

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

REVIEW OF FLORIDA POWER CORPORATION'S DOCKET NO. 000824-EI
EARNINGS INCLUDING EFFECTS OF
PROPOSED ACQUISITION OF FLORIDA POWER
CORPORATION BY CAROLINA POWER & LIGHT.

REVIEW OF FLORIDA POWER & LIGHT DOCKET NO. 001148-EI
COMPANY'S PROPOSED MERGER WITH ENTERGY
CORPORATION, THE FORMATION OF A FLORIDA
TRANSCO, AND THEIR EFFECT ON FLORIDA
POWER & LIGHT'S RETAIL RATES.

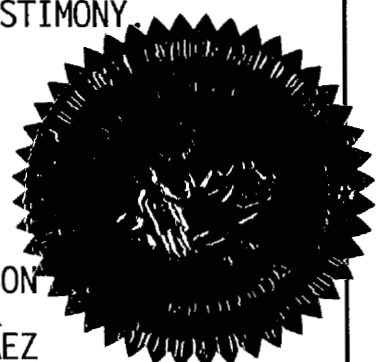
REVIEW OF TAMPA ELECTRIC COMPANY AND DOCKET NO. 010577-EI
IMPACT OF ITS PARTICIPATION IN
GRIDFLORIDA, A FLORIDA TRANSMISSION
COMPANY, ON TECO'S RETAIL RATEPAYERS.

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VOLUME 8
PAGES 958 THROUGH 1021

PROCEEDINGS: HEARING
BEFORE: CHAIRMAN E. LEON JACOBS
COMMISSIONER J. TERRY DEASON
COMMISSIONER LILA A. JABER
COMMISSIONER BRAULIO L. BAEZ
COMMISSIONER MICHAEL A. PALECKI

DATE: Friday, October 5, 2001
TIME: Commenced at 8:30 a.m.
PLACE: Betty Easley Conference Center
Room 148
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Tallahassee, Florida
REPORTED BY: JANE FAUROT, RPR
Official FPSC Reporter



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P R O C E E D I N G S

1
2 (Transcript continues in sequence from
3 Volume 7.)

4 CHAIRMAN JACOBS: We'll go back on the record.
5 Mr. Childs.

6 MR. CHILDS: Commissioners, the next witness is Mr.
7 Mennes.

8 C. MARTIN MENNES

9 was called as a witness on behalf of Florida Power and Light
10 Company and, having been duly sworn, testified as follows:

D I R E C T E X A M I N A T I O N

11
12 BY MR. CHILDS:

13 Q Will you state your name and address, please?

14 A My name is C. Martin Mennes, my address is 4200 West
15 Flagler Street, Miami, Florida.

16 Q And you have previously testified in this docket?

17 A Yes, I did.

18 Q Actually when you testified before you testified in
19 all three dockets, correct?

20 A Correct.

21 Q Do you have before you a document entitled testimony
22 of C. Martin Mennes in Docket Number 001148-EI?

23 A Yes, I do.

24 Q Is that your testimony for this proceeding?

25 A Yes, it is.

1 Q Do you have any changes to make to it?

2 A No, I do not.

3 Q Do you adopt it as your testimony?

4 A Yes.

5 MR. CHILDS: Commissioners, we ask that the prepared
6 testimony of Mr. Mennes be inserted into the record as though
7 read.

8 CHAIRMAN JACOBS: Without objection, show Mr. Mennes'
9 testimony is entered into the record as though read.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Review of Florida Power & Light Com-
pany's proposed merger with Entergy Cor-
poration, the formation of a Florida trans-
mission company ("Florida transco"), and
their effect on FPL's retail rates.**

DOCKET NO. 001148-EI

TESTIMONY OF
C. MARTIN MENNES

1 **Q. Please state your name and occupation.**

2 A. My name is C. Martin Mennes. I am Vice President, Transmission, Operations and
3 Planning of Florida Power & Light Company ("FPL").

4 **Q. Please briefly describe your educational and business experience.**

5 A. I graduated with Honors from the University of Florida. I have a Post Graduate
6 Certificate of Proficiency in Electrical Engineering from the University of Miami and
7 completed the Program for Management Development from the Harvard University
8 Graduate School of Business.

9 I began working at FPL in 1968 in the area of protective relay and control
10 systems. Since then I have held the positions of Manager of System Protections,
11 Manager of System Operations, Manager of Bulk Power Markets, and Director of
12 Power Supply. In February 2000 I assumed my present position.

13 I am a registered Professional Engineer in the State of Florida. My industry
14 related activities outside of Florida include serving as chairman of the following:

1 North American Electric Reliability Council ("NERC") Performance Subcommittee,
2 NERC Security Coordinator Subcommittee, and Southeastern Electric Reliability
3 Council ("SERC") Operating Committee. I am presently serving as vice chairman for
4 the NERC Market Interface Committee and I am on the NERC Technical Steering
5 Committee.

6 **Q. What is the purpose of your testimony in this proceeding?**

7 A. I am presenting testimony addressing two issues on behalf of FPL. First, I will
8 address FPL's decision to transfer ownership of its transmission assets to GridFlorida.
9 Second, I will address what Mr. Holcombe describes in his testimony as FPL's "cost
10 off-sets" (which are included in his Exhibit BLH-3). In his testimony, Mr. Holcombe
11 addresses the reasonableness of the estimated start up costs and preliminary annual
12 operating budget for GridFlorida, and the amount of these costs properly considered
13 to be additional costs associated with GridFlorida's establishment. The "cost off-sets"
14 in Mr. Holcombe's testimony represent those costs that would have been incurred by
15 the GridFlorida Companies (FPL, Tampa Electric Company, and Florida Power
16 Corporation) even without GridFlorida formation, as well as those costs the Compa-
17 nies will no longer incur after GridFlorida commences operations. To determine the
18 additional cost associated with GridFlorida, Mr. Holcombe reduces the total costs of
19 GridFlorida by the cost off-sets.

20 These matters relate to Issues 4 and 5 in Prehearing Order No. PSC-01-1485-
21 PSCO-EI.

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

1 A. No.

2 **I. DECISION TO TRANSFER OWNERSHIP OF TRANSMISSION**

3 **ASSETS**

4 **Q. Please explain why FPL participated in the development of a Regional Transmis-**
5 **sion Organization ("RTO").**

6 A. As explained by Messrs. Hoecker and Naeve, the Federal Energy Regulatory Com-
7 mission ("FERC") in Order No. 2000 required FPL to join a FERC-approved RTO
8 under the timetable included in that Order. Shortly after FERC issued Order No.
9 2000, FPL began analyzing the options available to it to comply with FERC's require-
10 ments. FPL concluded that there are a number of benefits to active participation in
11 RTO development, including the ability to provide meaningful and timely input
12 during the formation process to help ensure that the RTO would benefit FPL custom-
13 ers.

