

1 FLORIDA POWER & LIGHT COMPANY – DOCKET No. 001148-EI

2 FLORIDA POWER CORPORATION – DOCKET No. 000824-EI

3 TAMPA ELECTRIC COMPANY – DOCKET No. 010577-EI

4
5 **DIRECT TESTIMONY OF HENRY I. SOUTHWICK**
6 **ON BEHALF OF THE GRIDFLORIDA COMPANIES**

7
8
9 **INTRODUCTION**

10 **Q. Please state your name and business address.**

11 A. My name is Henry I. Southwick. My business address is Post Office Box
12 14042, St. Petersburg, Florida 33733.

13
14 **Q. By whom are you employed and in what capacity?**

15 A. I am employed by Florida Power Corporation ("FPC") as Manager,
16 Regional Transmission Organization Development.

17
18 **Q. Please provide a brief outline of your educational background and
19 business experience.**

20 A. I have a Bachelor of Science degree in Electrical Engineering from
21 Clemson University and a Master's Degree in Engineering from the
22 University of South Florida. I am a registered Professional Engineer in the
23 State of Florida. I began working at FPC in 1967 where I have held
24 various positions in Industrial Development, Division Operations, System
25 Planning, Economic Research, Fossil Operations, and Energy Control.

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1 1983 I was promoted to Manager of System Planning with the
2 responsibility for FPC's generation, transmission and distribution planning.
3 In 1990 I was named Director of Engineering and Technical Services for
4 Fossil Operations. I was Director of Energy Control from 1992 through
5 early 2000. In May of 2000 I assumed my current position.
6

7 **Q. What are your responsibilities in your current position?**

8 A. My responsibility is to manage the participation of FPC in the development
9 of a regional transmission organization ("RTO").
10

11 **Q. What is the purpose of your direct testimony?**

12 A. The purpose of my testimony is to explain how FPC, Florida Power & Light
13 Company ("FPL") and Tampa Electric Company ("TECO") (collectively, the
14 "GridFlorida Companies") are managing the development of GridFlorida
15 on an interim basis in a prudent manner. The testimony also
16 demonstrates that the GridFlorida Companies have developed the
17 aggregate estimated costs associated with GridFlorida in a reasonable
18 and prudent manner.
19

20 **Q. What issues in this case does your testimony address?**

21 A. My testimony is part of the case being put on by the GridFlorida
22 Companies to address Issue 4 (What are the estimated costs to the
23 utility's ratepayers of its participation in GridFlorida?) and Issue 6 (Is the
24 utility's decision to participate in GridFlorida prudent?) of the Order

1 Identifying Issues in Phase 1 issued on July 16, 2001, in the above
2 referenced docket.

3
4 **Q. Are you sponsoring any exhibits to your direct testimony?**

5 A. Yes. Exhibit No. ____ (HIS-1) is a letter agreement, executed by the
6 GridFlorida Companies that describes the types of costs to be included as
7 start up costs in connection with the development of GridFlorida. Exhibit
8 No. __ (HIS-2) is a copy of the Request for Information Regarding
9 Program Management Services and Business Systems ("RFI") described
10 below. Exhibit No. __ (HIS-3) is a presentation of the evaluation of the
11 proposals received in response to the RFI.

12
13 **FORMATION OF GRIDFLORIDA LLC**

14 **Q. What is GridFlorida LLC?**

15 A. GridFlorida LLC is a Florida limited liability company formed by FPC, FPL
16 and TECO initially for the purpose of creating an RTO in the State of
17 Florida. As I explain below, after GridFlorida becomes operational,
18 GridFlorida LLC will continue to exist as the limited liability company that
19 owns and operates transmission facilities. This entity will, at
20 commencement of commercial operations, assume ownership of the
21 transmission assets of TECO and FPL and operational control of the
22 transmission assets of FPC, and become the RTO, if the GridFlorida
23 project goes forward. Upon commercial operation, management of

1 GridFlorida LLC would be transferred to GF Inc, a Florida corporation,
2 which, in turn, would be controlled by an independent board of directors.
3

4 **Q. When was GridFlorida LLC organized?**

5 A. GridFlorida was organized as a limited liability company on March 8, 2001.
6 Copies of the articles of organization of GridFlorida LLC and the initial
7 consents of the Board of Managers are contained in GridFlorida
8 Companies' Witness Naeve Exhibit No. ____ (CMN-1).
9

10 **Q. What was the purpose of organizing GridFlorida LLC in March?**

11 A. The GridFlorida Companies formed GridFlorida LLC in order to undertake
12 the initial start up activities that would have to be accomplished in order to
13 meet the December 15, 2001 RTO operational date established by FERC
14 in Order No. 2000.
15

16 **Q. What kind of start up activities were contemplated for GridFlorida
17 LLC?**

18 A. We needed a corporate entity in place to hire an executive search firm to
19 identify candidates for the board of directors of GF, Inc., the entity that will
20 ultimately serve as the managing member of GridFlorida LLC. Also, in
21 order to adhere to our schedule, it was necessary to select and hire a
22 consultant in the first quarter to do the initial planning and budgeting for
23 GridFlorida. Finally, a corporate entity had to be in place to set up a bank
24 account to pay GridFlorida LLC expenses, procure insurance, establish

1 employee benefit plans, enter into leases for office space, put accounting
2 systems into place, and engage in other start up activities.

3
4 **Q. Why were these start up activities not deferred until a later time?**

5 A. The GridFlorida Companies designed a board selection process that
6 would ensure that a high level, independent board of directors would be
7 selected. Such a process would necessarily take time. A corporate entity
8 had to be formed first to hire the executive search firm to begin the board
9 selection process. After selection, the board would hire a chief executive
10 officer. This process was not expected to be completed and the
11 individuals in place until the third quarter of 2001 at the earliest. After the
12 board and CEO were in place, other officers and employees would need
13 to be hired, which would take additional time. Thus, these start up
14 activities had to begin immediately if GridFlorida was to meet its
15 December 15, 2001 deadline. Nor could the other start up activities listed
16 above be delayed. The GridFlorida Companies believed that it was
17 important to make a good faith effort to meet the December 15, 2001
18 deadline imposed by FERC and their work plan and business blueprint
19 reflects this effort.

20
21 **Q. How is GridFlorida LLC managed?**

22 A. GridFlorida LLC is managed by a board of managers comprised of
23 representatives for each of FPC, FPL and TECO. Marty Mennes is the
24 representative for FPL and Greg Ramon is the representative for TECO. |

1 am the representative for FPC. All decisions of the board of managers
2 require unanimous vote of the three representatives.
3

4 **Q. Is there an agreement governing the management of GridFlorida
5 LLC?**

6 A. Yes. The Interim Limited Liability Company Operating Agreement for
7 GridFlorida LLC governs board meetings, voting and other functions of
8 GridFlorida LLC. A copy of this agreement is contained in GridFlorida
9 Companies' Witness Naeve Exhibit No. ____ (CMN-1).
10

11 **Q. Does GridFlorida LLC have any employees?**

12 A. No. GridFlorida LLC start up activities have been undertaken by
13 Accenture and by employees of the three companies and there are no
14 plans at this time to hire GridFlorida LLC employees until after the board
15 of directors of GF Inc. has been selected. It is expected that employees of
16 the three companies will continue to undertake such activities if and when
17 the project restarts.
18

19 **Q. How was GridFlorida LLC initially funded?**

20 A. GridFlorida LLC was initially funded with \$3 million, the proceeds of three
21 separate \$1 million loans made by each of the companies.
22

23 **Q. How is the \$3 million being used?**

1 A. All expenditure decisions require the unanimous vote of the board of
2 managers. That requirement helps ensure that only prudent expenditures
3 are made. GridFlorida LLC has drawn on its initial funding to hire a
4 consultant to prepare a business plan or blueprint, as discussed later in
5 my testimony, and to hire an executive search firm to propose members of
6 the board of directors of GF Inc. to the FERC-approved Board Selection
7 Committee. Funds have also been expended to pay for insurance. The
8 total amount expended through June 2001 is less than \$1 million.

