Item #190804

There were discussions between FPL and GRU business staff regarding the terms of a Network Services Agreement and a Network Operating Agreement. FPL has form agreements filed at FERC as part of its Open Access Transmission Tariff (OATT). Those form agreements have been provided to GRU to complete. The following list of questions drafted by the City Attorney's office are designed to make certain that the terms of the agreement capture all of the discussions held between GRU and FPL. The questions are also designed to help city commissioners and GRU customers with information they may need to help understand these agreements.

Both GRU management and FPL's responses follow.

GRU MANAGEMENT'S RESPONSES

RESPONSE FROM GRU GM

There were discussions between FPL and GRU business staff regarding the terms of a Network Services Agreement and a Network Operating Agreement. FPL has form agreements filed at FERC as part of its Open Access Transmission Tariff (OATT). Those form agreements have been provided to GRU to complete. The following list of questions are designed to make certain that the terms of the agreement capture all of the discussions held between GRU and FPL. The questions are also designed to help city commissioners and GRU customers with information they may need to help understand these agreements.

Keep in mind that the questions and responses will be public records and GRU staff will use the responses to finalize the agreements and to explain the terms of the agreements to the commission and public. The following questions regarding the Network Service Agreement are to be answered by both FPL staff and GRU staff separately:

1. In meetings, FPL has stated that it would perform all work ($175 at $200 million) to interconnect GRU and FPL's transmission if GRU signs the Network Services Agreement. Is this statement correct?

   GRU Response:

   Yes, in meetings with FPL representative, Matt Pawlowski and other FPL associates, FPL offered to construct a second transmission line to GRU's McMichen substation allowing input of 450 megawatts of transmission capacity through the interconnection, in exchange for GRU executing the Network Services Agreement. FPL's last estimate of those construction costs, to be borne by FPL was between $180 and $220 million.

   By way of transparency, in 2016, GRU engaged in talks with FPL to expand the interconnection at McMichen to 335 megawatts at an estimate of $ 80 million.

2. Are these costs of interconnection recovered through tariff rates to all FPL transmission customers? Or does GRU pay the tariffed rate, plus the costs of interconnection over the next 30 years?

   GRU Response:

   In meetings with Mr. Pawlowski, it was made clear that FPL would recover the costs of the interconnection through the tariff rates to all FPL transmission customers. In addition, Mr. Pawlowski committed that GRU would not pay the tariff rates plus the costs of the interconnection. This was

the basis by which FPL justified a longer term Network Services Agreement. The longer term allows FPL to fully recover its costs, while the longer term is not a burden to GRU, given its generation issues.

3. If the answer to question 1 is yes, FPL will pay all costs to interconnect with GRU, are there any expenses that GRU will bear for the interconnection, for example Ancillary Services (paragraph 3 of the OATT) or interconnection studies?

   GRU Response:

   Mr. Pawlowski expressed that FPL would bear all costs to add the second transmission line to the McMichen substation and any interconnection studies. Although it is customary for the transmission service requestor to bear the costs of an interconnection study, it was GRU's position that FPL should bear the costs in this case.

   In regard to the Ancillary Services, it is GRU's understanding that we can self-supply all of those listed services under Attachment H, except for Schedule 1 (Scheduling, System Control and Dispatch Service) and, of course Schedule 7 (Firm Point to Point Service) which are both core services. These cost are shown in the attached schedule.

4. If the answer to paragraph 1 is yes, there are no specific provisions in either the Network Service Agreement or the Network Operating Agreement for interconnection costs. Is this business term to be included in one of the two agreements? Or does there need to be a separate agreement?

   GRU Response:

   The cost of the physical interconnection, along with the interconnection studies being borne by FPL is a business term that needs to be memorialized, whether through a separate recital within the Network Services Agreement or the Network Operating Agreement, or through a separate agreement.

5. Paragraph 2.0 refers to a System Impact Study. Who performs the study and at whose cost?

   GRU Response:

Throughout GRU's discussions with FPL representatives the condition by which GRU would execute the Network Services Agreement was FPL would bear the costs of the second transmission line at the McMichen interconnection, including the System Impact Study. That said, it is also GRU's understanding that the cost of the System Impact Study is expected not to exceed $100,000.

6. Paragraph 4.0 of the Network Services Agreement provides for a credit for Network Customer's owned transmission facilities that meet the requirements of Section 30.9 of the Tariff. Will there be any credits to GRU? If yes, what is the credit amount?

   GRU Response:

   It was GRU's understanding that as a result of GRU's plan to continue to maintain status quo transmission operations there would not be any monetary credit forthcoming. That said, if and when GRU decided to relinquish its Balancing Authority that credit could come into consideration.

7. GRU currently has a maximum generation capacity of approximately 450 MW. Will GRU be required to continue generation capacity (either through generating facilities or through purchased power agreements) of 450 MW during the term of this agreement?

   GRU Response:

   First, GRU has 630 megawatts of generation capacity. Secondly, yes it should be pointed out and it was understood in discussion with FPL representatives, GRU has room to decommission, retire or mothball portions of its generation fleet under this Network Services Agreement to bring its generation capacity from approximately 630 megawatts to 450 megawatts. GRU could also enter into power purchase agreements with other energy suppliers, which could further its decommissioning of power assets.

8. If the answer to 7 is no, what effect on the costs of the network transmission and operating agreements would occur if GRU were:
   a. to reduce its generation capabilities? **GRU Response: Not applicable**
   b. to eliminate its generation capabilities**? GRU Response: Not applicable**

9. Section 34 of the OATT states the Network Customer shall pay the transmission provider for any Direct Assignment Facilities, Ancillary Services, and applicable study costs, in addition to: 1) the Monthly Demand Charge; 2) Redispatch Charge; and 3) Stranded Cost Recovery, if applicable. Have each of these costs been

calculated in GRU gentrader modeling? Provide an estimate of each cost on either an annual or monthly basis.

