



Florida Power

A Progress Energy Company

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August 14, 2001

Ms. Blanca S. Bayó, Director
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Florida Public Service Commission
2540 Shumard Oak Boulevard
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Re: Docket No. 000824-EI (GridFlorida Review)

Dear Ms. Bayó:

Enclosed for filing in the subject docket are an original and fifteen copies of the Direct Testimony of Henry I. Southwick on behalf of Florida Power Corporation.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in Word format. Thank you for your assistance in this matter.

Very truly yours,

James A. McGee

JAM/scc
Enclosures

cc: Parties of record

FLORIDA POWER CORPORATION

DOCKET NO. 000824-EI

(GRIDFLORIDA REVIEW)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the Direct Testimony of Henry I. Southwick on behalf of Florida Power Corporation has been furnished to the following individuals by regular U.S. Mail this 14th day of August, 2001.

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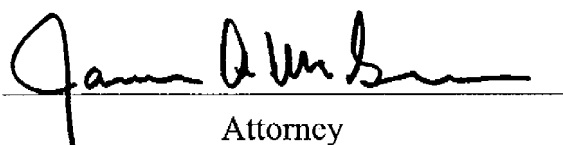
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FLORIDA POWER CORPORATION
DOCKET NO. 000824-EI
(GRIDFLORIDA REVIEW)

DIRECT TESTIMONY OF HENRY I. SOUTHWICK
ON BEHALF OF FLORIDA POWER CORPORATION

INTRODUCTION

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Q. Please state your name and business address.

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

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

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

Q. Please provide a brief outline of your educational background and business experience.

A. Please see a description of my educational background and business experience in my direct testimony on behalf of the GridFlorida Companies, concerning the interim development and management of GridFlorida, in this docket.

Q. What is the purpose of your direct testimony?

1 A. I will first address Issue 5 in the Prehearing Order No. PSC-01-1485-PCO-EI in
2 Docket No. 000824-EI, which concerns the appropriateness of FPC's decision to
3 transfer operational control of its transmission facilities of 69kV and above to
4 GridFlorida while retaining ownership of such transmission facilities. I will also
5 address Issue 4, which concerns the estimated costs to FPC's retail customers of
6 FPC's participation in GridFlorida. Finally, my testimony addresses different
7 aspects of Issue 6, which concerns the prudence of FPC's decision to participate
8 in GridFlorida.

9
10 **Q. Are you sponsoring any exhibits to your direct testimony?**

11 A. No.

12
13 **Transfer of Control of Transmission Facilities**

14
15 **Q. Why has FPC decided to participate in GridFlorida?**

16 A. As discussed by GridFlorida Companies' Witnesses C. M. Naeve and J.
17 Hoecker, FPC was required to join a Federal Energy Regulatory Commission
18 ("FERC")-approved RTO in accordance with Order No. 2000. Moreover, FPC
19 was required to do so in accordance with the deadlines established in Order No.
20 2000, as well as those dictated by FPC's commitment to FERC in connection
21 with FPC's merger with Carolina Power & Light Company. FPC also took into
22 consideration the benefits to early RTO participation, also discussed by Mr.
23 Naeve, which include, particularly, FPC's ability to provide meaningful and timely
24 input during the process of formation of GridFlorida. FPC's participation
25 permitted the creation of an RTO that is the product of the negotiation of all

1 Florida stakeholders and resulted in the formulation of an RTO proposal that is
2 tailored to Florida's special needs and protects the interests of FPC's consumers.

3
4 **Q. Why has FPC decided to transfer control but not ownership of its
5 transmission facilities ("Controlled Facilities")?**

6 A. RTO participation requires transfer of either control or ownership of transmission
7 facilities. FPC views this choice as a business decision, not as a question of
8 utility operations. FPC has been successfully engaged in the transmission
9 business for many years. At this point in time, FPC sees no business reason to
10 exit the transmission business. Divesting facilities to GridFlorida would be a
11 significant restructuring involving the exchange of \$509 million of FPC
12 transmission facilities (net plant in service at the end of year 2000) in return for
13 an equity interest in GridFlorida. The ultimate return on such an investment
14 depends on an initial public offering ("IPO") of GridFlorida equity and other
15 events that will unfold over the next several years, all of which are uncertain.
16 FPC believes that it is in its best business interest to retain transmission
17 ownership at this time. Also, FPC has the option to divest its transmission
18 facilities to Grid Florida in the future, as the documents governing Grid Florida
19 allow this. As discussed below, all transmission facilities, whether owned or
20 controlled by GridFlorida, will be operated in a non-discriminatory manner,
21 pursuant to a uniform set of standards and requirements. Hence, FPC's facilities
22 will be operated at the same level of efficiency, reliability, and safety, and FPC
23 will receive the same high quality transmission service, whether or not it divests
24 its transmission facilities.