9

10 **Q. Has GridFlorida considered obtaining additional funding?**

11 A. Yes. Prior to work on GridFlorida being suspended in May of this year, we
12 had planned to obtain additional funding for GridFlorida LLC by entering
13 into a loan arrangement with a commercial lender, guaranteed by the
14 three companies.

15

16 **Q. How would this additional funding be used?**

17 A. RTO development activities were suspended prior to development of a
18 budget addressing the uses of additional funding. As a general matter,
19 however, if the project is restarted, additional funding will be needed to
20 pay additional consultant fees, the costs of other administrative and
21 development activities, and repayment of the \$3 million loaned to
22 GridFlorida LLC by FPC, FPL and TECO.

23

1 **Q. Why did the GridFlorida Companies extend the loans and propose**
2 **extending guarantees as described above?**

3 A. Under FERC Order No. 2000, the GridFlorida Companies were the only
4 peninsular Florida parties with RTO obligations. Consequently, the
5 GridFlorida Companies were the only parties with a need to fund the
6 activities necessary for the development of GridFlorida. Without such
7 initial funding, the GridFlorida project could not have been started, and the
8 three companies could not have made a good faith effort to comply with
9 Order No. 2000.

10

11 **Q. Have the GridFlorida Companies incurred start up costs separate**
12 **and apart from the costs associated with funding GridFlorida LLC?**

13 A. Yes, the three companies already have incurred significant costs in order
14 to comply with Order No. 2000. Through the end of May 2001, the three
15 companies collectively have incurred over \$ 9 million in start up costs.

16

17 **Q. What types of costs have the GridFlorida Companies considered to**
18 **be start up costs?**

19 A. Exhibit No. ____ (HIS-1) to my direct testimony is a letter agreement
20 executed by the three companies in which the categories of start up costs
21 are defined.

22

23 **Q. Does GridFlorida have an agreement to reimburse FPC, FPL and**
24 **TECO for their start up costs?**

1 A. Yes. The GridFlorida Companies entered into a Start Up Cost
2 Reimbursement Agreement with GridFlorida LLC which provides that after
3 commercial operation GridFlorida will repay the start up costs incurred by
4 the companies, subject to FERC approval. A copy of this agreement is
5 contained GridFlorida Companies' Witness Naeve Exhibit No. ____ (CMN-
6 1).

7
8 **Q. What will happen to GridFlorida LLC after GridFlorida becomes**
9 **operational?**

10 A. GridFlorida LLC will continue to exist as the limited liability company that
11 owns and operates transmission facilities, under the management of GF,
12 Inc. FPC will exit the LLC on the date that GridFlorida achieves
13 commercial operation. FPL and TECO will be members of GridFlorida
14 LLC going forward by virtue of their anticipated contributions of
15 transmission assets to GridFlorida LLC in exchange for member interests
16 in the LLC.

17

18 **SELECTION OF CONSULTANT**

19 **Q. How did GridFlorida go about selecting a consultant to assist with**
20 **start up activities?**

21 A. On January 24, 2001 GridFlorida LLC issued a Request for Information
22 Regarding Program Management Services and Business Systems ("RFI").
23 The RFI, a copy of which is attached to my testimony as Exhibit No. ____
24 (HIS-2), sought proposals on all key business functions to be established

1 by GridFlorida. GridFlorida considered proposals made by Cap Gemini
2 Ernst & Young, R. J. Rudden Associates, Accenture,
3 PriceWaterhouseCoopers and Arthur Anderson. A presentation of the
4 evaluation of these five proposals is attached to my testimony as Exhibit
5 No. ____ (HIS-3). Accenture was awarded the contract on April 4th, 2001.
6

7 **Q. What factors led GridFlorida LLC to choose Accenture?**

8 A. In addition to submitting the lowest cost proposal received in connection
9 with the RFI, Accenture has substantial experience in managing similar
10 RTO projects, including experience with GridSouth, the Electric Reliability
11 Council of Texas, ISO New England, PJM, and the Southwest Power
12 Pool. In addition, the project team has direct experience with the systems
13 needed to implement and operate GridFlorida. Accenture's experience is
14 more fully described in the direct testimony of GridFlorida Companies'
15 Witness Bradford L. Holcombe.
16

17 **Q. What is the scope of the Accenture engagement?**

18 A. Accenture was hired to develop a "Business Blueprint" for GridFlorida.
19 The blueprint, which has been completed, contains a description of the
20 organization model for GridFlorida, the capabilities that GridFlorida will
21 need, an operating model, and identification of necessary computer
22 applications. The Business Blueprint also contains preliminary budget
23 numbers for the start up costs associated with GridFlorida as well as a
24 preliminary operating budget for the first year of operation. The Business

1 Blueprint is discussed in the direct testimony of Mr. Holcombe and is
2 included in his Exhibit No. ___ (BLH-1).
3

4 **Q. Has GridFlorida engaged Accenture or another consultant to**
5 **implement the Business Blueprint?**

6 A. No. GridFlorida has not entered into any consulting contracts other than
7 the initial contract with Accenture. If the project moves forward at a later
8 date, we will evaluate whether Accenture or another consultant is in the
9 best position to assist GridFlorida LLC in implementing the Business
10 Blueprint.
11

12 **Q. In addition to Accenture, what other resources have been utilized to**
13 **undertake GridFlorida LLC start up activities?**

14 A. Each of the three companies have devoted in house resources to initial
15 GridFlorida LLC start up activities, and if the project moves forward, we
16 intend to continue this practice. Combining in house utility expertise with
17 outside consulting support is the most cost effective approach to
18 implementing the many business functions that need to be put in place to
19 render GridFlorida operational.
20

21 **ONGOING PROJECT MANAGEMENT**

22 **Q. What is the schedule for proceeding with implementation of**
23 **GridFlorida?**

1 A. Currently all project development efforts have been suspended. If and
2 when the project is restarted, it is anticipated that it will take at least nine
3 months for GridFlorida to become operational on a limited basis.

4
5 **Q. Do you expect that GridFlorida will be fully operational nine months**
6 **after start up activities recommence?**

7 A. No, not fully operational. Due to the complexity and extensive time
8 required to implement all of the functions to be performed by GridFlorida, it
9 likely will not be possible to achieve full operation in a nine month time
10 frame. However, I do expect GridFlorida to be operational nine months
11 after restart with a reduced scope. Development activities would then
12 continue to implement the full functions planned for GridFlorida as
13 contained in the FERC approved Open Access Transmission Tariff. The
14 first stage of operation is referred to as "Release 1," while the final, fully-
15 operational stage is referred to as the "End State." During Release 1
16 operation, services related to congestion management, energy imbalance,
17 and other ancillary services likely will be simplified while development
18 continues on establishing the market-based functions in the End State for
19 these services, along with a necessarily more complex attendant billing
20 system.