GRU Response:

GRU's GenTrader modeling was conducted using forecasts of future market prices of power from FPL as the variable costs were all-in costs of delivering power to the McMichen substation. The estimate of an annual initial fixed cost of $ 9 million to be a Network Services Customer included all the costs necessary to facilitate the transmission of power from FPL.

10. How often does FPL seek recovery for stranded costs (OATT 34.5)?

GRU Response:

Best answered by FPL.

11. In addition to the costs/fees/charges listed in Section 34 of the OATT, Paragraph 5.0 of the Network Agreement requires GRU to pay to FPL a pro rata share of the annual charge FERC assesses to FPL ("FERC Assessment Charge"). Please estimate GRU's pro rate share of the annual FERC Assessment Charge, for fiscal year 2022.

GRU Response:

It is GRU's understanding that the FERC assessment is not anticipated to exceed $ 200,000.

12. Has GRU included this cost in its calculations?

GRU Response:

Yes, it is GRU's understanding that the charge under Paragraph 5.0 is part of the estimated $ 9 million initial annual payment under the Network Services Agreement.

13. Paragraph 6.0 of the Network Service Agreement requires GRU to bear the cost of all taxes and fees that any governmental authority may impose on FPL as a result of the Network Integration Service. Please provide examples of the types of taxes and fees for which GRU may be liable under the Network Service Agreement.

GRU Response:

It is GRU's understanding that the charge under Paragraph 6.0 is part of the $ 9 million initial annual payment under the Network Services Agreement.

14. Has GRU included these costs into its calculations?

    GRU Response:

    Yes.

15. Paragraph 9.0 of the Network Service Agreement requires the Network Customer (GRU) acting on behalf of other Eligible Customers, to require the Eligible Customers to provide indemnification. Who would be an Eligible Customer of GRU's under this requirement? Does GRU have the ability to amend any agreement with Eligible Customers to conform to this requirement in the Network Service Agreement?

    GRU Response:

    It is GRU's understanding that Eligible Customers under the Network Services Agreement would be those Wholesale customers who receive power wheeled through the McMichen substation. Currently GRU has no such Wholesale customers, so the issue of amending any agreement with customers is mute.

16. Will a service deposit be required (see paragraph 10.0 of the Network Service Agreement)?

    GRU Response:
    In discussions with FPL representatives it was stated that no service deposit would be required.

17. Paragraph 11 of the Network Service Agreement includes a list of schedules that may apply. Which, if any, are applicable? What costs are associated with each applicable schedule?

    GRU Response:

    Under the Network Services Agreement, GRU would be obligated to take Schedule 1 and 7, which are Scheduling and System Control Dispatch services in Schedule 1 and Point to Point Transmission services in Schedule 7. Schedules 2 through 6 are elective and given our ability to operate as an island, we can elect out of those services currently. Schedule 8, is non-firm Point-Point Transmission Service, which GRU is not interested in and Schedule 9 is Generator Imbalance Service, which GRU doesn't have a need for. Schedule 10 is the line loss allowed against GRU load as approved by FERC and is formulaic in calculating the monthly fees.

18. According to Section 3 of FPL's OATT, what Ancillary Services will GRU be required to purchase? What is the cost of each Ancillary Service that GRU is required to purchase?

GRU Response:

It is GRU's understanding that the only services required to be purchased are the aforementioned Schedule 1, Scheduling, System control and Dispatch and Schedule 7, Firm Point-to-Point Transmission service.

19. Schedule H provides a calculation for the rates to be charged for Network Transmission Services under the Network Service Agreement. Please show the rate calculation for GRU under the hypothetical that GRU had entered into a Network Service Agreement with FPL for the year ending December 31, 2019.

GRU Response:

GRU assumes Schedule H is Exhibit H. Based on that assumption the calculation of the rates to be charged for Network Transmission Services under the Network Services Agreement for the year ending December 31, 2019 would be the following (supported by the attached schedule):

Schedule 1 through 7 Services at $ 2.10 per MW Pt-to-Pt rate per Filing
$10,125,876

Schedule 1 through 7 Services at $ 1.95 per MW Pt-to-Pt settled rate
$ 9,525,111

Schedule 1 and 7 Services at $ 2.10 per MW Pt-to-Pt rate per filing
$ 9,114,407

Schedule 1 and 7 services at $ 1.95 per MW Pt-to-Pt rate settled rate
$ 8,513,642

Given GRU's ability to provide services per Schedules 2 through 6, it is anticipated that the core fee for 450 megawatts of transmission capacity will be $ 8,513,642. Including the FERC assessment fee, along with a variation in the final settlement with the PSC GRU has estimated the initial annual fees to total approximately $ 9 million (see attached Schedule).

20. Paragraph 11.3 of the Network Services Agreement requires GRU to be responsible for operating expenses required for communication between metering and data acquisition equipment and computers or other applicable devises.

Please list any additional expenses that will be required of GRU under this Paragraph 11.3.

GRU Response:

GRU maintains metering and data acquisition equipment currently and is not aware of additional modifications required under the Network Services Agreement, unless a second meter will be required for the second transmission line. That cost should be less than $10,000. Given GRU's compliance with the same regulatory bodies as FPL, GRU doesn't anticipate any other substantial or significant costs associated with required modifications.

21. Paragraph 12 – what terms and conditions have GRU and FPL discussed that are not included in this agreement?

    GRU Response:

    GRU has discussed the concept of Joint Dispatch opportunities with FPL representatives between now and the date of the go live date of the interconnection construction. However, that opportunity would be separate and distinct from the current Network Services Agreement.

The following questions regarding the Network Operating Agreement are to be answered by both FPL staff and GRU staff separately:

1. The network operating agreement is a detailed description of the procedures GRU is required to follow as part of the Network Services Agreement. For GRU, please review the operating agreement and describe any operational requirements that are different from what GRU currently does, including associated incremental expenses for those different operational requirements. When describing the differences, please include responses to the following:
    a. Paragraph 3.1.3 Of the Network Operating Agreement requires GRU to provide and operate (or contract for) automatic generation control equipment. Is this a new requirement for GRU or does that capability already exist?