1 **Q. Why has FPC designated 69 kV and above facilities as those for which**
2 **control will be transferred to GridFlorida?**

3 A. This issue is discussed in the joint testimony of GridFlorida Companies'
4 Witnesses C. M. Naeve, C. M. Mennes, G. J. Ramon, and myself (the "Panel
5 Testimony").

6
7 **Q. What are the circumstances under which FPC will be transferring control of**
8 **the Controlled Facilities?**

9 A. FPC will transfer operational control of the Controlled Facilities pursuant to the
10 Participating Owners Management Agreement (the "POMA") and GridFlorida's
11 Operating and Planning Protocols. These documents are attached to document
12 33 of Exhibit No. ____ (CMN-1) attached to the direct testimony of GridFlorida
13 Companies' Witness C. M. Naeve. The provisions of these protocols constitute
14 part of the POMA contract, and can be found in Attachments O and N of the
15 GridFlorida Open Access Transmission Tariff ("OATT"), respectively. The POMA
16 and the protocols have been filed with the FERC. Any amendments to these
17 documents also will be subject to FERC review.

18
19 **Q. Please describe the purposes of the POMA.**

20 A. The POMA governs the relationship between GridFlorida and FPC and any other
21 Participating Owner ("PO"), and their respective obligations arising in connection
22 with the transfer of operational control of Controlled Facilities to GridFlorida. The
23 POMA contains specific provisions that ensure that GridFlorida's operations and
24 practices will meet a high standard of safety, reliability, and efficiency. The
25 POMA also ensures that FPC and other POs will be afforded an opportunity to

1 collect the revenue requirement and other costs associated with their ownership
2 of Controlled Facilities. Finally, the POMA is designed to adequately protect
3 FPC's (and other POs') investors or members from liability arising from the
4 operation of Controlled Facilities by GridFlorida.

5
6 **Q. When does FPC intend to sign the POMA?**

7 A. FPC intends to sign the POMA on the date that GridFlorida becomes operational.
8

9 **Q. Are there any preconditions to FPC's execution of the POMA?**

10 A. Yes. The POMA will only become effective upon the certification by GridFlorida
11 that a number of conditions have been met. The conditions are related to
12 regulatory approvals, and certain capabilities necessary to perform under the
13 POMA.
14

15 **Q. Please describe the conditions.**

16 A. Before the POMA becomes effective, FERC must have approved the transfer of
17 control of Controlled Facilities and allowed the POMA to become effective.
18 FERC also must have issued an order authorizing the formation and operations
19 of GridFlorida. GridFlorida and the POs executing the POMA must have entered
20 into agency agreements for the provision of transmission service through non-
21 Controlled Facilities owned by such POs. GridFlorida and the POs must have in
22 place all means necessary to carry out their respective obligations under the
23 POMA, including completion of necessary testing and verification. GridFlorida
24 must also have in place the necessary physical facilities, personnel, hardware
25 and software required to carry out its obligations.

1 **Q. Will FPC be the only transmission owning utility to sign the POMA?**

2 A. As of today, FPC is the only transmission owning utility that has openly
3 expressed an interest in executing the POMA at the time GridFlorida commences
4 operations. Under Section 10 of the POMA, additional transmission owning
5 utilities may execute the POMA at any time, provided that the conditions
6 discussed above, with respect to regulatory approvals and technical capabilities,
7 are met.

8
9 **Q. Please describe the POMA provisions that govern the operation of the**
10 **Controlled Facilities.**

11 A. Under the POMA, GridFlorida is responsible for providing non-discriminatory
12 open access transmission service over the Controlled Facilities, pursuant to an
13 open access transmission tariff approved by FERC, and in accordance with the
14 requirements of Order No. 2000. GridFlorida has sole responsibility and
15 authority with regard to the operation of the Controlled Facilities, except in the
16 event of an emergency. An emergency is defined as a situation in which a PO's
17 electric facilities are in danger of suffering physical damage or there is a risk of
18 injury to persons or property. The POs will develop local operating rules to
19 address emergency situations.