21
22 **Q. When do you anticipate restarting the development of GridFlorida?**

23 A. GridFlorida development activities were suspended in May of this year to
24 allow this Commission to complete its review of the prudence of the

1 GridFlorida Companies' participation in GridFlorida. In order to suspend
2 the activities in an orderly manner, work on the Accenture Business
3 Blueprint was completed and the compliance filings required by FERC
4 were submitted. However, all other development activities have ceased.
5 Until this Commission has made a definitive ruling on the prudence of the
6 GridFlorida Companies' participation in GridFlorida, the three companies
7 have decided not to make expenditures that might be called into question
8 by this Commission at a later date. Consequently, no final decision is
9 expected to be made to proceed with the development of GridFlorida
10 unless or until this Commission has made such a definitive ruling and the
11 recovery of the costs prudently incurred in connection with the GridFlorida
12 Companies' development of and participation in GridFlorida is assured.

13
14 **PROJECT COSTS**

15 **Q. What steps have been taken to implement GridFlorida in the most**
16 **cost-effective manner possible?**

17 A. GridFlorida LLC approaches all decisions and tasks with the intent to
18 minimize costs to the greatest extent possible. Use of existing company
19 expertise and facilities is one of the key ways in which costs are being
20 managed. As I discussed earlier, a mix of in house expertise and outside
21 consulting resources has been used to implement GridFlorida's many
22 complex and interrelated business functions. We have identified areas
23 where we may look to outsource certain functions rather than to perform

1 such functions in house after GridFlorida becomes operational. These
2 issues are discussed in the testimony of Mr. Holcombe.

3
4 **Q. What plans does GridFlorida LLC have for utilizing the facilities of**
5 **the three companies?**

6 A. To minimize costs and facilitate the implementation of GridFlorida on a
7 timely basis, we have examined using existing facilities wherever possible.
8 For example, we have determined that GridFlorida can save time and
9 money by utilizing certain FPL control center facilities, computer systems
10 and telecommunication systems.

11
12 **Q. What are the projected start up and operating costs for GridFlorida?**

13 A. The projected start up and operating costs of GridFlorida are discussed in
14 Mr. Holcombe's testimony. The projected costs of implementing the End
15 State are \$150 million. Of this amount, \$136 million is incremental above
16 costs already being incurred by the GridFlorida Companies. The costs of
17 implementing the project to the Release 1 stage are approximately \$ 80
18 million. The projected annual operating cost for the first year of operation
19 in the End State mode is \$182 million. Of this amount, \$52 million is
20 incremental over and above the operating costs already being expended
21 by the GridFlorida Companies.

22
23 **Q. Are these incremental costs reasonable?**

1 A. Yes. In order to comply with FERC's Order No. 2000 and the FERC
2 orders specifically addressing GridFlorida, GridFlorida is required to have
3 certain characteristics and perform certain functions. The existing
4 systems of FPL, FPC and TECO were not designed to possess all of
5 these characteristics and perform all of these functions. Therefore, many
6 of GridFlorida's systems will be new and will replace or overlay existing
7 FPL, FPC and TECO systems. The costs resulting from implementing
8 these systems are necessary to ensure that GridFlorida will meet its
9 requirements.

10

11 **Q. Does this conclude your direct testimony?**

12 A. Yes, it does.

13

14

15

16

17

18

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20

21

22

23

24



Florida Power

A Progress Energy Company

Docket No. 001148-EI
Docket No. 000824-EI
Docket No. 010577-EI
GridFlorida Companies Witness Southwick
Exhibit No. ___ (HIS-1)
Start Up Costs

RTO START-UP COSTS

Florida Power Corporation, Tampa Electric Company and Florida Power and Light agree that all incremental¹ costs incurred during the year 2000 through the starting date of the RTO will be deferred for future recovery from the RTO.

The specific categories of costs related to current and future support of the development of the RTO are anticipated to include the following.

- Collaborative process costs, including meetings, facilitators, conference calls and meeting support
- Computer development costs, including the costs of consultants, hardware and other equipment, license fees, internal costs, training, and travel.
- Project management costs, including salaries for any RTO interim personnel², recruiting fees, relocation, interview expenses, and outside auditing.
- Development and regulatory expense costs, including the costs of feasibility studies, developing the RTO structure and tariff and support for the structure in regulatory proceedings, and legal and consulting fees.
- Training costs.

Please sign below to acknowledge your agreement with the above.

Javier Portuondo
1-11-01
Manager, Regulatory Services - Florida
Florida Power Corporation

Phil Barringer
Controller
TECO

Mike Davis
Controller
Florida Power & Light

¹ Incremental is defined as cost, internal or third party, which would not have been incurred if it were not for the RTO project.

²The RTO's management costs are to include the costs of the RTO (GridFlorida) and its Managing Member (GF, Inc.).

GridFlorida LLC
Request for Information Regarding
Program Management Services and Business Systems

Introduction

GridFlorida LLC is seeking proposals from qualified vendors to provide program management services to support the implementation of the GridFlorida regional transmission organization (RTO). GridFlorida plans to commence commercial operation on December 15, 2001 and is currently in the process of selecting a vendor or vendors to meet this implementation schedule. The purpose of this Request for Information (RFI) is to provide vendors with background information regarding the GridFlorida RTO as well as information regarding the scope and nature of program management services sought by GridFlorida.

Background

Pursuant to FERC Order 2000, Florida Power & Light Company, Florida Power Corporation and Tampa Electric Company (the Joint Applicants) filed a joint compliance filing to form GridFlorida, an RTO in Florida on October 16, 2000. This initial filing was followed by a supplemental compliance filing on December 15, 2000 that included additional details regarding the implementation of GridFlorida. In the initial filing, the applicants requested expedited approval of certain governance provisions for GridFlorida in order to allow the applicants to proceed with implementation of GridFlorida to meet a planned operational date of December 15, 2001. On January 10, 2001 FERC issued an order approving these governance provisions, including the process for selecting the board of directors, the qualifications for directors and employees, and restrictions on the financial holdings of directors and employees. In accordance with the RTO formation plan filed with FERC, the applicants and designated stakeholder groups are now proceeding to form a Board Selection Committee and an Advisory Committee along with other activities required to implement the GridFlorida RTO. GridFlorida will be a for-profit transco designed to provide independent oversight of the transmission facilities of its members and the Florida transmission grid. Participants have the option of continuing to own transmission assets or of divesting transmission assets to GridFlorida.

GridFlorida Implementation Requirements

The December 15, 2000 supplemental compliance filing defines the elements and scope of GridFlorida, including governance, transmission service and market design. This filing is available at www.gridflorida.com and is identified at the home page of this site as "12-15 final Volumes I-III.zip". Volume I contains an overview of GridFlorida and the filing. Volume II contains the RTO Formation Plan and related governance documents. Volume III contains the GridFlorida open access transmission tariff (OATT) including supporting schedules and protocols. In particular, Attachment P to the OATT, Congestion Management, Balancing Service, Operating Reserves, and Regulation describes the operation of markets to be included in the GridFlorida business design. The key business functions to be implemented by GridFlorida are as follows:

- OASIS and transmission service under the GridFlorida OATT
- Single regional queue for transmission service requests
- Regional transmission planning per protocol
- Day-ahead scheduling and schedule adjustment processes
- Regional security coordinator function
- Congestion management based on inc/dec bids
- Operate control area for GridFlorida transmission system
- Energy balancing market
- Flowgates and associated physical transmission rights (PTRs)
- PTR assignment and auction processes
- Installed capacity and energy (ICE) obligation and market
- Regulation market
- Operating reserve market
- Settlement systems for transmission services and markets
- Integration of functions with energy management systems

Currently, it is planned that the GridFlorida staff will occupy a building located in Miami that is currently serving as Florida Power & Light Company's energy control center. It is anticipated that this facility will be leased for a period of five or more years as the GridFlorida operating center. A second facility, to be determined, will be leased or contracted to provide back-up operating and security coordinator functions.