       GRU Response:

       GRU is currently required to operate under Automatic Generation Control (AGC), based on NERC rules, related to system reliability. AGC is not a new requirement and the capability already exists within GRU's system.

b. Paragraph 3.2 of the Network Operating Agreement states in part "FPL shall retain the sole responsibility and authority for all operating decisions that could affect the integrity, reliability and security of the Transmission System. What does this mean to GRU? For instance, does GRU then give up some of its independence?

GRU Response:

The defined term, "Transmission System" relates to FPL's side of the McMichen substation and as such does not impact GRU's control of its transmission equipment on its side of the McMichen substation. Any outages, work or improvements proposed by FPL would still require coordination with GRU, if it would impact its system. Virtually no difference from current operations.

c. Paragraph 3.3 requires GRU to purchase, install, upgrade, operate, maintain and replace certain equipment. FPL also has the right to review and approve the equipment. Will this cause additional costs to GRU? Have those costs been calculated?

GRU Response:
GRU doesn't anticipate substantial or significant costs as a result of Paragraph 3.3. Since both utilities, FPL and GRU operate in accordance with best utility practices, the upgrades required will likely already be needed under GRU's current long term capital expenditure (CapEx) plan.

d. Does paragraph 3.4 require GRU to join FPL into a single Balancing Authority Area?

GRU Response:

In meetings with FPL representatives, GRU has been assured that they will not be required to join FPL as a single balancing authority. However, it should be noted that there are significant cost saving opportunities that could occur if GRU chose to enter into a single balancing authority area with FPL. Those opportunities are election not prescriptive under the Network Services Agreement.

e. Will it be necessary for GRU to acquire additional equipment under paragraph 3.6? Has GRU taken this into account as part of its evaluation of the cost benefits of the agreements?

GRU Response:

GRU doesn't anticipate the need for additional equipment under Paragraph 3.6, partly because GRU currently provides select telemetry data to FPL, in its role as a Regional Coordinator (RC) for the FRCC region. The current system may allow GRU to provide additional data points as a way to fulfill FPL's requirements. Either way, GRU doesn't anticipate substantial or significant costs to comply with Paragraph 3.6.

f. Will GRU be required to modify its computers or systems to implement the network transmission operating agreement pursuant to paragraph 3.7? If yes, has GRU taken into account the costs for the modifications?

   GRU Response:

   GRU doesn't foresee the need to modify its computer system in order to implement Paragraph 3.7 and as a result sees this provision as inconsequential to the analysis.

g. Will GRU be required to install additional equipment to meet the standards for voltage control as described in Paragraph 3.9 of the Network Operating Agreement? If not, what additional costs will GRU incur to acquire and install the equipment? Has that been calculated into the costs for this agreement?

   GRU Response:

   GRU doesn't foresee the need to modify its system to meet the voltage control standards under Paragraph 3.9, largely due to maintaining the same relationship with FPL today.

h. Paragraph 3.13 requires GRU to test, calibrate, verify and validate Metering and Data Acquisition Equipment. FPL has the right to monitor those tests and certain factory acceptance tests. How often does FPL require its network service customers to perform those tests? What expense will GRU incur? Are those expenses incremental to the current tests GRU conducts on the equipment? Have incremental expenses been included in GRU's calculations for costs associated with the agreements?

   GRU Response:

   GRU currently performs testing/verification on metering and data acquisition equipment. We would simply add the additional meters to the rotation at a minimal cost.

i. Paragraph 3.14 requires GRU to be responsible for its Balancing Authority Area costs. Are these costs already incurred by GRU? Would there be any incremental costs to GRU under paragraph 3.14? If GRU relinquished its balancing authority area to FPL, would GRU still be responsible for costs under this paragraph? If so, what are those costs?

GRU Response:

GRU currently operates as a Balancing Authority and these costs are entirely borne by GRU. If GRU relinquished its Balancing Authority to FPL, GRU would reduce staff at its System Control and reduce a substantial level of costs associated with NERC compliance (estimated at approximately $2 million annually). In turn, FPL would pass through a portion of those costs to GRU through the purchase of wholesale power and/or an all-requirements contract.

2. Paragraph 5.5 of the agreement permits FPL to curtail load as provided in the OATT and in Exhibit 1 of the operating agreement. Using Exhibit 1 (and referencing OATT 33 as needed), explain how an FPL curtailment would affect GRU and its customers.

GRU Response:

First of all, curtailment of load from a power supplier, such as FPL would only be necessitated when supply fell below demand. As currently situated, FPL has far more generation capacity than its load requires. FPL also has an extensive territory from which to supply power. GRU is far more likely, as its power assets age to lose capacity from within, than from out.

Secondly, this Network Services Agreement still retains GRU's ability to act as a Balancing Authority and as such would not be impacted by FPL having to curtail customer load or transmission service into GRU territory.

3. Are there additional terms and conditions discussed between FPL and GRU staff that should be but are not currently included in the Network Operating Agreement?

The following is a list of General Questions:

1. Are all rates, fees, and costs charged by FPL to GRU under the two agreements, set by FERC in FPL's Open Access Transmission Tariff? If no, please list and describe the rates, fees, costs that are not part of the OATT.

   GRU Response:

   Yes.

2. Explain the process for setting the annual rate under the OATT, Exhibit H.

   GRU Response:

   GRU understands that Exhibit H has passed the scrutiny of FERC, which takes public input and works towards just and reasonable rate setting.

3. GRU has estimated, using gentrader, that it will cost approximately $10 million annually for the Network Service Agreement. Based on the rate setting mechanism set out in Exhibit H, how can GRU be assured that this cost estimate is accurate? If the cost estimate increases, will GRU still benefit from the Network Service Agreement? Explain.

