

**BEFORE THE FLORIDA  
PUBLIC SERVICE COMMISSION**

**DOCKET NOS. 050045-EI AND 050188-EI  
FLORIDA POWER & LIGHT COMPANY**

**JULY 28, 2005**

**IN RE: PETITION FOR RATE INCREASE BY FLORIDA  
POWER & LIGHT COMPANY  
AND  
IN RE: 2005 COMPREHENSIVE DEPRECIATION STUDY  
BY FLORIDA POWER & LIGHT COMPANY**

**REBUTTAL TESTIMONY & EXHIBIT OF:**

**C. MARTIN MENNES**

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FPSC-COMMISSION CLERK

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2                   **FLORIDA POWER & LIGHT COMPANY**

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6

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

8    A.    My name is C. Martin Mennes. My business address is 9250 West Flagler Street,  
9           Miami, FL 33174.

10 **Q.    Did you previously submit direct testimony in this proceeding?**

11   A.    Yes.

12 **Q.    Are you sponsoring an exhibit to your rebuttal testimony?**

13   A.    Yes. I am sponsoring an exhibit consisting of one document, CMM-12, which is  
14           attached to my rebuttal testimony.

15 **Q.    What is the purpose of your rebuttal testimony?**

16   A.    The purpose of my rebuttal testimony is to respond to two basic contentions made  
17           by a number of intervenors. First, various intervenors claim that the status of  
18           GridFlorida is uncertain and, therefore, it is premature to seek recovery of  
19           GridFlorida costs. Second, intervenors assert that projected GridFlorida costs for  
20           2006 are not known and measurable and should be denied. Both assertions are  
21           inaccurate.

1 Q. Ms. Merchant (OPC), Mr. Stewart (AARP), Ms. Brown (FRF) and Mr.  
2 Kollen (SFHHA) argue that the status of GridFlorida is uncertain and that it  
3 would be premature or speculative to allow FPL to recover these costs. Do  
4 you agree?

5 A. No. While I would not attempt to speak to whether an expense is appropriate for  
6 a specific test year from a regulatory accounting or regulatory policy perspective,  
7 GridFlorida remains on track for implementation. GridFlorida will impose  
8 substantial incremental costs on FPL as early as 2006, and FPL must be assured  
9 that these costs will be recovered.

10  
11 Beginning with FERC's call for Regional Transmission Organizations (RTOs)  
12 back in the late 1990s, and continuing through this Commission's hearings and  
13 workshops on various GridFlorida topics, the issues surrounding GridFlorida  
14 implementation have been advocated and discussed by the GridFlorida  
15 Companies and numerous stakeholders, including the Office of Public Counsel,  
16 and these issues remain active and pending before this Commission. In the initial  
17 GridFlorida proceeding, the Commission determined in Order No. PSC-01-2489-  
18 FOF-EI issued December 20, 2001, that the formation of GridFlorida pursuant to  
19 FERC Order No. 2000 was prudent and ordered FPL and the other GridFlorida  
20 Companies to file with the FPSC a modified GridFlorida structure that uses an  
21 independent system operator (ISO). The GridFlorida Companies complied with  
22 the Commission's order requiring the filing of an ISO structure for GridFlorida as

1 well as a subsequent FPSC order issued on September 3, 2002 in Docket No.  
2 020233-EI that required the Companies to file a proposed market design. The  
3 GridFlorida Companies, including FPL, have stated since the initial RTO filings  
4 with FERC in 2000, and consistent with FERC requirements, that GridFlorida  
5 could be in place and operating within a year of regulatory approval.  
6 Consequently, FPL must still plan for implementation of GridFlorida as early as  
7 2006.

8 **Q. What comments do you have regarding the allegation that the cost estimates**  
9 **associated with GridFlorida are not known and measurable?**

10 A. This argument is raised by Ms. Merchant (page 27) and restated in various forms  
11 by the other intervenor witnesses. Undertaking an initiative such as GridFlorida  
12 necessarily will require some assumptions as to the projected costs and a decision  
13 to proceed based on a reasonable estimate of those costs. I believe that FPL's  
14 projections are reasonable. FPL's estimates of the start-up and operating costs for  
15 the first year (2006) of GridFlorida are based on the start-up and operating costs  
16 developed by the Accenture Group and filed with the Commission in Docket Nos.  
17 001148-EI and 020233-EI, escalated using a conservative inflation factor. The  
18 Accenture study is a substantive and detailed study that comprised almost an  
19 entire three inch binder. As I stated in my direct testimony, subsequent year costs  
20 were developed based on an escalation of the first year costs using cost  
21 information and trends from other RTOs. More specifically, an average cost per  
22 unit of load was calculated for several existing ISOs/RTOs and those averages

1 were applied to the load of the FRCC to estimate the GridFlorida on-going  
2 operating costs. Document CMM-12 shows that the operating costs estimated for  
3 GridFlorida on a per unit of load basis for the 2009 and 2010 time frame are in  
4 line with the 2003 and 2004 operating costs on a per unit of load basis of RTOs  
5 such as ERCOT, ISO New England and New York ISO. With respect to the cost  
6 shift estimates, as recognized by Ms. Brown, these estimates were prepared by the  
7 GridFlorida pricing workgroup from data provided by the stakeholders during  
8 2004.

9  
10 I don't believe FPL could reasonably be expected to proceed with the  
11 implementation of GridFlorida, which will impose substantial costs on FPL, with  
12 no opportunity for cost recovery until the actual costs are precisely known and  
13 measured, as Ms. Brown and others suggest.

14 **Q. Has there been any update of the estimated costs for GridFlorida since you**  
15 **filed your Direct Testimony?**

16 **A.** Yes. On April 27, 2005, preliminary GridFlorida cost-benefit findings were  
17 released by ICF. Subsequently, on May 23, 2005, the Commission held a  
18 workshop in which ICF presented the final cost and benefit findings with the  
19 understanding that two additional sensitivities remained to be completed and the  
20 final report would be subsequently provided. Though FPL believes that ICF's  
21 cost estimates associated with GridFlorida are understated, the total ICF cost  
22 estimates are in line with those submitted in my Direct Testimony.

1 Q. Does this conclude your rebuttal testimony?

2 A. Yes.

**RTO/ISO ANNUAL OPERATING COSTS**

	Year * 2003		Year** 2004	
	\$Million	\$/Mwh	\$Million	\$/Mwh
New York ISO	\$117.8	0.74	\$134.5	0.83
ISO New England	\$102.9	0.78	\$118.9	0.90
Midwest ISO	\$131.6	\$/MWh data Not Available	\$204.5	\$/MWh data Not Available
ERCOT ISO	\$114.4	0.40	\$138.5	0.47
<b>GridFlorida</b>	<b>\$131 (Year 2009)*</b>	<b>0.51 (Year 2009)*</b>	<b>\$160 (Year 2010)**</b>	<b>0.61 (Year 2010)**</b>

\*GridFlorida's 2009 annual operating costs are comparable to other ISO/RTO's 2003 annual operating costs.

\*\*Reference CMM Direct Testimony p. 22, line 14. "GridFlorida's 2010 annual operating costs totaling \$160 million, are estimated to be in line with the 2004 operating costs of RTOs such as the ERCOT ISO, ISO New England, New York ISO and Midwest ISO..."