14 **Q. Were there alternative approaches available to FPL?**

15 A. The alternative to active participation was to take a wait-and-see approach to RTO
16 formation. This approach, however, would result in substantial risk that FERC would
17 require FPL to join an RTO developed by others without regard to Florida's specific
18 circumstances and needs. FPL did not consider this as a viable alternative, as it
19 would not benefit FPL's customers.

20 **Q. What factors did FPL consider when developing an RTO?**

21 A. First and foremost, FPL was concerned that any RTO in which it would participate
22 would benefit FPL's customers. That is, FPL wanted to ensure that the RTO would be

1 structured to ensure that it would continue to provide reliable service and make proper
2 short- and long-term decisions that minimize costs consistent with the need to
3 maintain reliability. This includes ensuring that the RTO would plan for necessary
4 facilities to meet future needs and take all steps necessary such that those facilities
5 would be constructed.

6 **Q. Did the specific goals included in Order No. 2000 affect the Company's evalua-**
7 **tion?**

8 A. Yes. As a general matter, FERC's goals in Order No. 2000 are consistent with those I
9 just enunciated, i.e., ensuring reliable service at reasonable cost. Order No. 2000's
10 goals thus reinforced the goals that FPL felt must be satisfied in forming an RTO.

11 **Q. Did these goals influence FPL's decision regarding a proper structure for an**
12 **RTO?**

13 A. Yes. Once it determined the goals it was trying to accomplish, FPL analyzed the two
14 basic approaches to RTO formation to determine how best to satisfy those goals: A
15 for-profit transmission company ("Transco") and a non-profit independent system
16 operator ("ISO"). FPL determined that a for-profit Transco is the best way to meet
17 the goals of efficiency and reliability that would benefit FPL's customers.

18 **Q. Why did FPL determine that a for-profit Transco is a better option than a non-**
19 **profit ISO?**

20 A. After analyzing the poor performance of and high costs associated with most ISOs
21 developed in other regions of the country, most notably California, New York, and
22 New England, FPL believed, and continues to believe, that a for-profit Transco is the

1 most efficient structure for satisfying Order No. 2000. Based on these other experi-
2 ences, FPL believes that ISOs, which are not accountable to anyone and have no
3 interest in ensuring that costs are efficiently incurred, do not have proper incentives to
4 operate efficiently or attempt to reduce costs. A for-profit Transco, on the other hand,
5 will seek to meet its earnings projections, and thus will have proper incentives to
6 minimize costs to do so. Also, a for-profit Transco can have proper incentives to
7 efficiently operate the transmission system. Finally, a Transco that owns assets will
8 have greater financial strength, and thus will have access to capital when it needs it
9 and at lower cost than a non-profit ISO. These attributes of a for-profit Transco
10 ultimately benefit customers through low cost, reliable service.

11 **Q. Why did FPL decide that it would transfer ownership of its transmission**
12 **facilities to GridFlorida?**

13 A. FPL had a serious concern that without its assets a Transco in Florida would not be
14 successful, as FPL owns approximately half the transmission facilities in the State.
15 One reason for FPL's concern was its belief that a Transco will need to own signifi-
16 cant assets for a successful Initial Public Offering ("IPO"), as investors in a company
17 are buying a piece of that company, and thus want to ensure that the company has
18 sufficient assets to operate efficiently. An IPO is important because it will provide
19 funds the Transco needs and increase the accountability of the directors and officers
20 of the Transco (and thus independence).

21 **Q. Was this decision premised on a particular structure for the Transco?**

1 A. Yes. FPL's decision was premised on the expected structure of GridFlorida as filed
2 with, and approved by, FERC. In particular, FPL's decision was premised on transfer-
3 ring ownership of its assets to a Transco in Florida that will be the RTO. If a structure
4 or RTO is adopted that is different than GridFlorida as approved by FERC, and FPL
5 is encouraged or required to participate, FPL will need to re-analyze whether transfer-
6 ring ownership of its facilities continues to be appropriate.

7 **II. COST OFF-SETS**

8 **Q. Please describe the "cost off-sets" used by Mr. Holcombe in his testimony to**
9 **develop the costs properly attributed to GridFlorida.**

10 A. As I explain above, the "cost off-sets" in Mr. Holcombe's testimony represent those
11 costs that would have been incurred by the GridFlorida Companies even without
12 GridFlorida formation, as well as those costs the Companies will no longer incur after
13 GridFlorida commences operations. The cost off-sets are used by Mr. Holcombe to
14 determine the additional cost associated with GridFlorida, i.e., Mr. Holcombe reduces
15 the estimated total costs of GridFlorida by the cost off-sets to determine the incremen-
16 tal costs associated with GridFlorida. The cost off-sets are included in Exhibit BLH-
17 3, Tables 1 and 2.

18 **Q. Please explain the rationale for the costs off-sets.**

19 A. A useful analogy is to consider how one determines the additional operating costs of a
20 new car. One cannot simply look at the fact that the new car will require \$20 a week
21 in gasoline and assume that the new automobile results in an additional fuel cost each
22 week of \$20. If it used to cost \$15 a week in gas for the old car, the additional cost of

1 the new car is only \$5. Similarly, if the old car on average required \$3 a week in
2 maintenance costs, but the new car is under warranty and thus will not have any out-
3 of-pocket maintenance costs, that amount should be deducted from the total cost of
4 the new car to determine the car's additional cost. As this example shows, costs that
5 would have been incurred with the old car, as well as those costs that no longer will
6 be incurred, must be considered when determining the additional costs associated
7 with the new car.

8 **A. Incremental Start-Up Costs**

9 **Q. Please describe generally where the FPL estimated cost off-sets are included in**
10 **Table 1 to Exhibit No. BLH-3.**

11 A. The FPL estimated costs Mr. Holcombe uses as off-sets to GridFlorida start-up costs
12 are included in columns 7 and 10 of BLH-3, Table 1. Column 7 describes the FPL
13 estimated costs associated with retail load, and column 10 represents estimated costs
14 associated with wholesale load (all of which in Table 1 represents FPL costs).