   GRU Response:

   In discussions with FPL, $10.1 million was the approximate initial maximum annual transmission fee GRU would be charged under the Network Services Agreement, if FPL were to be granted full recovery under its current rate case. It includes fees for services under Schedules 1 through 7. In GRU's case we'd only be using services under Schedules 1 and 7, which would bring the fee down to $9.1 million.

   However, that rate case has been suspended and FPL is in discussions on a settlement and it is probable that the $2.1 Point-to-Point rate will be settled at a $1.95 rate. As a result the full service under the Network Services Agreement will fall to $9.5 million and GRU's fee would fall to $ 8.5 million.

   We are two to three years away from the first payment under the agreement, given the timeframe for transmission line construction, so that number will change between now and 2022, as well from year to year, given its governance under FERC tariff.

   As a result, it is probable that GRU will be entering into a Network services Agreement for less than $ 9 million a year starting in 2022. From GRU's

perspective the question is what does that payment, escalated by the cost of service over 30 years deliver to GRU customers.

In summary, the benefits are i) the ability to avoid replace internal above market generation costs through power purchases through the expanded transmission line access and saving between $10 and $14 million a year in fuel costs, ii) the ability to avoid between $894 million and $1,954 billion in future CapEx in replacing GRU's aging generation fleet, iii) the ability to avoid expanding GRU's transmission line access, without FPL's assistance, which would cost between $200 and $400 million payable to FPL or Duke respectively, iv) the ability to relinquish operation as a Balancing Authority, which could save up to $2 million in operating costs, v) the ability to decommission, retire or mothball aging fossil fuel burning power plants, which would allow GRU to reassign, or release staff and reduce maintenance expenses totaling between $5 and $8 million a year and vi) the ability to take these savings to pay down GRU's oversized debt and ultimately offer rate relief to its customers.

Summary

Annual Cost of Agreement (at $1.95 rate & using Schedules 1 & 7) ($ 8.5) mm

Annual Savings:

Lower fuel costs	**$10 -$14 mm**
Lower fixed costs	**$5 - $ 8 mm**
Balancing Authority cost reduction	**$2 mm**

Potential Gross Annual Savings $17 - $24 mm

Potential Net Annual Savings **$8.5 - $15.5 mm**

Overall Avoided Capital Costs **$ 1.094 - $ 2.354 billion**

4. Exhibit H-2 requires FPL to hold an open meeting and also allows discovery and challenges to the rate setting and true-up functions for Interested Parties. According to Section II.B of Attachment H-2, GRU would be an Interested Party if it signed the Agreements, correct?

   GRU Response:

   Yes.

5. Are there other opportunities for FPL to increase the tariffed rates, in addition to the annual increase?

   GRU Response:

   FPL could always enter into a rate case to be granted rate increases. In GRU's view, FPL has some of the lowest cost generating plants in Florida and gaining access to their low priced power more than outweighs the potential increases in the tariff, particularly given the tariff's protection under FERC.

6. Please provide a list of other Municipal Electric Utilities who have signed a Network Service Agreement and a Network Operating Agreement with FPL.

   GRU Response:

   FPL would be the appropriate party to answer this question.

7. Please provide the associated rates that each above-listed Municipal Electric Utilities paid for the 2019 Rate Year, stated as $/MWH charge and as an annual charge, and a monthly charge.

   GRU Response:

   FPL would be the appropriate party to answer this question.

8. There are no provisions for termination in the agreements, either for cause or for convenience. Is FPL willing to add termination provisions to the two agreements?

   GRU Response:

   FPL would be the appropriate party to answer this question.

9. GRU is a governmental entity protected from traditional tort liabilities by sovereign immunity granted in Section 768.28, Florida Statutes. Courts have held that by contracting to indemnify another entity, GRU waives its sovereign immunity

protection. GRU would like to replace the indemnification requirement in OATT 10.2 with the following language:

> GRU hereby agrees to indemnify the FPL for claims brought against FPL only to the extent that they are found to result from the sole negligence of GRU, its governing body, or its employees. This indemnification shall not be construed to be an indemnification for the acts, or omissions of third parties, independent contractors or third party agents of GRU. This indemnification shall not be construed as a waiver of GRU's sovereign immunity, and shall be interpreted as limited to only such traditional liabilities for which GRU could be liable under the common law interpreting the limited waiver of sovereign immunity. An action may not be instituted on a claim against GRU unless the claimant presents the claim in writing to the Risk Manager within 3 years after such claim accrues or the Risk Manager denies the claim in writing. For purposes of this paragraph, the requirements of notice to the Risk Manager and denial of the claim are conditions precedent to maintaining an action but shall not be deemed to be elements of the cause of action and shall not affect the date on which the cause of action accrues. Notwithstanding any other provisions of this paragraph, the value of this indemnification is limited to the maximum sum of $300,000 as the result of all claims and judgments arising out of the same incident or occurrence, not to exceed the sum of $200,000 for any claim or judgment or portions thereof. In addition, this indemnification shall be construed to limit recovery by the indemnified party against GRU to only those damages caused by GRU's sole negligence, and shall specifically exclude any attorney's fees or costs associated therewith.

GRU Response:

GRU agrees with the City attorney's suggestion

FPL’S RESPONSES

FPL Responses – January 3, 2020

There were discussions between FPL and GRU business staff regarding the terms of a Network Service Agreement and a Network Operating Agreement. FPL has *pro forma* Network Service and Network Operating Agreements filed at FERC as part of its Open Access Transmission Tariff (OATT). Those form agreements have been provided to GRU to complete. The following list of questions are designed to make certain that the terms of the agreement capture all of the discussions held between GRU and FPL. The questions are also designed to help city commissioners and GRU customers with information they may need to help understand these agreements.