Guidelines for Proposals

The following guidelines are provided to assist vendors in developing proposals. Proposals should include a description of recent, relevant experience in projects of similar nature and scope in the electric utility industry with emphasis on experience with domestic independent system operators (ISOs) and RTOs.

Proposals must describe the vendor's program management approach and should identify the individuals proposed by the vendor to perform the work, including the individual that will serve as program manager. Descriptions of the credentials and qualifications of the proposed team, particularly with respect to similar projects, should be included in the proposal. The proposal should provide a description of provisions to ensure "bottom line" program accountability as well as continuity of program management.

The initial task of the program manager will be to develop the start-up plan for GridFlorida, and proposals should focus on the approach to developing this plan. Proposals should address initial steps in detail, including: (1) inventory and assessment of existing resources and infrastructure, (2) determining options regarding reusability and/or integration with existing systems, (3) definition and refinement of project scope, timing and cost, and (4) options for outsourcing functions or of forming beneficial strategic partnerships or alliances.

The start-up plan should address the feasibility of implementing all GridFlorida business and market functions included in the FERC compliance filing by December 15, 2001. The scope of the GridFlorida start-up plan must be comprehensive, and should address the following issues: (1) overall schedule including key milestones, (2) interfaces and coordination with personnel at existing utilities, (3) staffing requirements for the start-up phase as well as the permanent GridFlorida staff, (4) system operations functions, (5) transmission service operations, (6) customer interface and settlement systems, (7) system planning, (8) corporate services and support requirements, (9) facilities and infrastructure requirements, (10) rights to new software developed for GridFlorida and, (11) overall project cost and cash flow requirements, including both start-up costs and the initial annual operating cost of GridFlorida. The start-up plan should address the options and consequences of the partial implementation of business and/or market functions on December 15, 2001. The configuration of functions to be implemented by December 15, 2001 must meet the requirements of FERC's Order 2000, be operationally feasible, and provide an efficient path to fully implement all functions. In the event that any functions are not fully implemented on December 15, 2001, interim procedures may be required to satisfy these criteria.

In addition to the GridFlorida start-up plan, it is also requested that proposals address the vendor's ability to implement the plan, including both ongoing project management and the delivery of the business systems necessary to implement the start-up plan. It is anticipated that implementation will require a multi-disciplinary team, and proposals should explain the vendor's approach to acquiring the necessary resources and skill sets, including an identification of business systems proposed to be developed and delivered by the vendor itself versus sub-contractors with expertise in specific applications.

Schedule and Procedures for Submitting Proposals and Vendor Selection

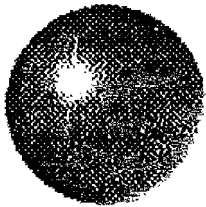
In evaluating the proposals, the following factors will be considered:

- a) Professional expertise and experience of the firm and its proposed staff as it relates to the subject matter of this RFI.
- b) Experience and expertise in managing similar large, complex projects and understanding of organizations such as GridFlorida.
- c) The bidder's ability to start and complete the project in a timely manner while ensuring stability of assigned staff.
- d) Proposed fees and other costs to complete the project.
- e) Responsiveness to this RFI, including thoroughness of the proposal.
- f) Proposed approach for completing the assignment.
- g) Willingness of the vendor to guarantee project completion and the functionality of business systems, including payment of appropriate liquidated damages in the event that these requirements are not met.
- h) Conflicts of interest
- i) Other factors to be determined by GridFlorida in its sole discretion

GridFlorida shall select a short list of qualified vendors to meet with the GridFlorida Management Committee to present and discuss proposals. Due to time constraints, GridFlorida plans to complete this vendor selection process within the next four to six weeks. In order to accommodate this schedule, vendors should plan to submit proposals on or before February 15, 2001, and preference will be given to proposals that meet this target submittal date. Nothing in this RFI or any communications between GridFlorida and any vendor submitting a proposal for services or systems pursuant to this RFI creates an obligation for either party to proceed with an engagement absent a written agreement to do so. Proposals (including three complete original sets), and any communication regarding proposals should be directed to:

Mr. Robert Croes
Manager, Transmission Operations
Florida Power & Light Company
P. O. Box 14000
Juno Beach, FL 33408-0420

Phone: (561) 694-4336
Fax: (561) 694-4161
E-mail: bob_croes@fpl.com

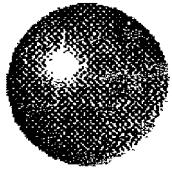


Program Manager Proposals to GridFlorida

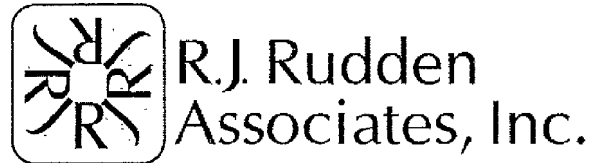
Summary of Proposals Received

Presented to
GridFlorida Stakeholders
April 2, 2001

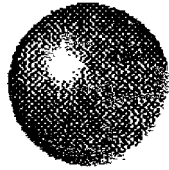
Docket No. 001148-EI
Docket No. 000824-EI
Docket No. 010577-EI
GridFlorida Companies Witness Southwick
Exhibit No. ___ (HIS-3)
Evaluation of Proposals



Proposals were received from five firms



ARTHUR ANDERSEN



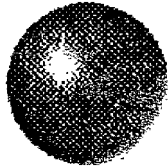
Summary of RFI

- The scope of the RFI focused on program management services and development of the start-up plan:
 - Assess existing resources & infrastructure
 - Analyze reuseability and/or integration with existing systems
 - Refine project scope, schedule and cost
 - Identify options for outsourcing
- Address GridFlorida Business & Market functions including:
 - Key milestones
 - Coordination with applicants and stakeholders
 - Staffing requirements
 - Transmission functions: planning, operations, settlement,
 - Corporate and support services
 - Start-up and operating budgets



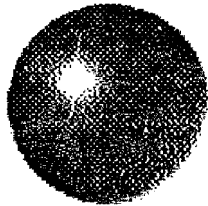
RFI Evaluation Criteria

- Professional experience & specific expertise
- Schedule and available resources
- Fees
- Responsiveness and thoroughness of the proposal
- Familiarity of GridFlorida filing
- Management approach

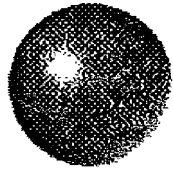


Points of Comparison

- Given limited scope, responses are very similar
 - Implication: Summaries on following pages will seem repetitious
- Main differentiators
 - Experience of personnel is generally what differentiated the firms
 - Knowledge of GridFlorida situation and transco start-up efforts in particular
- The following slides compare the proposals in the following areas:
 - Summary of Approach
 - Project Team
 - Relevant Experience
 - Summary of Evaluation