15 **Q. Please explain GridFlorida Facilities Project costs, and the FPL off-set thereto,**
16 **included in Mr. Holcombe's testimony.**

17 A. GridFlorida's Facilities Project costs, which are included at column 1, line 3 of Table
18 1, represent GridFlorida's costs associated with building spaces, e.g., the costs
19 associated with procuring and managing headquarter facilities, back-up facilities, and
20 a control center. The FPL offset of \$635,000 (\$588,000 associated with retail load,
21 included in column 7, line 3 of the Table, and \$47,000 associated with wholesale load
22 included in column 10, line 3) consists of the estimated cost to GridFlorida associated

1 with the lease by GridFlorida of three FPL facilities prior to commercial operations.
2 The costs are off-sets because they do not represent an additional cost above what
3 FPL's effective costs for the building spaces would have been even if GridFlorida was
4 not formed. That is, these are costs that FPL would have incurred absent GridFlorida,
5 but effectively is avoiding as a result of the lease payments.

6 **Q. What are the three leases included in the FPL off-set to GridFlorida's Facilities**
7 **Project costs?**

8 A. The FPL off-set is associated with the following leases:

- 9 • \$107,607 for building lease fees associated with leasing 11,000 sq. ft. of the
10 FPL control center. This figure represents the cost to GridFlorida to lease the
11 facility for 90 days prior to commercial operations, with the remainder in-
12 cluded in the annual lease costs.
- 13 • \$495,000 for building lease fees associated with leasing office space at the
14 FPL control center for 12 months prior to commercial operations. This figure
15 assumes 50 project personnel, with an average of 250 sq. ft. per person at an
16 estimated cost of \$39.13 per sq. ft., plus approximately \$6,000 to lease 50
17 workstations.
- 18 • \$32,400 for building lease fees to lease the disaster control facility for 12
19 months prior to commercial operations. This figure is based on a 1,200 sq. ft.
20 facility at the FPL Customer Service Center East at \$27 per sq. ft.

21 **Q. Please explain the FPL estimated cost off-set associated with System Operations.**

1 A. System Operations costs are included at line 4 of Table 1. The off-set for FPL
2 estimated costs is \$10,985,000 (\$10,171,000 in column 7 and \$814,000 in column
3 10). This figure represents an estimate of the allocation of costs for FPL's EMS
4 system to GridFlorida. Like the leases, this cost is an offset because it is not a new
5 cost that results from establishing GridFlorida. Instead, it represents an allocation of
6 costs FPL would be incurring whether or not GridFlorida was established.

7 **Q. Please describe briefly how those costs were allocated.**

8 A. All applications that will be shared by FPL and GridFlorida were allocated based on
9 the number of SCADA points associated with transmission functions. Licensing
10 costs also were allocated using the same methodology, except to the extent license
11 restrictions prohibit GridFlorida from using such license.

12 **B. Incremental Operating Expenses**

13 **Q. Please describe generally where the FPL estimated cost off-sets are included in**
14 **Table 2 to Exhibit No. BLH-3.**

15 A. Like Table 1, the FPL estimated costs Mr. Holcombe uses as off-sets to GridFlorida
16 operating expenses are included in columns 7 and 10 of BLH-3, Table 2. Again,
17 column 7 describes the FPL estimated costs associated with retail load, and column
18 10 represents estimated costs associated with wholesale load (some or all of which are
19 associated with FPL).

20 **Q. Please explain the FPL estimated cost off-set associated with O&M for FPL**
21 **transferred assets.**

1 A. Estimated O&M costs associated with FPL transferred assets, included at line 1 of
2 Table 2, are made up of three elements: O&M on the fixed assets to be transferred,
3 estimated property tax on tangible assets, and cost-based leases for operating facilities
4 and shared equipment. The cost-offset, which FPL no longer will incur, totals
5 approximately \$57 million (\$52.882 million dollars associated with retail load
6 included in column 7 and \$4.231 million dollars associated with wholesale load
7 included in column 10). It consists of the following:

- 8 • \$34.113 million in O&M on FPL's transferred assets, which is based on
9 estimated 2001 O&M expenses adjusted to year 2003;
- 10 • \$20 million for estimated property tax on tangible property, poles, and wires,
11 estimated based on 1999 data; and
- 12 • \$3 million for leases for offices, services centers, and shared station equip-
13 ment that is owned by FPL.

14 **Q. Please explain the FPL estimated cost off-set associated with Salaries and**
15 **Benefits.**

16 A. This offset, included at line 3, is associated with reduced personnel that currently
17 perform functions FPL no longer will perform after GridFlorida begins operations.
18 FPL estimates a reduction in 27 employees. The estimated annual salary and benefits
19 for each of these employees, \$101,250 per employee per year, comes from the
20 assumptions used to develop the Accenture Blueprint. The total of this off-set for
21 FPL is \$2.733 million (\$2.531 million included in column 7 and approximately
22 \$202,000, representing FPL's share of the total included in column 10).

1 **Q. Please explain the FPL estimated cost off-set associated with Lease**
2 **Back Arrangements –FPL.**

3 A. Because FPL is not transferring land and land rights to GridFlorida, FPL and
4 GridFlorida will enter in a land use agreement to allow GridFlorida access to its
5 facilities. The \$19.444 million included in line 5, column 7 and the \$1.556 million
6 included in line 5, column 10 represent the estimated cost of FPL's land use fees.

7 **Q. Please explain the FPL estimated cost off-set associated with Control Center**
8 **Facilities and Building Services.**

9 A. This cost off-set is found at line 8, and totals \$1.796 million (the amount included in
10 column 7 and the entire amount included in column 10). It represents the estimated
11 cost to GridFlorida to lease the necessary space at FPL's control center to plan,
12 operate, and control the transmission system. It is based on a lease for 45,000 square
13 ft. at an estimated \$39.13 per sq. ft., plus an annual inflation factor of 2 percent to
14 estimate the year 2003 lease cost.

15 **Q. Please explain the FPL estimated cost off-set associated with Disaster Recovery**
16 **Facility.**

17 A. The \$31,000 included in line 10, column 7 and the \$2,000 included in line 10, column
18 10 represent the estimated cost to GridFlorida to lease FPL's disaster recovery
19 facility. The total is based on an annual lease for 12,000 sq. ft in FPL's existing
20 disaster recovery facility at an estimated \$27.00 per sq. ft., plus an annual inflation
21 factor of 2 percent to estimate the year 2003 lease cost.

22 **Q. Please explain the FPL estimated cost off-set associated with Storm Fund.**

1 A. The \$4.259 million included in line 13, column 7 and the \$341,000 included in line
2 13, column 10 represents the cost off-set to FPL's forecasted storm fund accrual as a
3 result of FPL transferring its transmission assets.