Keep in mind that the questions and responses will be public records and GRU staff will use the responses to finalize the agreements and to explain the terms of the agreements to the commission and public. The following questions regarding the Network Service Agreement are to be answered by both FPL staff and GRU staff separately:

1. In meetings, FPL has stated that it would perform all work (estimated at $175 to $200 million) to interconnect GRU and FPL's transmission if GRU signs the Network Service Agreement. Is this statement correct?

   FPL Response – That is correct. FPL will perform all work associated with the new interconnection if GRU signs the Network Service Agreement with FPL. FPL will work with GRU on access, outages and property rights during construction.

2. Are these costs of interconnection recovered through tariff rates to all FPL transmission customers? Or does GRU pay the tariffed rate, plus the costs of interconnection over the next 30 years?

   FPL Response – The costs of the interconnection, which will constitute a looped, integrated component of FPL's transmission system, will be rolled in to FPL's generally applicable, embedded cost OATT rates under FERC's "higher of" pricing policy, and will not be directly assigned to GRU. GRU will pay the same embedded cost, Network Service rate as FPL's other network customers. In addition to the Network Service transmission rates, GRU will be required to pay other tariff charges that apply to all Network customers, including ancillary services (unless self-supplied), losses under OATT Schedule 10, transmission planning study costs, and the FERC Assessment Charge. These charges are described further below.

3. If the answer to question 1 is yes, FPL will pay all costs to interconnect with GRU, are there any expenses that GRU will bear for the interconnection, for example Ancillary Services (paragraph 3 of the OATT) or interconnection studies?

   FPL Response – As part of the process of becoming a network customer of FPL, GRU will be responsible for study costs that will start once a transmission service request is submitted through FPL's Open Access Same-Time Information System (OASIS). The studies include a System Impact Study and a Facilities (if necessary). The deposits for the studies are estimated by FPL and provided to the network customer prior to the study agreement being signed. FPL will charge time for personnel to complete the studies against the deposit and will invoice or refund after the study is completed. Typically, the costs associated with this work does not exceed $50,000-$100,000. Attachment D of FPL's OATT describes the procedures related to the System Impact Study and the Facility Study, including sample agreement language.

Once GRU becomes a network customer (projected to be January 1, 2022), GRU will be responsible for network transmission service charges under Attachment H, based on its monthly coincident peak load, as well as any ancillary services that are not self-supplied. Specifically, GRU will be responsible for Schedule 1 (Scheduling, System Control and Dispatch Service), which cannot be self-supplied and is currently priced at $12.74 per MW-month. All other ancillary services may be self-supplied by GRU with their existing generation, if GRU chooses to do so and qualifies for the self-supply option as deemed by FPL.

4. If the answer to paragraph 1 is yes, there are no specific provisions in either the Network Service Agreement or the Network Operating Agreement for interconnection costs. Is this business term to be included in one of the two agreements? Or does there need to be a separate agreement?

   FPL Response –The specifications or attachments to the Network Service Agreement will identify the need for the second interconnection to provide service, but the Network Service Agreement will not include a direct assignment charge to recover the cost of such second interconnection. FPL is amenable to including language in the Network Service Agreement that provides greater specificity on this point if necessary.

5. Paragraph 2.0 refers to a System Impact Study. Who performs the study and at whose cost?

   FPL Response – The System Impact Study is performed by FPL at the transmission customer's expense. FPL will charge time for personnel to complete the studies against the deposit paid by GRU and will invoice or refund GRU after the study is completed.

6. Paragraph 4.0 of the Network Services Agreement provides for a credit for Network Customer's owned transmission facilities that meet the requirements of Section 30.9 of the Tariff. Will there be any credits to GRU? If yes, what is the credit amount?

   FPL Response – FPL does not anticipate GRU being eligible for any credits under Section 30.9 of the OATT. FPL and GRU will continue to operate and plan their respective transmission systems separately.

7. GRU currently has a maximum generation capacity of approximately 450 MW. Will GRU be required to continue generation capacity (either through generating facilities or through purchased power agreements) of 450 MW during the term of this agreement?

   FPL Response – Network Transmission Service is not a substitute for long-term power supply. As a network customer of FPL, GRU "shall be responsible for operating in a manner to provide for its Network Load at all times." See Network Operating Agreement at § 3.5. Network customers can serve their load through the designation of network resources, which can include resources owned by GRU or controlled under firm power purchases. GRU may pursue generation retirements, provided it continues to satisfy its resource adequacy requirements with new construction or power purchases. The new transmission line and associated Network Service with FPL will allow GRU greater access to potentially cheaper power from FPL's generation facilities and associated network.

8. If the answer to 7 is no, what effect on the costs of the network transmission and operating agreements would occur if GRU were:
   a. to reduce its generation capabilities?

      FPL Response – Network transmission charges are calculated based on the coincident peak of FPL's network system and GRU's metered load at that time. Generation reductions will not impact costs of network transmission. However, higher energy imbalance charges could result if FPL has to supply GRU network load from its own resources.

   b. to eliminate its generation capabilities?

      FPL Response – Generation retirements will not impact costs of network transmission service, which is billed based on coincident peak load. However, the OATT ancillary services are not intended to be a source of long-term power supply, and are priced to penalize transmission customers that attempt to lean on the transmission provider's generation portfolio. As discussed above, network customers are responsible for maintaining resource adequacy to serve network load through the designation of sufficient network resources. GRU would need to obtain other sources of long-term energy and capacity (i.e., through power purchase agreements) if it reduces or eliminates its own power production capabilities.

9. Section 34 of the OATT states the Network Customer shall pay the transmission provider for any Direct Assignment Facilities, Ancillary Services, and applicable study costs, in addition to: 1) the Monthly Demand Charge; 2) Redispatch Charge; and 3) Stranded Cost Recovery, if applicable. Have each of these costs been calculated in GRU gentrader modeling? Provide an estimate of each cost on either an annual or monthly basis.