20
21 The POs are responsible for maintaining their Controlled Facilities and must
22 follow the directions of GridFlorida with regard to scheduling of maintenance.

23
24 GridFlorida is responsible for the short-term reliability of the Controlled Facilities,
25 for planning and directing the expansion of the Controlled Facilities and for

1 receiving and processing interconnection requests from generators. During a
2 transition period, POs will provide Local Area Planning Services, pursuant to
3 terms and conditions to be defined. A PO will have the option but not the
4 obligation to construct additional facilities identified by GridFlorida that
5 interconnect with the PO's Controlled Facilities. GridFlorida will take all prudent
6 steps to renegotiate existing interconnection agreements to conform such
7 agreements to GridFlorida's operational requirements.

8
9 GridFlorida will be entitled to obtain from POs all information and access rights
10 necessary to carry out its obligations.

11
12 GridFlorida will also be entitled to request a PO to transfer control of additional
13 transmission facilities if it determines that those are required for the reliable
14 operation of GridFlorida or to provide transmission service to an eligible
15 customer. These rights are subject to limitations on transfers of control resulting
16 from tax and other considerations.

17
18 GridFlorida will operate the OASIS and provide ancillary services in accordance
19 with the OATT and FERC requirements. GridFlorida is responsible for publishing
20 the Operating and Planning protocols and other GridFlorida documents in its
21 internet site (or otherwise making them available to POs upon request), for
22 complying and causing its directors, officers, employees and agents to comply
23 with a FERC-approved Code of Conduct, and for complying with the orders of
24 FERC and other state and federal regulatory agencies with jurisdiction.

1 GridFlorida and its directors, officers, employees, and agents are required to
2 avoid damage to Controlled Facilities or any property of a PO affected by
3 GridFlorida's activities. Similarly, POs are required to avoid damage to
4 GridFlorida's facilities.

5
6 GridFlorida also must employ and enforce credit standards to minimize or avoid
7 loss of revenues. GridFlorida and POs must exercise their respective rights and
8 obligations in conformity with good utility practice, and shall conform to applicable
9 reliability guidelines, policies, standards, rules, regulations and other
10 requirements of the Nuclear Regulatory Commission, the National Electric
11 Reliability Counsel, the Florida Reliability Coordinating Counsel, among other
12 authorities with jurisdiction. Finally, GridFlorida is required to maximize the
13 efficient use of the Controlled Facilities.

14
15 **Q. Please describe the Operating and Planning Protocols and their purpose.**

16 **A.** The protocols provide further detail with respect to the operations and planning of
17 Controlled Facilities, to further ensure that GridFlorida's practices meet a high
18 standard of reliability, efficiency, and quality of service. The protocols are
19 described in greater detail in the Panel Testimony. The protocols apply to all
20 transmission facilities regardless of whether they are directly owned or controlled
21 by GridFlorida pursuant to the POMA. Therefore, GridFlorida is required to
22 provide transmission service in a uniform manner.

23
24 **Q. Please describe the POMA provisions that govern the collection and**
25 **distribution of revenues associated with the Controlled Facilities.**

1 A. GridFlorida is required to collect, through its rate schedules, and distribute, in
2 accordance with the provisions of the OATT, the POs' revenue requirement and
3 other amounts associated with the POs' ownership of the Controlled Facilities.
4 The POs will maintain the sole authority to make filings to establish the revenue
5 requirement and any other amounts associated with their Controlled Facilities.
6

7 **Q. Please describe the POMA provisions that govern the allocation of liability**
8 **among GridFlorida and the POs and the parties' respective insurance**
9 **requirements.**

10 A. The POMA requires GridFlorida and the POs to carry adequate insurance (or self
11 insure) and to indemnify each other for liabilities and claims arising out of each
12 party's performance under the POMA. The POMA also limits the POs' liability
13 under certain circumstances.
14

15 **Q. Will FPC be able to withdraw its Controlled Facilities from GridFlorida after**
16 **it executes the POMA?**

17 A. Yes. The POMA allows POs to withdraw all or a portion of their Controlled
18 Facilities and terminate the agency agreement. The withdrawal becomes
19 effective at the later of twelve months or the effective date of all regulatory
20 approvals. The twelve month notice period will not apply in the event of the
21 divestiture of Controlled Facilities to GridFlorida or in the event of an adverse tax
22 consequence arising out of GridFlorida's control of a PO's Controlled Facilities.
23 Withdrawal will not impact service pursuant to transmission contracts entered
24 prior to the notice of withdrawal, unless a modification is required by FERC or

1 mutually agreed to by the parties to the transmission contract. Other obligations
2 between GridFlorida and the withdrawing PO shall be renegotiated.