4 **Q. Please explain the FPL estimated cost off-set associated with**
5 **Telecommunications.**

6 A. GridFlorida's expected cost for Telecommunications is included at line 15 of Table 2.
7 This is an operating expense associated with the voice and data communications lines
8 needed by GridFlorida. FPL's off-set to the total expected cost for GridFlorida is
9 estimated at \$750,000 (the amount included in column 7 plus the total amount
10 included in column 10), representing the estimated telecommunications costs FPL
11 would have incurred had GridFlorida not commenced operations, but will avoid after
12 GridFlorida becomes operational. The \$750,000 is made-up largely of an allocation
13 of telephone bills associated with transmission operations that FPL no longer will be
14 responsible for when GridFlorida commences operations.

15 **Q. Please explain the FPL estimated cost off-set associated with Meetings, Travel,**
16 **and Seminars on Line 17 and Employee Training Budget included on Line 22.**

17 A. These figures, totaling \$71,000 and \$39,000 respectively, represent estimates of
18 avoided costs for meetings, travel, and seminars and training for the 27 employee
19 reductions at FPL identified above. The figure for meetings, travel, and seminars is
20 based on an estimated annual expense of \$2,632 per employee and the figure for
21 training is based on an estimated annual expense of \$1,421 per employee. These
22 calculations were based on assumptions used to develop the Accenture Blueprint.

- 1 **Q. Please explain the FPL estimated cost off-set associated with FERC Fees.**
- 2 A. This figure is equal to FPL's load ratio share of the \$1 million estimate for
- 3 GridFlorida's FERC fees included in the Accenture Blueprint. It represents costs FPL
- 4 would have incurred had GridFlorida not commenced operations.
- 5 **Q. Does this conclude your testimony?**
- 6 A. Yes.

1 BY MR. CHILDS:

2 Q Would you please summarize your testimony, Mr.
3 Mennes.

4 A Yes, thank you. My testimony addresses two distinct
5 subjects. First, I explain FPL's decision to propose a
6 for-profit transmission company, or transco, as the regional
7 transmission organization, and why FPL decided to transfer its
8 transmission assets to the transco. Given its belief that it
9 would ultimately be forced by FERC to join an RTO, FPL decided
10 it was best to take a proactive approach and develop an
11 appropriate RTO structure rather than wait and be forced into
12 an RTO designed by someone else.

13 FPL further decided that a transco structure for an
14 RTO is superior to a nonprofit ISO structure because a transco
15 has stronger incentives to provide innovative and
16 cost-effective service and because a transco is more likely
17 than an ISO to be held accountable for the way that it provides
18 service. FPL decided it would divest its transmission assets
19 to the transco in order to ensure that the transco has the
20 significant assets necessary to become a financially strong
21 company. FPL also wanted to align the ownership and operation
22 of its transmission facilities into one company.

23 The second purpose of my testimony is to support the
24 cost offsets described in Mr. Holcombe's testimony with respect
25 to costs associated with FPL. These are costs associated with

1 the estimate of the total GridFlorida costs that would have
2 been incurred by FPL absent GridFlorida, or which can be
3 avoided by FPL because of GridFlorida's operations. It is
4 necessary to subtract these costs from the estimate of total
5 GridFlorida costs in order to derive an estimate for the
6 incremental costs that would be incurred as a result of
7 GridFlorida.

8 Q That concludes your summary?

9 A Yes, it does.

10 MR. CHILDS: We tender the witness for cross
11 examination.

12 CHAIRMAN JACOBS: Very well. Mr. McGlothlin.

13 MR. MCGLOTHLIN: No cross.

14 CHAIRMAN JACOBS: Ms. Paugh.

15 MS. PAUGH: No questions.

16 CHAIRMAN JACOBS: Mr. Howe.

17 MR. HOWE: No questions.

18 CHAIRMAN JACOBS: Mr. Twomey.

19 MR. TWOMEY: No questions.

20 CHAIRMAN JACOBS: Staff.

21 CROSS EXAMINATION

22 BY MR. KEATING:

23 Q Mr. Mennes, is it your belief that FPL will achieve
24 benefits as a result of its participation in GridFlorida?

25 A My testimony really doesn't go to the benefit area,

1 but right now it's hard to say. I do think that in the
2 long-term there will be benefits as a result of an RT0. You
3 know, and I think they would be the same benefits that were
4 basically addressed in the Hoecker and Naeve testimonies.

5 Q Did you say -- and I missed part of that -- did you
6 say in the long-term there would be net benefits?

7 A Yes. I think as addressed by Hoecker and Naeve. You
8 know, again, it would be speculative, but, yes.

9 Q And FPL has not -- well, has FPL attempted to
10 quantify those benefits?

11 A No, FPL has not.

12 Q Can you offer any estimate on when net savings to FPL
13 would be realized?

14 A No.

15 Q Do you believe that FPL's ratepayers would see any
16 benefit from its participation in GridFlorida before net
17 savings are realized?

18 MR. CHILDS: Just as an observation, I think he has
19 said this is not his area of testimony that he is offering.

20 MR. KEATING: Let me just ask a couple of more
21 questions. And this may be something that is outside of your
22 area of expertise; and if so, let me know.

23 BY MR. KEATING:

24 Q Would the excess deferred taxes associated with the
25 assets transferred to GridFlorida be adjusted on FPL's books

1 when the transfer occurs?

2 A I'm letting you know.

3 (Laughter.)

4 Q Thank you. Do you know if the deferred tax reserves
5 associated with the assets transferred to GridFlorida will be
6 adjusted on FPL's books when the transfer occurs?

7 A I do not know the answer to that.

8 Q Okay. And do you know if investment tax credits
9 associated with the assets transferred to GridFlorida will be
10 adjusted on FPL's books when the transfer occurs?

11 A I don't know the answer to that.

12 Q Okay. Will GridFlorida record assets on the same
13 basis as they are transferred by Florida Power and Light?

14 A Will they record assets on the same basis.

15 Q Well, let me step back. Is Florida Power and Light
16 transferring assets at net book value?

17 A Yes. That was the original plan was to transfer at
18 net book value.

19 Q Do you know if GridFlorida will record those assets
20 on the same basis?

21 A That would only be speculation, but I would assume
22 they would.

23 Q Is there any way if Florida Power and Light divests
24 its assets into GridFlorida and later is dissatisfied with
25 GridFlorida, other than buying back the assets, that it could

1 regain ownership of the assets?