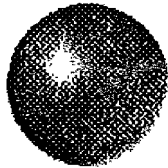


Cap Gemini Ernst & Young



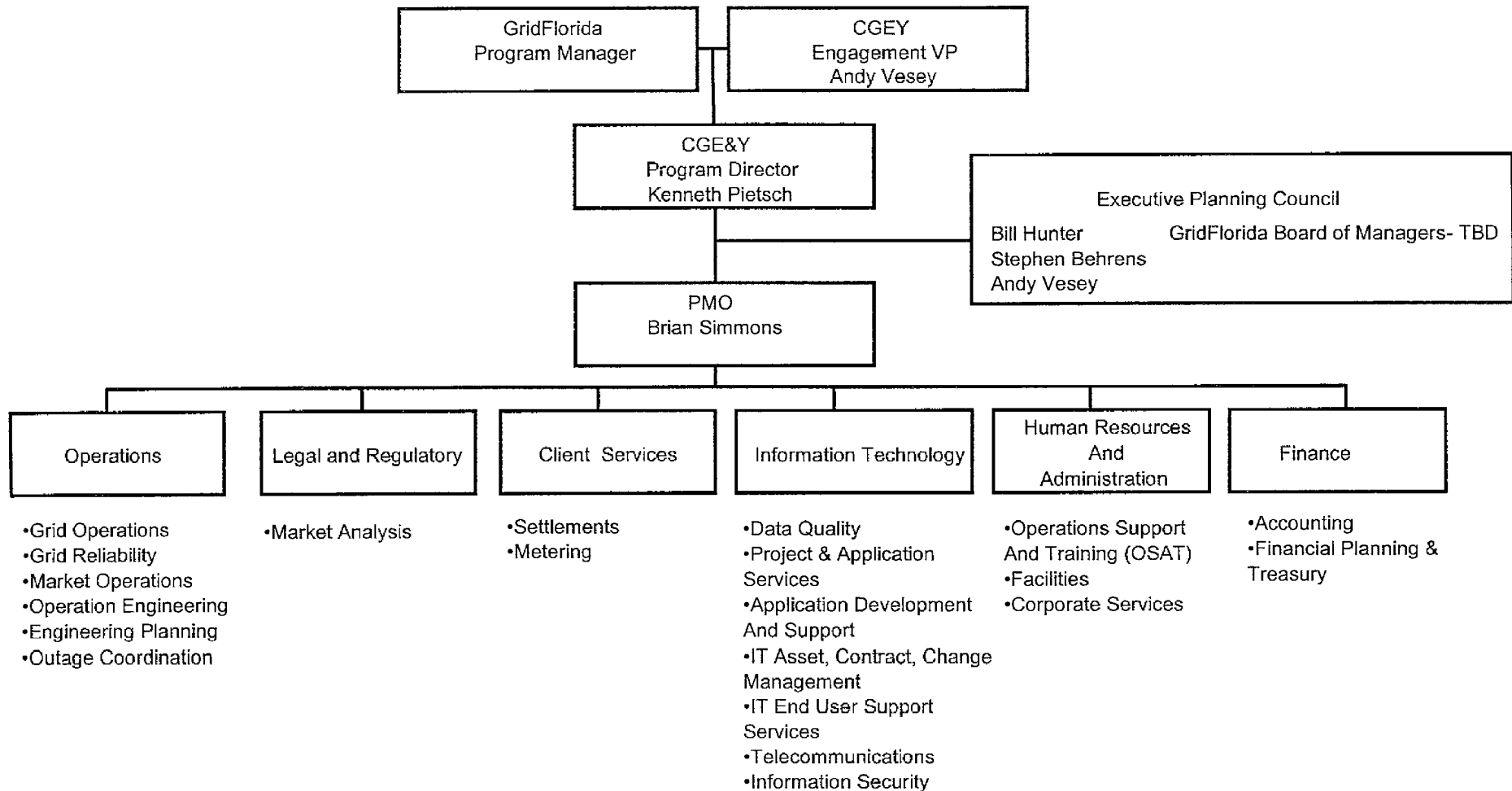
Summary of Approach

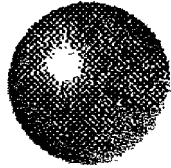
- Proposed 10 week program to develop start-up plan
- Divided work into 6 Work Streams
 - Operations, Legal & Regulatory, Client Services, Information Technology, HR and Admin., Finance
- Establish Program Management Office on-site (TBD)
 - “PMO in a Box” –CGE&Y project management tools would be used to manage process
 - MarketEdge Accelerated Solutions Environment used to evaluate strengths and weaknesses of proposed solutions
- CGE&Y would potentially be both project manager and vendor of preferred solution identified during start-up phase



Proposed Personnel/Partners

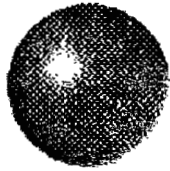
- Project team made up of all CGE&Y staff





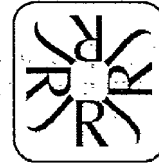
Most Relevant Experience

- CAISO – designed and implemented settlement and billing system
- Alliance – retained as system integration vendor
- ISO-NE – retained to create internal program management office for ISO-NE
- NEMMCO (Australia) – Project management, application development and system integration

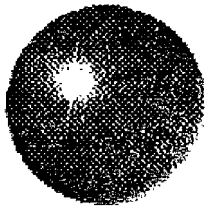


Summary of Evaluation

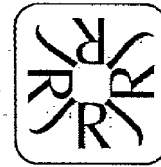
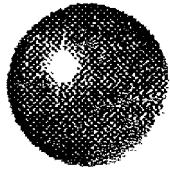
- Strong sense of schedule constraints and environment
- Firm has strong experience in large complex projects
- Demonstrated strengths in managing and implementing pieces of similar projects
 - Strong system integration experience
 - Implemented CAISO settlement and billing system
 - Developed and implemented similar applications in other similar organizations
- Weakness seemed to be in lack of experience in overall program management experience



R.J. Rudden
Associates, Inc.



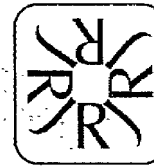
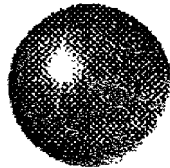
RJ Rudden Associates, Inc.



R.J. Rudden
Associates, Inc.