3
4 **Q. Please describe what changes, if any, may be made to the POMA in the**
5 **future?**

6 A. Two provisions in the POMA were not accepted by the FERC. FPC, Florida
7 Power & Light Company (FPL) and Tampa Electric Company (TECO) filed a
8 request for rehearing requesting that the FERC reinstate such provisions. These
9 provisions refer to the allocation of consequential and indirect damages liability
10 between GridFlorida and the POs and the limitation of liability of a non-sovereign
11 PO in connection with claims made by sovereign POs. The request for rehearing
12 is currently pending.

13
14 **Q. Do you expect any other future changes to the POMA?**

15 A. Yes. I expect that there will be amendments to the POMA which take into
16 account the provisions of future "contribution" agreements pursuant to which
17 FPL, TECO, and perhaps others will divest their facilities to GridFlorida. These
18 conforming changes will assure that Participating Owners are treated comparably
19 to Divesting Owners ("DO" or "DOs").

20
21 For example, at the time of divestiture, GridFlorida may not have the ability to
22 perform all of the functions then being performed by a DO on the particular
23 facilities being divested. In order to be sure that the DO receives the same level
24 of service after the divestiture, the DO temporarily may have to perform certain
25 services on behalf of GridFlorida with respect to the facilities divested. To the

1 extent that a contribution agreement grants a DO the right to provide such
2 services, and to the extent a PO has a similar situation, the PO will have the
3 same right to perform the same sort of services. This will keep the PO on an
4 equivalent basis as the DO.

5
6 Access to transmission facilities is another area where it may be necessary to
7 conform the POMA to a DO agreement. In addition, just as the DOs must be
8 sure that divestiture does not violate their bond indenture, the POMA also must
9 provide that transfer of operational control must be done in a manner that is
10 consistent with investor owned utility indentures. The POMA already contains
11 provisions protecting tax exempt debt. It is my understanding that we will
12 examine whether the POMA needs a provision protecting the indentures of
13 investor-owned POs such as Florida Power. Finally, the allocation of risk
14 contained in contribution agreements may cause the liability provisions of the
15 POMA to be revisited. Again, revisitation would be done to maintain the PO and
16 DO in comparable positions. In order to become effective, all of the POMA
17 changes I have been discussing would need to be filed and accepted by FERC.

18
19 **Impact of FPC's Participation in GridFlorida on FPC's Retail Rates**

20
21 **Q. How will GridFlorida determine the charges for transmission services that**
22 **are rendered to transmission customers serving load within FPC's service**
23 **area?**

24 **A.** GridFlorida's rate design is described in the direct testimony of GridFlorida
25 Companies' Witness W. Ashburn in this docket. As explained by Mr. Ashburn,

1 GridFlorida's proposal includes a two part rate. Part I consists of the existing
2 transmission facilities in each zone as of December 31, 2000, and will be
3 assessed only on load in that zone for years 1-5. Part II reflects the costs of all
4 new facilities built after December 31, 2000 and will be assessed on all RTO
5 load. Beginning in year 6 and ending in year 10, 20% of the Part I rates for each
6 zone will be added annually to the Part II rates such that at year 10, there will no
7 longer be a Part I rate.

8
9 Transmission charges for service to load within FPC's service area (i.e., within
10 FPC's pricing zone) will include: (a) a zonal transmission access charge, based
11 on the cost of FPC's existing transmission facilities (and any cost of existing
12 transmission facilities of Transmission Dependent Utilities ("TDUs") whose loads
13 reside in FPC's pricing zone and choose to participate in GridFlorida, subject to a
14 phase in, as described in Mr. Ashburn's testimony), and (b) a load ratio share of
15 the system wide new facilities cost. In addition, the transmission charges will
16 include a load ratio share of the system wide grid management cost. The grid
17 management cost is recovered through a Grid Management Charge ("GMC"),
18 also discussed in Mr. Ashburn's testimony.