2 A That sounds like an issue to keep Washington, D.C.
3 employed, but I would doubt it. Not that I know of.

4 MR. KEATING: Thank you. That's all the questions I
5 have.

6 CHAIRMAN JACOBS: Commissioners. Redirect.

7 MR. KEATING: I'm sorry, before I finish, I had
8 handed out to the parties yesterday and to -- and provided a
9 copy to the Commissioners this morning of an exhibit that is
10 identified as -- described as responses to staff data requests.
11 And at this time I would like to have that marked. Staff has
12 no specific questions on this, and, again, this is similar to
13 the packet of interrogatory responses. It's something that
14 staff approached the parties with the hope that it could be
15 stipulated into the record.

16 CHAIRMAN JACOBS: Show that marked as Exhibit 24.

17 MR. CHILDS: Is that a composite of all companies or
18 just --

19 MR. KEATING: No, this is only -- it's the packet
20 with the cover sheet Witness C. Martin Mennes, description,
21 responses to staff data requests. And I believe this is just
22 Florida Power and Light.

23 MR. CHILDS: We have no objection to that.

24 CHAIRMAN JACOBS: Redirect.

25 MR. CHILDS: No.

1 CHAIRMAN JACOBS: Very well. Without objection, show
2 Exhibit 24 is admitted. Thank you, you are excused, Mr.
3 Mennes.

4 (Exhibit 24 marked for identification and admitted
5 into the record.)

6 CHAIRMAN JACOBS: And Mr. Southwick.

7 MR. KEATING: I'm sorry, Chairman, I had one other
8 exhibit I wished to move in. I wasn't sure that the
9 questioning was done.

10 CHAIRMAN JACOBS: That was exhibit -- which one, 2 or
11 3?

12 MR. KEATING: And that is the exhibit that was marked
13 as Number 3 on Wednesday. Again, this is a packet that was
14 provided to the parties at the hearing on Wednesday with the
15 hopes that this could be stipulated into the record, and it is
16 comprised of certain responses to staff interrogatories from
17 FPL and responses to document requests. I would make a
18 clarification that since the exhibit was handed out Wednesday,
19 staff has decided to remove about four or five of the items
20 that were listed on the cover sheet with the original packet.
21 We have distributed a revised cover sheet that shows
22 specifically the items that we wish to have included in this
23 exhibit.

24 I guess, to avoid the time and the paper of making 30
25 more copies of this, pulling those individual interrogatory and

1 document requests out, I would just like to go through those
2 five on the record to make sure that -- they are still included
3 in the packet, but we do not wish to offer them for purposes of
4 the record, and I want to --

5 CHAIRMAN JACOBS: Does everybody have a copy of this?

6 MR. KEATING: I believe so.

7 CHAIRMAN JACOBS: Do we need to go through it then?
8 I'm happy with it if you are.

9 MR. CHILDS: It might be just as easy if you would
10 agree, Cochran, to simply put a date on the cover sheet of
11 today and make it clear that that is the identification of what
12 you are offering.

13 CHAIRMAN JACOBS: Revised cover.

14 MR. CHILDS: Right.

15 MR. KEATING: That would be fine. I just wanted to
16 make clear that the specific discovery material that we have
17 agreed to remove or to not include as part of what we wish to
18 have in the record is still physically in this packet.

19 CHAIRMAN JACOBS: Very well.

20 MR. CHILDS: We do not object.

21 CHAIRMAN JACOBS: Very well. This is in essence,
22 then -- Exhibit 3 is admitted as revised. Okay.

23 (Exhibit 3 admitted into the record.)

24 CHAIRMAN JACOBS: Now, on Exhibit 24, I had thought
25 that this was a copy of it. Did you pass out copies of that?

1 MR. KEATING: Yes, we did.

2 CHAIRMAN JACOBS: Okay. I didn't have one. I will
3 just get a copy later then.

4 MR. KEATING: I believe this morning I may have left
5 one at your chair.

6 CHAIRMAN JACOBS: Okay.

7 MR. KEATING: And I have additional copies if you
8 need one.

9 CHAIRMAN JACOBS: We can get it later. And the title
10 was FPL responses to staff's --

11 MR. KEATING: Responses to staff data requests.

12 CHAIRMAN JACOBS: Very well. Thank you. Mr. Fama.

13 HENRY I. SOUTHWICK

14 was called as a witness on behalf of Florida Power Corporation
15 and, having been duly sworn, testified as follows:

16 DIRECT EXAMINATION

17 BY MR. FAMA:

18 Q Mr. Southwick, you have appeared previously in this
19 hearing?

20 A Yes, I have.

21 Q And on whose behalf are you appearing at this time?

22 A Florida Power Corporation.

23 Q I call your attention to your prefiled testimony on
24 behalf of Florida Power.

25 MR. FAMA: That testimony has no exhibits, but I will

1 mention that Florida Power inputted some information and data
2 into Mr. Holcombe's Exhibit BLH-3, which is Exhibit 16. And
3 Mr. Southwick is available to answer questions on that exhibit,
4 and we will move for that at the end of this witness'
5 testimony.

6 CHAIRMAN JACOBS: Very well.

7 BY MR. FAMA:

8 Q Mr. Southwick, was the prefiled testimony prepared
9 under your direction and control?

10 A Yes, it was.

11 Q Do you have any corrections you need to make to that
12 testimony?

13 A No, sir.

14 Q And do you adopt that testimony as your own today?

15 A Yes.

16 MR. FAMA: I ask for the testimony to be inserted
17 into the record as though read.

18 CHAIRMAN JACOBS: Without objection, show Mr.
19 Southwick's testimony is entered into the testimony as though
20 read.

21
22
23
24
25

FLORIDA POWER CORPORATION

DOCKET NO. 000824-EI

(GRID FLORIDA 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.**

1 BY MR. FAMA:

2 Q Mr. Southwick, do you have a summary that you would
3 like to offer at this time?

4 A Yes, I do.

5 Florida Power Corporation was required to join a
6 FERC-approved RTO in accordance with Order No. 2000. We also
7 recognize the benefits of early active RTO participation, and
8 this participation has permitted the creation of an RTO that is
9 a product of the negotiation of all Florida stakeholders and
10 resulted in the formulation of a proposal that is tailored to
11 Florida's special needs and protects the interests of Florida's
12 consumers.

13 FERC requires transfer of either control or ownership
14 of transmission facilities to an RTO. Florida Power views this
15 choice as a business decision and we see no business reason to
16 exit the transmission business. Therefore, we have chosen to
17 transfer control of our transmission to GridFlorida.