Summary of Approach

- Proposed multi-disciplinary team approach through creation of partnerships
 - RJ Rudden, Cantor Fitzgerald, PJM Technologies, Darwin Partners
- Two phase approach to be completed in 7 weeks
 - Phase 1: Complete Situational Analysis
 - Phase 2: Develop Start-Up Plan
- Project manager would be on-site for most of time; lead consultants on-site as needed
- Create Advisory Panel to provide policy guidance to teams
 - Each firm had one or more members on advisory panel
 - Not to be confused with stakeholder Advisory Committee

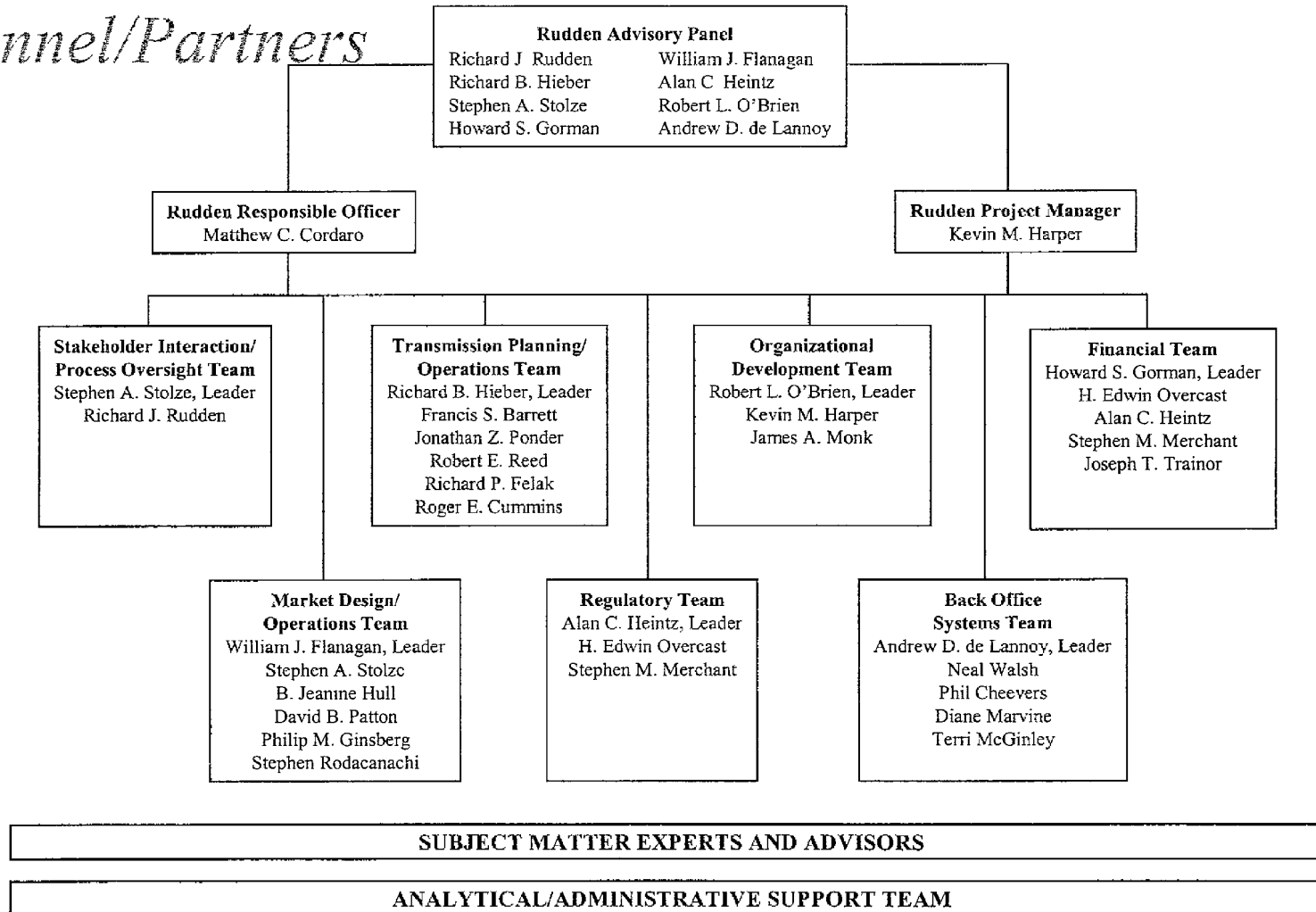


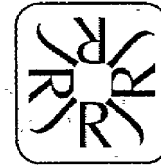
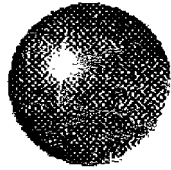
R.J. Rudden
Associates, Inc.

GridFlorida LLC

PROJECT TEAM ORGANIZATION

*Proposed
Personnel/Partners*

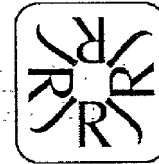
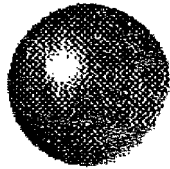




R.J. Rudden
Associates, Inc.

Most Relevant Experience

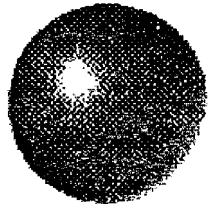
- Midwest ISO
 - Former executive from MISO on team
 - One of the consortium firms advised MISO on organizational issues
- PJM Technologies provides access to PJM's organization and resources familiar with implementing markets



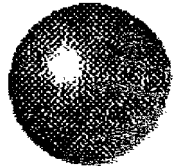
R.J. Rudden
Associates, Inc.

Summary of Evaluation

- Firms have never worked together as a team
 - Not clear who would be in charge as firms worked in separate areas
- Top heavy project organization proposed
- Certain individuals proposed have strong credentials but not clear how much of their time was devoted to effort