   FPL Response – The estimate provided to GRU by FPL was based on the new formula rate filed by FPL in 2019 which is currently suspended by FERC subject to rate setting proceedings. The cost estimate is based on a typical 450MW network customer load and may vary if GRU's load profile is significantly different than FPL's forecast.

   Schedules 1 and Attachment H are required for all network customers. Schedules 2-6 can be self-supplied by the network customer subject to verification by FPL and capabilities of the network customer's generation resources.

		1.85%	$ 0.1757	$ 0.1008	$ 0.0650	$ 0.0650	$ 0.0222	$ 0.0633	$ 2.1000
Month	**Load**	**Schedule 10**	**Schedule 1**	**Schedule 2**	**Schedule 3**	**Schedule 4**	**Schedule 5**	**Schedule 6**	**Schedule 7**
Jan	314,013	5,919	$ 56,212	$ 32,249	$ 20,809	$ 385	$ 7,102	$ 20,251	$ 671,857
Feb	255,376	4,814	$ 45,715	$ 26,227	$ 16,924	$ 313	$ 5,776	$ 16,470	$ 546,399
Mar	258,063	4,864	$ 46,196	$ 26,503	$ 17,102	$ 316	$ 5,837	$ 16,643	$ 552,148
Apr	284,786	5,368	$ 50,980	$ 29,247	$ 18,872	$ 349	$ 6,441	$ 18,366	$ 609,323
May	347,932	6,558	$ 62,284	$ 35,733	$ 23,057	$ 427	$ 7,870	$ 22,439	$ 744,430
Jun	375,881	7,085	$ 67,287	$ 38,603	$ 24,909	$ 461	$ 8,502	$ 24,241	$ 804,229
Jul	363,760	6,856	$ 65,117	$ 37,358	$ 24,106	$ 446	$ 8,228	$ 23,460	$ 778,294
Aug	450,000	8,482	$ 80,555	$ 46,215	$ 29,821	$ 552	$ 10,178	$ 29,022	$ 962,812
Sep	373,233	7,035	$ 66,813	$ 38,331	$ 24,734	$ 458	$ 8,442	$ 24,071	$ 798,563
Oct	370,702	6,987	$ 66,360	$ 38,071	$ 24,566	$ 454	$ 8,385	$ 23,907	$ 793,147
Nov	284,734	5,367	$ 50,971	$ 29,242	$ 18,869	$ 349	$ 6,440	$ 18,363	$ 609,213
Dec	252,524	4,760	$ 45,205	$ 25,934	$ 16,735	$ 310	$ 5,712	$ 16,286	$ 540,296
Total	3,931,005	74,095	$ 703,696	$ 403,714	$ 260,504	$ 4,819	$ 88,912	$ 253,520	$ 8,410,711

10. How often does FPL seek recovery for stranded costs (OATT 34.5)?

    FPL Response – FPL has not sought recovery for stranded costs per OATT Section 34.5.

11. In addition to the costs/fees/charges listed in Section 34 of the OATT, Paragraph 5.0 of the Network Agreement requires GRU to pay to FPL a pro rata share of the annual charge FERC assesses to FPL ("FERC Assessment Charge"). Please estimate GRU's pro rate share of the annual FERC Assessment Charge, for fiscal year 2022.

    FPL Response – FERC receives an annual appropriation from Congress to defray its operating costs and recovers 100 percent of this appropriation through the collection of annual charges and filing fees. These annual charges and filing fees are assessed to recover costs incurred by the Commission in the performance of its regulatory responsibilities. Last year, FPL charged its transmission customers approximately $1.24MM for the FERC Assessment Charge which was collected from all transmission customers based on their pro-rata load allocation.
    The 2018 FERC annual charge rate was approximately $0.075/MWh. Based on an estimated GRU electric sales of 2 million MWh, the FERC Assessment Charge would be $150,000 per year, More information on the FERC Assessment Charge can be found at the following link - https://www.ferc.gov/industries/electric/annual-charges.asp.

12. Has GRU included this cost in its calculations?

    FPL Response – The cost of the FERC Assessment Charge has not been included in the calculations provided to GRU.

13. Paragraph 6.0 of the Network Service Agreement requires GRU to bear the cost of all taxes and fees that any governmental authority may impose on FPL as a result of the Network Integration

Service. Please provide examples of the types of taxes and fees for which GRU may be liable under the Network Service Agreement.

FPL Response – There are no taxes and fees described in Paragraph 6.0 of the Network Service Agreement that GRU would be liable for.

14. Has GRU included these costs into its calculations?

    FPL Response – No. See response to Question 12.

15. Paragraph 9.0 of the Network Service Agreement requires the Network Customer (GRU) acting on behalf of other Eligible Customers, to require the Eligible Customers to provide indemnification. Who would be an Eligible Customer of GRU's under this requirement? Does GRU have the ability to amend any agreement with Eligible Customers to conform to this requirement in the Network Service Agreement?

    FPL Response – An Eligible Customer would be another load-serving utility that GRU is selling power to utilizing the network service provided by FPL. FPL is not familiar with the contracts GRU may have with any such Eligible Customers, and whether such contracts could be amended.

16. Will a service deposit be required (see paragraph 10.0 of the Network Service Agreement)?

    FPL Response – FPL will not require a service deposit from GRU per paragraph 10.0 of the Network Service Agreement.

17. Paragraph 11 of the Network Service Agreement includes a list of schedules that may apply. Which, if any, are applicable? What costs are associated with each applicable schedule?

    FPL Response – See response to Question 8 above.

18. According to Section 3 of FPL's OATT, what Ancillary Services will GRU be required to purchase? What is the cost of each Ancillary Service that GRU is required to purchase?

    FPL Response – See response to Question 8 above.

19. Schedule H provides a calculation for the rates to be charged for Network Transmission Services under the Network Service Agreement. Please show the rate calculation for GRU under the hypothetical that GRU had entered into a Network Service Agreement with FPL for the year ending December 31, 2019.