18 During the stakeholder negotiating process, Florida
19 Power was successful in incorporating certain rate features
20 specifically designed to mitigate the impact of cost shifting
21 to FPC's retail customers. Nonetheless, the cost of obtaining
22 transmission service from GridFlorida to serve FPC's retail
23 customers will likely go up, although the increase to the
24 average residential customer will be less than one percent.
25 This increase will be offset to some degree by any future

1 benefits as a result of lower fuel and purchased power costs.
2 That concludes my summary.

3 MR. FAMA: Thank you. We tender the witness for
4 cross examination.

5 MR. McGLOTHLIN: I have no questions.

6 CHAIRMAN JACOBS: Ms. Paugh.

7 MS. PAUGH: No questions.

8 CHAIRMAN JACOBS: Mr. Howe.

9 MR. HOWE: No questions.

10 CHAIRMAN JACOBS: Mr. Twomey.

11 MR. TWOMEY: Very briefly, Mr. Chairman.

12 CHAIRMAN JACOBS: Okay.

13 CROSS EXAMINATION

14 BY MR. TWOMEY:

15 Q Good afternoon, sir.

16 A Good afternoon.

17 Q You said in your summary, Mr. Southwick, if I heard
18 you correctly, that you think your transmission costs will go
19 up something less than one percent, is that what you said?

20 A The impact on the residential customer will be less
21 than one percent.

22 Q And you went on to say that you think -- didn't you
23 go on to say there likely will be benefits that to some degree
24 will offset those increased costs?

25 A That is correct.

1 Q Isn't it true, Mr. Southwick, and tell me if it is
2 not, that your testimony doesn't attempt to specify any level,
3 that is, any dollar level of economic benefits that will result
4 from your company's participation in GridFlorida?

5 A That is correct.

6 MR. TWOMEY: Thank you, sir. That's all I have.

7 CHAIRMAN JACOBS: Staff.

8 CROSS EXAMINATION

9 BY MR. KEATING:

10 Q Mr. Southwick, is it your belief that Florida Power
11 Corporation will achieve benefits as a result of its
12 participation in GridFlorida?

13 A Yes, I believe we will.

14 Q Has Florida Power Corporation attempted to quantify
15 those benefits?

16 A No, sir.

17 Q Can you offer any estimate on when those benefits
18 will be realized?

19 A I think they would begin to be realized shortly after
20 start up of GridFlorida.

21 Q And specifically what benefits would be realized at
22 that point?

23 A Through the elimination of pancake wheeling rates for
24 transmission there should be benefits that would flow through
25 to our ability to purchase and sell power, both of which flow

1 through to the customers.

2 Q Would you agree that perhaps some of the other
3 benefits that have been discussed in this hearing will not be
4 immediately recognized by Florida Power?

5 A Such as, please?

6 Q For purposes of moving this along, I'm going to move
7 on and withdraw the last question.

8 Can you offer any estimate on when net savings to
9 Florida Power Corporation will be realized as a result of its
10 participation in GridFlorida?

11 A No, sir. We have no idea when or if that might
12 occur.

13 CHAIRMAN JACOBS: Is it going to be different --
14 well, I guess it probably wouldn't be. If you haven't done an
15 assessment of when your savings would occur, you certainly
16 would not have done any for Florida Power and Light. But the
17 thought occurs to me, do you have any thought of whether or not
18 they will be different because they are divesting and you are
19 not?

20 THE WITNESS: I don't think that would make any
21 difference at all. I've never thought about that, but I don't
22 think that would matter. But there would be differences for
23 other reasons due to cost shifting impacts, and that would
24 create differences in the way the different utilities would be
25 able to measure net benefits or not. And also there would be

1 differences in utilities in how they are situated with respect
2 to the grid, where their generation purchasing opportunities
3 might be as compared to where their system needs are. And that
4 would be different from utility to utility. I have never
5 attempted to measure what the differences were.

6 CHAIRMAN JACOBS: Thank you.

7 BY MR. KEATING:

8 Q Mr. Southwick, would Florida Power Corporation's
9 ratepayers see any decrease on their bill before net savings
10 are realized?

11 A Well, if there are not net savings then I wouldn't
12 expect to see a decrease on the bill.

13 Q To your knowledge, when does Florida Power
14 Corporation plan to seek recovery of the costs associated with
15 its participation in GridFlorida?

16 A We would expect to see recovery of the costs when the
17 costs begin to occur.

18 Q Do you believe that net savings will have been
19 realized by the time that the costs have begun to incur, be
20 incurred?

21 A I don't know.

22 Q Has Florida Power Corporation considered any
23 mechanism that would match the timing of cost recovery with the
24 realization of net savings?

25 A No, I think that the cost recovery should occur when

1 the costs occur. The ability to measure net savings, if ever
2 is possible, I don't know, I don't think those two are
3 connected.

4 Q I have just a couple of questions about the cost
5 information for Florida Power Corporation that is in Exhibit
6 BLH-3.

7 A Yes.

8 Q Do you have that with you?

9 A Yes, I do. Just one second. Okay.

10 Q First, does Florida Power Corporation plan to
11 amortize the start-up costs shown in this exhibit over five
12 years?

13 A Florida Power's start-up costs? This is
14 GridFlorida's start-up costs.

15 Q But I'm referring to Florida Power Corporation's
16 portion of the start-up costs that are shown in Table 1 in
17 Exhibit BLH-3?

18 A What this shows is what Florida Power's piece of the
19 GridFlorida start-up costs would be and we would pay it to
20 GridFlorida as they charged it to us, which it is my
21 understanding that is intended to be over five years.

22 Q Are first year O&M expenses for Florida Power
23 Corporation included in Exhibit BLH-3 in Table 2?

24 A No, Florida Power's expenses are not included.

25 Q And why are they not included?

1 A These are GridFlorida's expenses.

2 Q But this table does include each of the GridFlorida
3 companies' operating costs as provided to Mr. Holcombe for
4 first year operations, is that correct?

5 A No, I don't think that is quite correct. These costs
6 are GridFlorida costs. And to the extent that GridFlorida owns
7 these facilities that are now owned by Florida Power and Light,
8 the operating and maintenance costs for those facilities will
9 become GridFlorida's costs, they will no longer be Florida
10 Power and Light's costs. In the case of Florida Power, since
11 we are not divesting our ownership, those costs will not go to
12 GridFlorida, and GridFlorida will never see them.

