-General Service | 8.610 |
| CLC-C-1 | Commercial/Industrial Load Control Program (Grand Schedule) | 8.630 |
| SL-1 | Street Lighting | 8.719 |
| PL-1 | Premium Lighting | 8.720 |
| OL-1 | Outdoor Lighting | 8.725 |
| RL-1 | Traffic Signal Service | 8.730 |
| RST-1 | Restroom Lighting | 8.743 |
| LSST-1 | Standby and Supplemental Service | 8.790 |
| ESDR | Interruptible Standby and Supplemental Service | 8.760 |
| TR | Remote Development Rider | 8.800 |
| TR | Transformer Rider | 8.820 |
| RT | St. John's Evangelical Rider | 8.920 |

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Joint Petition of Florida)
Power & Light Company and)
Jacksonville Electric)
Authority to approve a new) DOCKET NO. 980755-EU
territorial agreement between)
the two utilities.)

**MOTION TO AMEND EXHIBIT "E" TO
ATTACHMENT "A" TO THE JOINT MOTION TO
APPROVE TERRITORIAL AGREEMENT**

Joint Petitioner, FLORIDA POWER & LIGHT COMPANY ("FPL"), at the request of and with the consent of Co-Petitioner, JACKSONVILLE ELECTRIC AUTHORITY ("JEA"), files this Motion to Amend Exhibit "E" to Attachment "A" to their Joint Motion to Approve Territorial Agreement by deleting paragraph 2 and inserting a new paragraph 2 as follows:

2. The remainder of the Steelbald Substation, including breakers, metering and ancillary equipment shall be conveyed upon completion of the Authority transmission facility to serve Steelbald Substation, which facility the Authority has committed to utilize its reasonable best efforts to have completed within one year of final Commission approval of the Territorial Agreement between the parties hereto, provided the 30 mva transformer presently in service at the Steelbald site shall be made available to the Authority. The Authority will be responsible for all costs associated with the lease, operation, maintenance and replacement costs, if any, of this transformer during such Transfer Period. Additionally, one 80 mva transformer not energized or presently in service shall be available to the Company as a spare and shall not be conveyed under this Agreement.

WHEREFORE, FPL requests that the Commission enter an order approving this amendment to paragraph 2 of Exhibit "E" to Attachment "A" to the Joint Motion to Approve Territorial Agreement.

DOCUMENT # 98-0755

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DATED this 21st day of August, 1998.

Respectfully submitted,



WILTON R. MILLER
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201 S. Monroe Street, Suite 500
Tallahassee, Florida 32301
(850) 222-8611
Florida Bar No. 055506

ATTORNEYS FOR FLORIDA POWER &
LIGHT COMPANY

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original and fifteen copies of the foregoing Motion to Amend Joint Motion to Approve Territorial Agreement have been filed with the Florida Public Service Commission, Division of Records and Reporting, Room 110, Betty Easley Conference Center, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850 [by hand delivery]; and that true and correct copies of same have been furnished to LESLIE J. PAUGH, Staff Counsel, and GRACE A. JAYE, Staff Counsel, Florida Public Service Commission, Division of Legal Services, Room 370, Gerald L. Gunter Building, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850 [by hand delivery]; WILLIAM G. WALKER, III, Florida Power & Light Company, 215 South Monroe Street, Suite 810, Tallahassee, FL 32301-1859 [by hand delivery]; RICHARD D. MELSON, ESQUIRE, Hopping Green Sams & Smith, P. O. Box 6526, Tallahassee, FL 32314 [by U.S. Mail]; and TRACY DANESE, Vice President - Regulatory Affairs, Jacksonville Electric Authority, 21 West Church Street, Tower 11, Jacksonville, FL 32202-3139 [by U. S. Mail], this 21st day of August, 1998.


WILTON R. MILLER