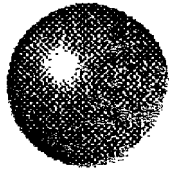


Accenture



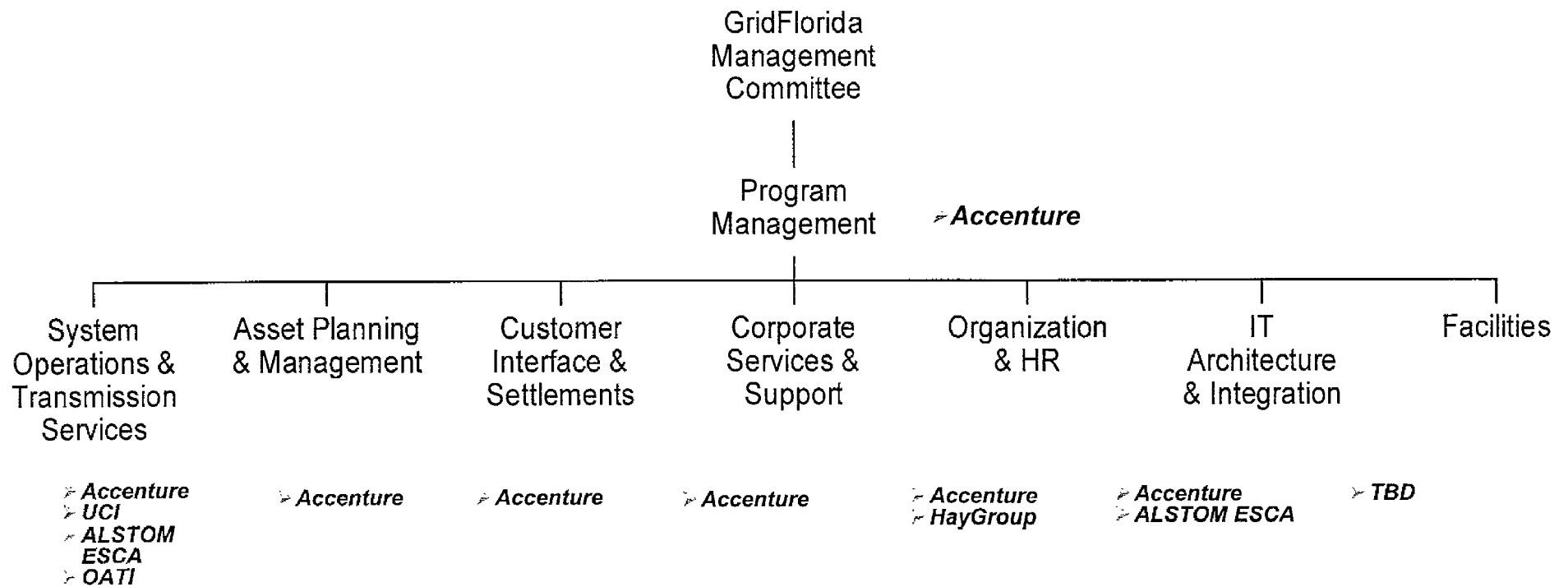
Summary of Approach

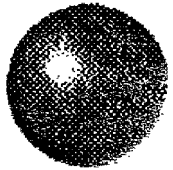
- Two phase approach; Phase 1 completed within 4 weeks
 - Blueprint phase and Initial Design Release
- Organized work into 5 capability areas:
 - System and Market Ops., Asset Management, Corporate Services, Commercial Operations, Customer Interface
- Offered to use existing Accenture facilities in Florida for project management and other development uses as required
- Proposed process for managing implementation and transition
 - Accenture proposed a prime contractor approach to development
 - Accenture would contract with GF as prime contractor and take responsibility for other vendors needed to implement desired systems.



Proposed Personnel/Partners

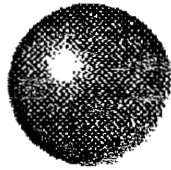
- Accenture team with Alstom ESCA, Hay Group, OATI and UCI





Most Relevant Experience

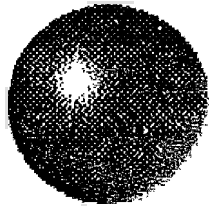
- GridSouth – retained to develop start-up and implementation plans.
- ERCOT – Retained as prime vendor to deliver major market systems
- ISO-New England – developed and integrated major market systems for ISO-NE.
- PJM Interconnection
- SPP



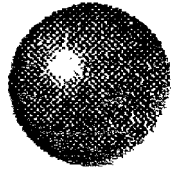
Summary of Evaluation

- Firm has substantial experience in managing similar RTO projects
 - GridSouth efforts are most relevant to initial start-up plans
 - ERCOT, ISO-NE and SPP demonstrate experience to manage and deliver complex systems in similar RTO-like environment
- Clear understanding of environment and challenges faced by GF
- Proposed project team, including partners, has direct experience with relevant systems (e.g. ESCA, OATI) meaning short learning curve
 - While consortium is proposed, Accenture clearly in charge and accountable for deliverables

PRICEWATERHOUSECOOPERS 

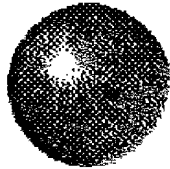


PriceWaterhouseCoopers

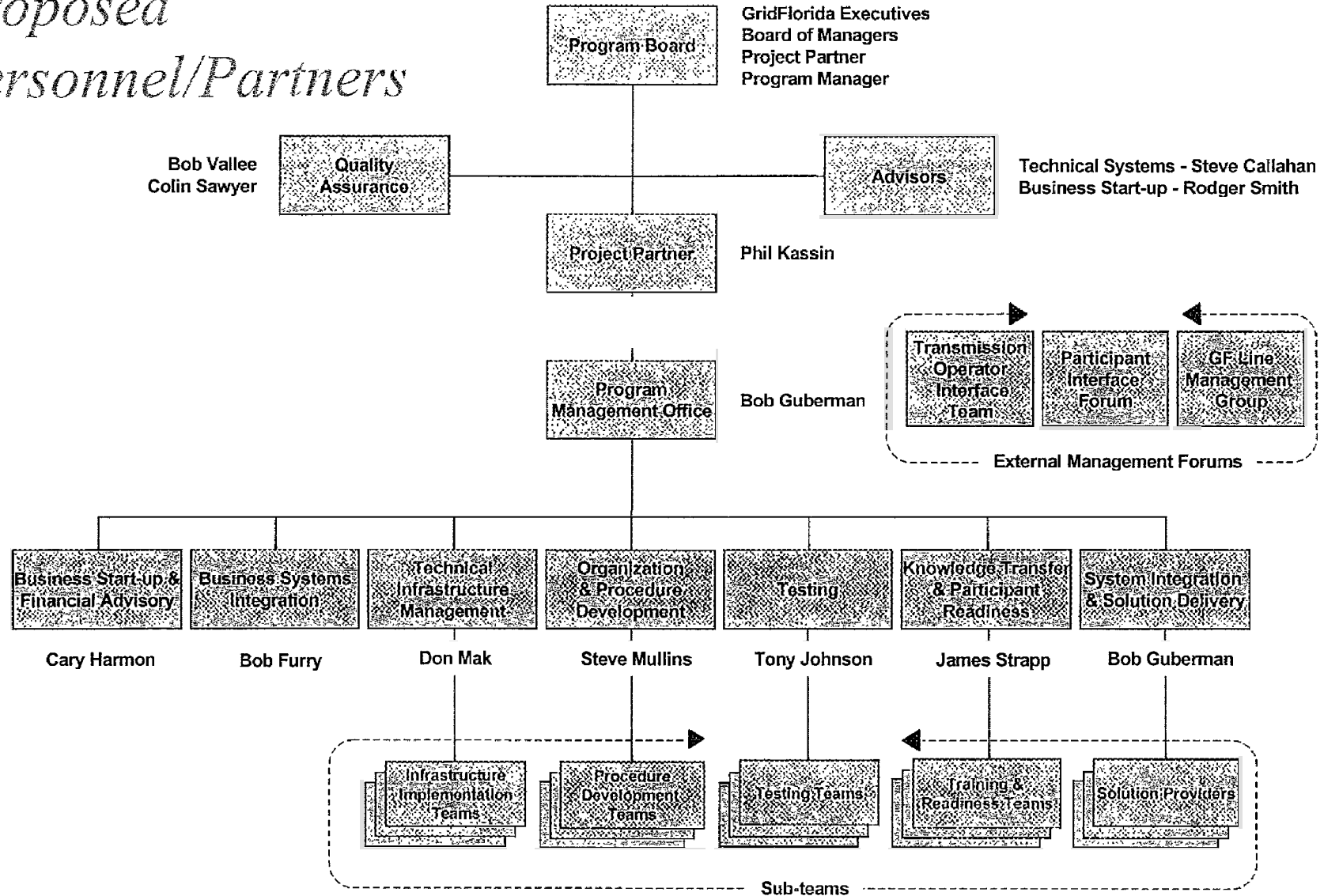


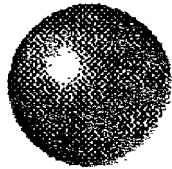
Summary of Approach

- Proposed 4-6 week program to develop start-up plan
 - Focus on identifying existing capabilities and desired scope for implementation
 - Identify preferred approach for addressing “gaps” between existing and desired implementation
 - Address business issues related to creating a transco (e.g. asset transfer, financing, etc.)
- Establish Program Management Office on-site
 - Ascendent™ program management methodology used
- Proposed process for managing implementation
 - Proposed to be independent from all vendors
 - Assist in contract negotiations and management with preferred vendors to implement



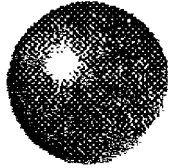
Proposed Personnel/Partners





Most Relevant Experience

- Ontario IMO – retained as overall program manager for implementation of Ontario's new markets
- CAISO and CalPX – provided overall program management services to Trustee during formation of these two firms
- Asset Transfer projects – have advised several entities considering the transfer of their transmission assets to an RTO organization