13 Q Well, what is shown in Column 5 of Table 2 in Exhibit
14 BLH-3?

15 A That is an assessment to Florida Power of
16 GridFlorida's costs.

17 Q Is that an assessment of Florida Power's portion of
18 those costs?

19 A Yes.

20 Q Is there any documentation, or are there any work
21 papers that support those costs that are listed in Column 5?

22 A Well, the costs in Column 5 is an allocation of the
23 costs in Column 1. And the costs in Column 1 was what Mr.
24 Holcombe's testimony supported. And I believe he had an
25 exhibit that was rather lengthy that I believe documented those

1 figures.

2 Q But were the costs in Column 5 provided to Mr.
3 Holcombe for his analysis by Florida Power Corporation?

4 A Well, the costs in Column 9 were. Column 2 refers to
5 an allocation, refers to the appendix which is the next page,
6 which I believe explains how those costs were assessed based on
7 a load ratio of shares between the three pricing zones plus the
8 grid-wide. And other than those that are specifically
9 assigned, such as the current FPL O&M, for example, I believe
10 those numbers all flow right out of that Appendix 1, which is
11 Page 3 of BLH-3.

12 Q Let me ask, looking at Column 1, do the costs in that
13 column represent a sum of the costs Florida Power and Light,
14 Tampa Electric, and Florida Power Corporation believe are the
15 operating costs for GridFlorida, or their portion of the
16 operating costs?

17 A Column 1, as I understand it, is the total costs to
18 operate GridFlorida in the first full year.

19 Q But to arrive at the numbers in Column 1, it was my
20 understanding -- and correct me if I'm wrong -- that Mr.
21 Holcombe used the cost data that was provided by each of the
22 individual companies?

23 A To some degree he did, and to some degree he
24 developed other numbers himself. Most of the numbers he
25 developed himself. Some of the numbers were provided.

1 Q Do you know which of the numbers in Column 5 related
2 to Florida Power Corporation were provided by Florida Power
3 Corporation?

4 A I don't believe any of them were. Possibly on Line
5 24.

6 Q Mr. Holcombe, I'm going to -- we are going to hand
7 you a Florida Power Corporation response --

8 A Mr. Holcombe is not here.

9 Q I'm sorry. Did I call you Mr. Holcombe? Okay.
10 Mr. Southwick, I apologize. I'm going to hand you
11 Florida Power Corporation's response to staff's Request for
12 Production of Documents Number 3. If you could read the
13 request and the response.

14 A The question is, "Provide all work papers and any
15 other supporting documentation used to prepare Witness
16 Holcombe's Exhibit BLH-3?" The response was, "There is no such
17 supporting documentation. The information provided for FPC in
18 Exhibit Number BLH-3 is based on internal FPC discussions."

19 Q So based on that, do you know which of the cost
20 estimates provided in BLH-3 were provided by Florida Power
21 Corporation?

22 A Yes. In Column 9, the reference to the \$188,000,
23 which is shown in parentheses there, that's what we are talking
24 about. Maybe it was my deposition, but what that is is our
25 estimate at the beginning that we will be able to reduce our work

1 force by two people because of the GridFlorida activity.

2 That's what that number reflects.

3 Q Were any of the other cost numbers in this table, and
4 let me qualify that, in Tables 1 or Table 2, provided by
5 Florida Power Corporation, and that would include the start-up
6 costs or first year operating costs?

7 A No, sir.

8 Q Okay. So based on the response to Document Request
9 Number 3 that you read, there are no supporting work papers for
10 the 188,000 that is listed in Column 9 on Table 2?

11 A No, there is not.

12 Q And that is the result of internal discussions?

13 A Yes.

14 Q Can Florida Power Corporation withdraw operational
15 control of its transmission assets from GridFlorida at a future
16 date?

17 A There are provisions to do that under certain
18 conditions, yes.

19 Q Under what conditions could it do so?

20 A We would have to have regulatory permission, and we
21 would have to join another RTO. We can't just up and quit and
22 no longer participate in an RTO.

23 Q Would that require approval from FERC?

24 A I believe it would.

25 Q Do you believe it would require approval from this

1 Commission?

2 A I can't -- I don't know.

3 Q Can Florida Power Corporation transfer ownership of
4 its transmission assets to GridFlorida at a later date?

5 A Yes, we could.

6 Q Would that require any regulatory approvals?

7 A Yes, it would.

8 Q Would that require approval from FERC?

9 A Yes, it would.

10 Q Do you believe it would require approval from this
11 Commission?

12 A I don't think so. But to the extent that is a legal
13 question, and I believe it is, I would defer that to the
14 attorneys.

15 Q Does Florida Power Corporation anticipate
16 reclassifying any of its transmission investment to any other
17 FERC plant account before it gives operational control to
18 GridFlorida?

19 A No, we don't.

20 Q For those transmission assets that will be under the
21 operational control of GridFlorida, will Florida Power
22 Corporation make any journal entries when those transmission --
23 when the operational control is turned over to GridFlorida?

24 A No, sir.

25 Q Will the company continue to post the continuing

1 property records for those assets?

2 A I believe so.

3 Q And Florida Power Corporation will continue to
4 maintain the records for those assets that are under the
5 operational control of GridFlorida?

6 A Yes.

7 Q How will Florida Power Corporation distinguish those
8 assets for which they have relinquished operational control
9 from those that remain under its control?

10 A In what respect, distinguish?

11 Q On Florida Power Corporation's books, how will it
12 distinguish the assets that remain under its control from those
13 for which operational control has been given to GridFlorida?

14 A I don't believe it will.

15 MR. KEATING: Thank you. That's all the questions I
16 have.

17 CHAIRMAN JACOBS: Commissioners.

18 COMMISSIONER DEASON: The assets for which you
19 transfer operational control, you will receive recovery of your
20 revenue requirement by a tariff filing at FERC and then
21 subsequent recovery through collection by GridFlorida, is that
22 the way it works?

23 THE WITNESS: Yes, sir.

24 COMMISSIONER DEASON: And that is going to recovery
25 100 percent of your revenue requirement for those assets?

1 THE WITNESS: For our transmission assets, yes, sir.

2 COMMISSIONER DEASON: So you will not be looking to
3 this Commission then to -- if there is any shortfall there in
4 recovery, you will not be looking here to make that shortfall
5 up, is that correct?

6 THE WITNESS: That is correct.

7 CHAIRMAN JACOBS: Redirect.

8 MR. FAMA: No redirect.

9 CHAIRMAN JACOBS: And we have no exhibits except
10 yours.

11 MR. FAMA: We would move for admission of Exhibit 16.

12 CHAIRMAN JACOBS: Oh, yes. Without objection, show
13 Exhibit 16 is admitted. And, Staff, you have Exhibit 1?

14 MR. KEATING: And Staff would move for the admission
15 of Exhibit 1, which is the composite exhibit consisting of
16 discovery material from Florida Power Corporation.