    FPL Response – See response to Question 8 above.

20. Paragraph 11.3 of the Network Services Agreement requires GRU to be responsible for operating expenses required for communication between metering and data acquisition

equipment and computers or other applicable devises. Please list any additional expenses that will be required of GRU under this Paragraph 11.3.

FPL Response – As a network customer, GRU is required to provide FPL with metering and real-time data information on GRU's load and network resource output. The existing interconnection between FPL and GRU metering is already in place and the new interconnection metering will be constructed as part of the new facilities. GRU's network resources likely already have metering in place so GRU may have some costs to provide that data to FPL but the costs are likely to be minimal. This equipment will be required to be maintained and calibrated on periodic cycles at GRU's expense, similar to other FPL network customers.

21. Paragraph 12 – What terms and conditions have GRU and FPL discussed that are not included in this agreement?

    FPL Response – There are no additional terms and conditions not included in the Network Service Agreement.

The following questions regarding the Network Operating Agreement are to be answered by both FPL staff and GRU staff separately:

1. The network operating agreement is a detailed description of the procedures GRU is required to follow as part of the Network Services Agreement. For GRU, please review the operating agreement and describe any operational requirements that are different from what GRU currently does, including associated incremental expenses for those different operational requirements. When describing the differences, please include responses to the following:
    a. Paragraph 3.1.3 Of the Network Operating Agreement requires GRU to provide and operate (or contract for) automatic generation control equipment. Is this a new requirement for GRU or does that capability already exist?

       FPL Response – The automatic generation control equipment likely already exists at GRU generation facilities since GRU currently balances their own load and maintains NERC Balancing Authority requirements.

    b. Paragraph 3.2 of the Network Operating Agreement states in part "FPL shall retain the sole responsibility and authority for all operating decisions that could affect the integrity, reliability and security of the Transmission System. What does this mean to GRU? For instance, does GRU then give up some of its independence?

       FPL Response – GRU will continue to have independence in its decision making related to its transmission system. However, if system conditions require FPL to take actions on its transmission system to maintain reliability, FPL may limit provision of Network Service in accordance with its OATT. Historically, such conditions have been very rare.

c. Paragraph 3.3 requires GRU to purchase, install, upgrade, operate, maintain and replace certain equipment. FPL also has the right to review and approve the equipment. Will this cause additional costs to GRU? Have those costs been calculated?

   FPL Response – See response to Question 19 above.

d. Does paragraph 3.4 require GRU to join FPL into a single Balancing Authority Area?

   FPL Response – While paragraph 3.4 of the Network Service Agreement does not require GRU to join FPL's Balancing Authority, FPL encourages GRU to do so in order to reduce the compliance and operational costs for GRU customers, as well as to improve the ability of GRU to handle variability associated with new renewable generation. If GRU chooses to join FPL's Balancing Authority, FPL will invoice GRU monthly for a fee to perform this service on behalf of GRU. The Balancing Authority costs charged by FPL are negotiated on an individual basis. The fees charged by FPL are typically significantly lower than those incurred by a party that maintains their own Balancing Authority and include operational, cybersecurity and compliance costs.

e. Will it be necessary for GRU to acquire additional equipment under paragraph 3.6? Has GRU taken this into account as part of its evaluation of the cost benefits of the agreements?

   FPL Response – See response to Question 19 above.

f. Will GRU be required to modify its computers or systems to implement the network transmission operating agreement pursuant to paragraph 3.7? If yes, has GRU taken into account the costs for the modifications?

   FPL Response – See response to Question 19 above.

g. Will GRU be required to install additional equipment to meet the standards for voltage control as described in Paragraph 3.9 of the Network Operating Agreement? If not, what additional costs will GRU incur to acquire and install the equipment? Has that been calculated into the costs for this agreement?

   FPL Response – See response to Question 19 above.

h. Paragraph 3.13 requires GRU to test, calibrate, verify and validate Metering and Data Acquisition Equipment. FPL has the right to monitor those tests and certain factory acceptance tests. How often does FPL require its network service customers to perform those tests? What expense will GRU incur? Are those expenses incremental to the current tests GRU conducts on the equipment? Have incremental expenses been included in GRU's calculations for costs associated with the agreements?

FPL Response – See response to Question 19 above.

i. Paragraph 3.14 requires GRU to be responsible for its Balancing Authority Area costs. Are these costs already incurred by GRU? Would there be any incremental costs to GRU under paragraph 3.14? If GRU relinquished its balancing authority area to FPL, would GRU still be responsible for costs under this paragraph? If so, what are those costs?

FPL Response – If GRU intends to remain a Balancing Authority, there would likely be no additional incremental costs since GRU already incurs those costs at this time. If GRU chooses to join FPL's Balancing Authority, FPL will invoice GRU monthly for a fee to perform this service on behalf of GRU. The Balancing Authority costs charged by FPL are negotiated on an individual basis. The fees charged by FPL are typically significantly lower than those incurred by a party that maintains their own Balancing Authority which include operational, cybersecurity and compliance costs. GRU will need to ensure that all of its Balancing Authority requirements are covered in the future, whether by GRU, FPL, or some other third party Balancing Authority.

2. Paragraph 5.5 of the agreement permits FPL to curtail load as provided in the OATT and in Exhibit 1 of the operating agreement. Using Exhibit 1 (and referencing OATT 33 as needed), explain how an FPL curtailment would affect GRU and its customers.

   FPL Response – Curtailment and/or load shedding is rare, especially for network customers whose load is treated at the same priority as FPL's native load customers. In the event of a need for curtailment or load shedding, the determination will be made in accordance with FPL's OATT (Section 33). Curtailment and/or load shedding is generally only performed to maintain reliability of the transmission system or at the direction of the Reliability Coordinator.

3. Are there additional terms and conditions discussed between FPL and GRU staff that should be but are not currently included in the Network Operating Agreement?