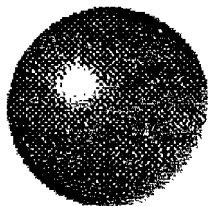


Summary of Evaluation

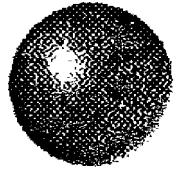
- Demonstrated detailed knowledge of GridFlorida situation and challenges
- Firm has strong experience in managing large complex projects
- Demonstrated strengths in managing projects of similar size and scope
 - Ontario and California projects
- Project team proposed has significant relevant experience
- PwC approach is to stay independent from vendors.
Implications include:
 - More time potentially required for vendor selection
 - Requires GridFlorida to manage both project manager and vendors



ARTHUR ANDERSEN



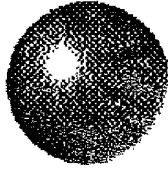
Arthur Andersen



ARTHUR ANDERSEN

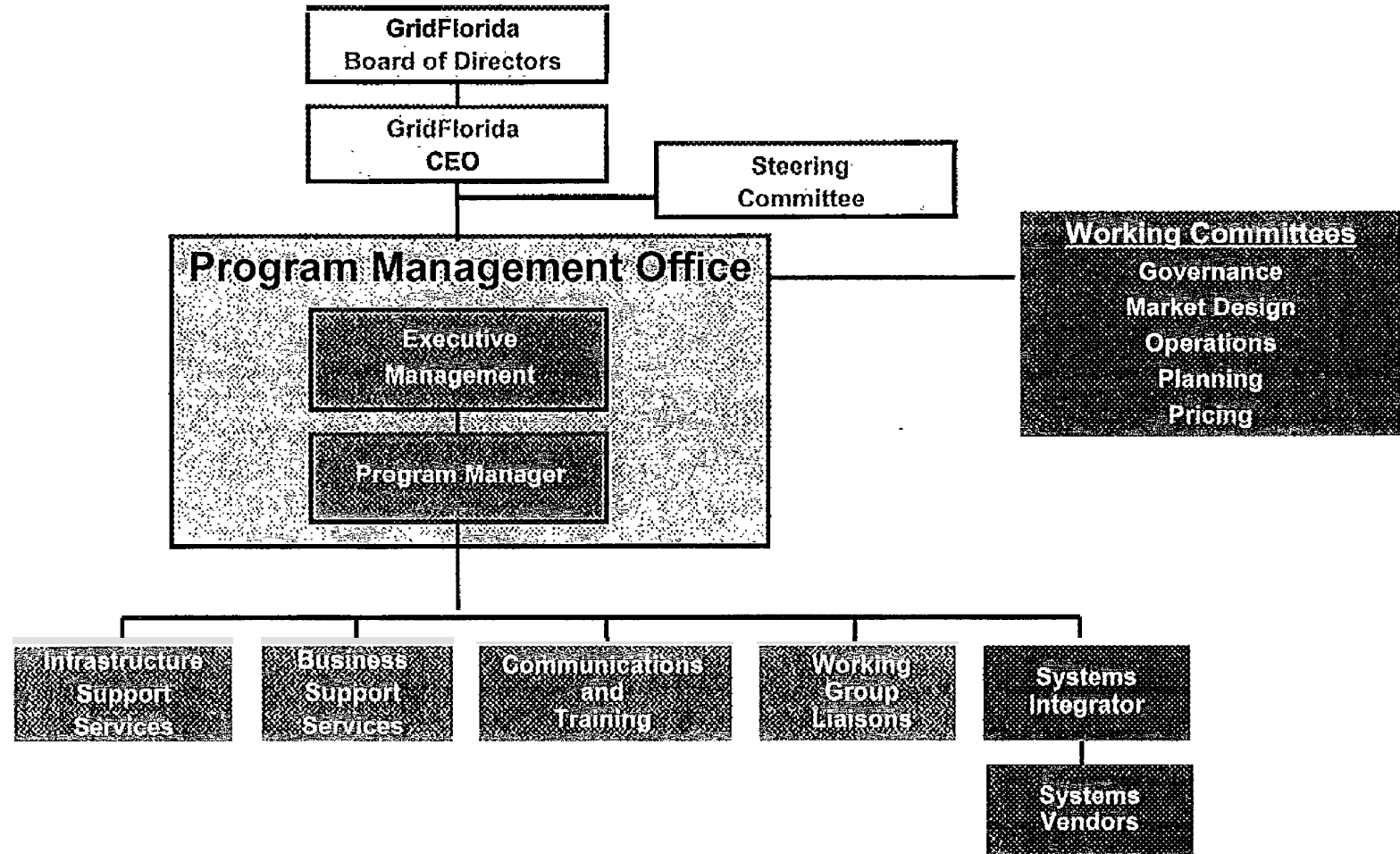
Summary of Approach

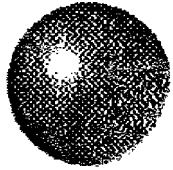
- Three phase approach; 6-8 week program to develop start-up plan
- Phase 1 divided into 7 areas:
 - Organization, Operations, Business, IT, Facilities Planning, Market Development, Master Planning
- Establish Program Management Office on-site
- Proposed process for managing implementation and transition
 - Proposal focused on managing transition process; AA could be vendor or program manager only or both



Proposed Personnel/Partners

- AA teamed with IBM for this project

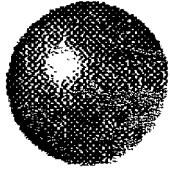




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Most Relevant Experience

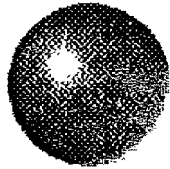
- ERCOT – Program manager responsible for developing start-up plan, initial formation of ERCOT corporate plan, and selection of systems' vendors
- Alliance RTO – recently selected as overall project manager for start-up
- NEMMCO – program management for business systems
- Northwest ITC, American Transmission Co. – advise on tax, governance, accounting and systems



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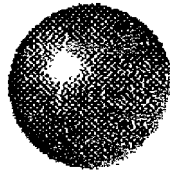
Summary of Evaluation

- Firm has substantial experience in managing similar RTO projects
 - ERCOT
 - Recently selected to manage Alliance
- Clear understanding of environment and challenges faced by GF
- Project team had mix of relevant experience
 - Role of IBM not clear
- Weak presentation of proposal and response to questions



RFI Evaluation Criteria - Summary & Review

- Professional experience & specific expertise
- Schedule and available resources
- Fees
- Responsiveness and thoroughness of the proposal
- Familiarity of GridFlorida filing
- Management approach



RFI Evaluation Criteria - Summary & Review

Professional experience & specific expertise

All firms had good experience; however several lacked the specific expertise Gf is looking for

Schedule and available resources

The various proposed schedules ranged from 4-10 weeks

Responsiveness and thoroughness of the proposal

Little differentiation among the thoroughness of the proposals

Familiarity of GridFlorida filing

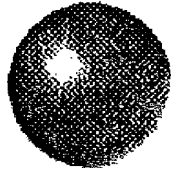
Two of the firms seemed to be more familiar with the GF filing

Management approach

Two of the firms proposed the preferred "prime contractor" mgmt approach

Fees

The fees ranged from \$400k - \$2.3m



Questions ???



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