19
20 **Q. How will the revenue requirements associated with FPC's transmission**
21 **facilities be determined?**

22 A. FPC plans to develop a formula that calculates its total revenue requirements
23 annually associated with all of its transmission facilities. Such a formula would
24 employ cost data from the preceding calendar year and incorporate a true up
25 provision to reflect the actual costs incurred during the year. A formula

1 mechanism would insure that FPC is neither under-recovering nor over-
2 recovering its transmission facilities' costs.

3
4 **Q. How will FPC differentiate its revenue requirements for purposes of**
5 **GridFlorida charges related to (a) existing facilities and (b) new facilities?**

6 A. FPC is planning to calculate the revenue requirements associated with the new
7 facilities portion by applying a simple annual carrying charge rate to the
8 accumulated gross new average investment balance each year. The revenue
9 requirements established in this way for new facilities can be subtracted from the
10 revenue requirements calculated by the formula for all of FPC's transmission
11 facilities to derive the portion of revenue requirements related to existing
12 facilities.

13
14 **Q. What transmission costs will be supported by FPC's retail load?**

15 A. FPC will take transmission service under the GridFlorida OATT to serve its retail
16 load and certain wholesale load. FPC will take network service to serve its retail
17 load. The access charge for network service is explained in Mr. Ashburn's
18 testimony and consists of the product of (a) the monthly zonal charge based on
19 the revenue requirements for the facilities within the zone (Part I) plus the
20 monthly new facilities charge (Part II) multiplied by (b) the network customer's
21 network service billing determinants for the month. In addition, customers will be
22 assessed a GMC.

23
24 FPC's retail load constitutes approximately 75% of the total transmission system
25 loading in FPC's pricing zone and about 22% of the transmission loading of the

1 entire GridFlorida system. Therefore, FPC's retail load will be responsible for (1)
2 approximately 75% of the cost of existing facilities in the FPC pricing zone, (2)
3 approximately 22% of the new facilities cost of the entire grid, and (3)
4 approximately 22% of the system wide grid management cost.

5
6 **Q. Will the cost of obtaining transmission service from GridFlorida to serve**
7 **FPC's retail customers be higher than if FPC had continued providing**
8 **transmission service directly to its customers as it does today?**

9 A. Yes, more than likely. It is expected that GridFlorida's total charges are likely to
10 be higher as a result of (a) GridFlorida rates that eliminate existing pancaked
11 transmission rates, (b) GridFlorida rates that include the cost recovery of TDU
12 facilities, (c) the transition to grid-wide average rates, and (d) the costs
13 associated with creating and operating the new entity, GridFlorida, which are
14 discussed in the testimony of GridFlorida Companies' Witness B. L. Holcombe.

15
16 **Q. Would you describe what you mean by the expectation that charges will be**
17 **higher as a result of GridFlorida imposing rates that eliminate existing**
18 **pancaked transmission rates?**

19 A. Under today's transmission pricing practices, a charge is assessed by each
20 individual transmission system for a power transaction being delivered on or
21 through its system. This practice is referred to as pancaking. When GridFlorida
22 becomes operational, pancaking is eliminated and only one rate charge is
23 applicable for delivery to load or a transaction on or through any of the
24 participating systems of GridFlorida. As a result of eliminating pancaking, rate
25 charges will necessarily be higher since the costs of transmission facilities will be

1 spread over less billing units. Unless a transmission user is a beneficiary of
2 unpancaking, *i.e.*, the user currently utilizes a number of transmission systems,
3 the user is likely to be subject to greater unit rate charges even though they may
4 be supporting the same facilities. FPC's retail load is served predominately from
5 resources on FPC's existing transmission system, and little transmission
6 pancaking is required. Thus, the elimination of pancaking is likely to result in
7 increased rate charges to FPC retail customers.

8
9 **Q. You indicated that FPC's retail customers may incur higher cost**
10 **responsibility as a result of GridFlorida including the cost recovery of**
11 **transmission assets of TDUs. Would you explain this further?**

12 **A.** Yes. The entities of Seminole Electric Cooperative and its member systems, and
13 the Florida Municipal Power Agency and its member participants have
14 constructed and operate transmission facilities that are interconnected with
15 FPC's transmission system. These entities are TDUs, in that they still are
16 dependent upon FPC's transmission system for delivery of their power needs. In
17 the event that any of these entities participate in GridFlorida by divesting their
18 facilities to GridFlorida or by entering into a POMA with GridFlorida for the
19 operation of their facilities, the entity will be compensated by GridFlorida for the
20 use of such facilities as part of the GridFlorida transmission system. Initially,
21 under zonal pricing, and thereafter under grid-wide pricing, FPC retail customers
22 will be subject to rates from GridFlorida that include the cost recovery for any
23 TDU transmission facilities of participating entities.