   FPL Response - FPL is not aware of any additional terms and conditions that are not included in the Network Service Agreement or Network Operating Agreement.

The following is a list of General Questions:

1. Are all rates, fees, and costs charged by FPL to GRU under the two agreements, set by FERC in FPL's Open Access Transmission Tariff? If no, please list and describe the rates, fees, costs that are not part of the OATT.

   FPL Response – All FPL rates in the OATT are set by FERC through rate determination proceedings. Additionally, as discussed in the response to Question 1.i. above, if GRU decides to join FPL's Balancing Authority, the cost of that service is separate from the OATT charges and is negotiated on an individual basis.

2. Explain the process for setting the annual rate under the OATT, Exhibit H.

FPL Response – FPL forecasts and posts for customer review its annual revenue requirement and rates for the ensuing calendar each year by September 1. Subject to any corrections made before November 1, the forecasted rates are charged for the ensuing calendar year. By June 30 of the year after the calendar year, FPL will determine its actual costs and load for the previous calendar year and compute a true-up adjustment, with interest, that will be carried forward and added to or subtracted from the ensuing year's rate forecast. In this way, customers and FPL are made whole for any over- or under-collection resulting from the rate forecast. Customers have discovery and challenge rights each year with respect to both the rate forecast and the computation of the true-up, and can bring unresolved disputes to FERC for adjudication. The formula rate update process is specified in Attachment H-2 of the FPL OATT.

3. GRU has estimated, using gentrader, that it will cost approximately $10 million annually for the Network Service Agreement. Based on the rate setting mechanism set out in Attachment H, how can GRU be assured that this cost estimate is accurate? If the cost estimate increases, will GRU still benefit from the Network Service Agreement? Explain.

   FPL Response – FPL rates are subject to FERC jurisdiction and must be just and reasonable. The estimate provided by FPL to GRU was based on rates that are projected to be in effect in 2022 based on FPL's current FERC rate proceedings. Additionally, please see response to Question 8 above for more details on the estimated network transmission costs.

4. Exhibit H-2 requires FPL to hold an open meeting and also allows discovery and challenges to the rate setting and true-up functions for Interested Parties. According to Section II.B of Attachment H-2, GRU would be an Interested Party if it signed the Agreements, correct?

   FPL Response – Correct. Upon becoming a Network Customer, GRU would be an eligible Interested Party in any future FERC proceeding.

5. Are there other opportunities for FPL to increase the tariffed rates, in addition to the annual increase?

   FPL Response – As discussed above, the network transmission service rates are updated annually under the process outlined in Attachment H-2 of the OATT to reflect changes in FPL transmission rate base and expenses. FPL and customers also have the ability to make periodic filings at FERC to change fixed components of the formula, such as the return on equity. With respect to the ancillary services that GRU may be responsible for as a network customer, FPL has the ability to change the rate for these services by making a filing at FERC on no less than 60 days notice, and would have the burden to cost-justify any proposed rate increase. FPL has not amended its rates for ancillary services for quite some time, with the exception of the pending proposal to increase the Schedule 2 rate.

6. Please provide a list of other Municipal Electric Utilities who have signed a Network Service Agreement and a Network Operating Agreement with FPL.

FPL Response – Lake Worth, New Smyrna Beach, Homestead, Florida Keys, Lee County, Wauchula and Moore Haven

7. Please provide the associated rates that each above-listed Municipal Electric Utilities paid for the 2019 Rate Year, stated as $/MWH charge and as an annual charge, and a monthly charge.

   FPL Response – All FPL transmission customers pay the rates that are approved by FERC and available in FPL's Open Access Transmission Tariff. The tariff rates are typically expressed as a $/kW-month charge, based on the customer's metered demand at the time of the monthly system peak.

8. There are no provisions for termination in the agreements, either for cause or for convenience. Is FPL willing to add termination provisions to the two agreements?

   FPL Response – Due to the costs incurred by FPL to construct the facilities required for the new interconnection, there are no termination provisions envisioned for the agreements at this time.

9. GRU is a governmental entity protected from traditional tort liabilities by sovereign immunity granted in Section 768.28, Florida Statutes. Courts have held that by contracting to indemnify another entity, GRU waives its sovereign immunity protection. GRU would like to replace the indemnification requirement in OATT 10.2 with the following language:
   a. GRU hereby agrees to indemnify the FPL for claims brought against FPL only to the extent that they are found to result from the sole negligence of GRU, its governing body, or its employees. This indemnification shall not be construed to be an indemnification for the acts, or omissions of third parties, independent contractors or third party agents of GRU. This indemnification shall not be construed as a waiver of GRU's sovereign immunity, and shall be interpreted as limited to only such traditional liabilities for which GRU could be liable under the common law interpreting the limited waiver of sovereign immunity. An action may not be instituted on a claim against GRU unless the claimant presents the claim in writing to the Risk Manager within 3 years after such claim accrues or the Risk Manager denies the claim in writing. For purposes of this paragraph, the requirements of notice to the Risk Manager and denial of the claim are conditions precedent to maintaining an action but shall not be deemed to be elements of the cause of action and shall not affect the date on which the cause of action accrues. Notwithstanding any other provisions of this paragraph, the value of this indemnification is limited to the maximum sum of $300,000 as the result of all claims and judgments arising out of the same incident or occurrence, not to exceed the sum of $200,000 for any claim or judgment or portions thereof. In addition, this indemnification shall be construed to limit recovery by the indemnified party against GRU to only those damages caused by GRU's sole negligence, and shall specifically exclude any attorney's fees or costs associated therewith.

FPL Response – In order to provide the City of Gainesville with their statutory protection, FPL recommends adding the following language instead of the language above - "Notwithstanding the foregoing, FPL's OATT Section 10.2 shall not be construed or interpreted as a waiver of GRU's sovereign immunity and the limits established in Section 768.28, Florida Statutes." FPL believes GRU's proposed language is too broad and goes beyond the protections offered by Section 768.28.