17 CHAIRMAN JACOBS: Without objection, show Exhibit 1
18 is admitted.

19 (Composite Exhibit 1 and Exhibit 16 admitted into the
20 record.)

21 CHAIRMAN JACOBS: Thank you. You are excused, Mr.
22 Southwick. That seems to take care of all the witnesses.

23 Anything else, staff? Could you outline the process
24 from this point forward?

25 MR. KEATING: Well, from this point forward, we are

1 going faster than we did these last two and a half days.

2 CHAIRMAN JACOBS: Outstanding.

3 MR. KEATING: Well, I don't know. It's going to be a
4 tight schedule, but I understand that daily transcripts of this
5 hearing have been made available with the possible exception of
6 Wednesday night where we went a little late.

7 CHAIRMAN JACOBS: Let me state that because we went
8 over, I specifically would request some latitude in that we
9 have a very challenging process for the court reporters. They
10 are working at their level best to get it done in the time
11 promised, but I would ask the parties to give them some
12 latitude in that.

13 MR. KEATING: As the post-hearing schedule stands
14 right now, briefs will be filed next Thursday, October 11th,
15 the staff recommendation on Thursday, October 18th, and then
16 the -- which would be considered at the Special Agenda
17 scheduled for October 30th.

18 CHAIRMAN JACOBS: Questions or issues? Mr. Fama.

19 MR. FAMA: Chairman Jacobs, would it be possible for
20 the parties to have an extra day for the brief, given that we
21 have a couple of important extra issues to brief that you
22 raised yesterday?

23 CHAIRMAN JACOBS: Great. And I'm glad you reminded
24 me, because I had asked to get those issues written up, and I
25 had neglected to do that. We will get -- can we work together

1 to get that out to the parties promptly?

2 MR. KEATING: Yes. I want to make sure what issues
3 those are. I understand that --

4 CHAIRMAN JACOBS: The two issues that I asked for.

5 MR. KEATING: One was FERC jurisdiction over
6 GridFlorida, is that correct?

7 CHAIRMAN JACOBS: FERC jurisdiction to order
8 companies to mandate participation in GridFlorida. The second
9 one was --

10 MR. FAMA: Chairman Jacobs, I think that you're
11 right, the first issue was FERC's authority to mandate RTOs, in
12 general. I didn't know that you specifically said GridFlorida,
13 but --

14 CHAIRMAN JACOBS: No, I think it was in general.

15 MR. FAMA: And I think the second issue was this
16 Commission's jurisdiction over GridFlorida.

17 CHAIRMAN JACOBS: Yes. Now, as to the request for an
18 extra day, does that disrupt the schedule significantly?

19 MR. KEATING: I mean, a day in the schedule we have
20 is disruptive, but I don't know that -- it could be when we get
21 to October 18th staff will ask for additional time for its
22 recommendation if the Commissioners will accept that.

23 CHAIRMAN JACOBS: You can file the recommendation
24 late, a day or two later.

25 MR. KEATING: I would assume we may ask for

1 additional time.

2 CHAIRMAN JACOBS: I think we can work with that.

3 COMMISSIONER DEASON: Let me ask a question at this
4 point. I know that this is on an expedited schedule, and I
5 understand that, but to allow staff more time to analyze and to
6 have more time for the briefs, is there some problem just
7 having this as part of the regular agenda for November the 6th?

8 MR. KEATING: I know that was something that was
9 looked at. I know Bob Elias had taken a role in that. From my
10 understanding there is a telecommunications item on the 6th
11 that could require a quite extensive bit of discussion. I
12 forget exactly what it is, I believe it is reciprocal
13 compensation. And we had looked at that possibility. And all
14 I know was ultimately that the decision, I guess, among staff
15 was it was best to go forward with the October 30th special
16 agenda.

17 CHAIRMAN JACOBS: Commissioner, I will take a look at
18 that with staff and see if we can --

19 COMMISSIONER DEASON: I just want to make sure that
20 the parties have sufficient time to brief everything that needs
21 to be briefed, and then obviously for our staff to have
22 sufficient time to do a thorough analysis. If it can all be
23 done by 30th, that's fine.

24 CHAIRMAN JACOBS: We will take a look at that and
25 come up with something that is acceptable.

1 COMMISSIONER DEASON: Okay.

2 MR. McGLOTHLIN: Was there a ruling on the request
3 for an extra day for the briefs at this point?

4 CHAIRMAN JACOBS: Yes. Yes, we will grant that, the
5 one extra day for the briefs. I don't know what that date is,
6 but one extra day.

7 MR. FAMA: That day would be Friday, the 12th.

8 CHAIRMAN JACOBS: Okay. Anything else to come before
9 us today?

10 MR. KEATING: I believe there is at least one other
11 matter to resolve, and that is the timing of late-filed
12 exhibits. There are five late-filed exhibits that have been
13 identified, the first one is Exhibit 8, percentage of total
14 transmission system under GridFlorida operational control.
15 Then we have 11, 12, and 13.

16 CHAIRMAN JACOBS: And 19.

17 MR. KEATING: And 19, correct. And I guess I would
18 defer to the parties on what their thoughts are on how soon
19 that can be provided.

20 CHAIRMAN JACOBS: What would you like to do, seven to
21 ten days, correct?

22 MR. KEATING: Sorry?

23 CHAIRMAN JACOBS: We generally go seven to ten days,
24 correct?

25 MR. KEATING: I'm not sure.

1 MR. FAMA: We would suggest that the late-filed
2 exhibits be due on the same day as the brief, Friday, the 12th.

3 MR. KEATING: I think that would be acceptable.

4 CHAIRMAN JACOBS: That's okay with the parties, the
5 intervenors? Very well. Show it done.

6 If there is nothing else to come before us today, I
7 want to thank all the parties. This was important, an
8 important docket. I think probably more important than perhaps
9 we even realize today.

10 MR. WILLIS: Commissioners, we, too, appreciate very
11 much your attentiveness to this and for doing this on an
12 expedited basis, and we appreciate your consideration.

13 CHAIRMAN JACOBS: Very well. Then we are adjourned.
14 Thank you.

15 (The hearing concluded at 1:35 p.m.)
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STATE OF FLORIDA)
 : CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter Services, FPSC Division of Commission Clerk and Administrative Services, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 7th day of October, 2001.



JANE FAUROT, RPR
Chief, Office of Hearing Reporter Services
FPSC Division of Commission Clerk and
Administrative Services
(850) 413-6732