1 **Q. Why do you think the derivation of system-wide average rates will result in**
2 **higher charges to FPC's retail customers?**

3 A. FPC has lower unit transmission costs than other Florida transmission owners.
4 Under the pricing proposal of GridFlorida, rates will have fully transitioned from
5 zonal rates to system-wide average rates within ten years. This obviously will
6 result in the imposition of higher rates than those currently experienced for FPC
7 retail customers.

8
9 **Q. How significant is the increase in retail rates expected to be?**

10 A. The transmission component of the average retail rate is in the order of \$3.00 to
11 \$3.50 per 1000 kWh of usage. This compares to a total current billing of \$93.41
12 for a 1000 kWh monthly residential customer. The estimated increase in
13 transmission costs for an FPC retail customer as a result of obtaining service
14 from GridFlorida is likely to be in the range of \$0.50 to \$0.75 per 1000 kWh of
15 usage. This may be a significant percentage increase in the transmission
16 component of the cost (approximately 20%), but it is still a relatively small
17 percentage increase on a residential customer's total electric bill (less than 1%).

18
19 **Q. How does FPC propose to collect the increment in costs described above**
20 **from FPC's retail ratepayers?**

21 A. FPC proposes to establish a pass through clause that would be used to collect
22 from retail ratepayers the difference, if any, between the amounts collected from
23 retail ratepayers in its bundled rates and the amounts assessed by GridFlorida to
24 FPC in connection with transmission service provided by GridFlorida to FPC.
25 The procedure that is being proposed is the same as that described in the

1 testimony of FPL Witness K. M. Dubin. In the phase 2 proceeding in this docket,
2 FPC will identify the transmission cost component contained in its bundled retail
3 rates.

4
5 **Q. Do you believe that GridFlorida's pricing structure mitigates the cost**
6 **increases that FPC's retail load is likely to bear?**

7 A. Yes. Many of GridFlorida's rate design features were specifically developed to
8 mitigate the impact of cost shifts to FPC's retail customers. For example, the
9 concept of zonal pricing for the first five years preserves to the extent possible
10 the lower unit costs of FPC's existing facilities during this time as the applicable
11 rates to loads in FPC's electric system. The inclusion of cost recovery for TDU
12 facilities in the pricing zone has been designed to be phased in gradually at 20%
13 per year. The concept of phasing out of zonal rates for cost recovery of existing
14 facilities to a system wide rate in increments of 20% per year in years 6 through
15 10 is also an attempt to gradually impact FPC's retail customers with rates
16 supporting higher grid-wide average costs.

17
18 **Q. How will FPC's retail customers realize any cost benefits that offset the**
19 **transmission cost increases resulting from the creation of GridFlorida?**

20 A. FPC envisions two potential types of benefits, each of which would flow
21 automatically to ratepayers. The first is in the generation function, where as a
22 result of a more vibrant wholesale market, FPC may engage in more economy
23 transactions that would result in lower fuel costs or additional sales margins.
24 These generation benefits would automatically flow through to customers as a
25 result of FPC's fuel clause. The second type of benefit that GridFlorida may

1 afford FPC is its impact on the costs of owning and maintaining FPC's existing
2 transmission system. Initially FPC does not believe that GridFlorida's control of
3 FPC's facilities will significantly reduce FPC's existing transmission costs.
4 However, in the event that FPC is able to eliminate costs as a result of
5 experience with GridFlorida and its impact on FPC's operators, planners, etc.,
6 these cost reductions would be reflected in FPC's annual formula calculation of
7 its transmission revenue requirements that GridFlorida must collect. Thus any
8 cost savings automatically flow through GridFlorida's rates to transmission users.
9 Upon approval by the Florida Public Service Commission of the pass through
10 clause for incremental transmission cost recovery, which I proposed earlier in my
11 testimony, any cost savings reflected in GridFlorida rates to FPC would
12 automatically flow through to FPC's retail customers.

13
14 **Q. Does this conclude your direct testimony?**

15 **A.** Yes, it does.