

EXHIBIT B

TESTIMONY OF WILLIAM C. LOCKE

1
2 **THE STATE OF NEW HAMPSHIRE**
3 **BEFORE THE**
4 **NEW HAMPSHIRE**
5 **PUBLIC UTILITIES COMMISSION**
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8 **JOINT APPLICATION OF FLORIDA POWER & LIGHT COMPANY AND NEW**
9 **HAMPSHIRE TRANSMISSION, LLC FOR APPROVAL OF TRANSFER OF**
10 **ASSETS FROM FLORIDA POWER & LIGHT-NEW ENGLAND DIVISION TO**
11 **NEW HAMPSHIRE TRANSMISSION, LLC OR, IN THE ALTERNATIVE, FOR**
12 **A DETERMINATION THAT THE CORPORATE RESTRUCTURING IS**
13 **EXEMPT FROM APPROVAL REQUIREMENTS**
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16 **PREFILED TESTIMONY OF WILLIAM C. LOCKE, JR.**
17 **ON BEHALF OF**
18 **FLORIDA POWER & LIGHT COMPANY**
19 **AND NEW HAMPSHIRE TRANSMISSION, LLC**
20

21 **March 1, 2010**
22
23

24 **PERSONAL BACKGROUND**
25

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

27 **A. My name is William C. Locke, Jr. My business address is 4200 West**
28 **Flagler Street, Miami, FL 33134.**

29 **Q. Who is your current employer and what positions do you hold?**

30 **A. I am employed by Florida Power & Light Company ("FPL"), and have**
31 **been since 1969. In my current position I am Manager of Transmission Services, with**
32 **responsibility for overseeing administration of FPL's transmission service in Florida. I**
33 **am also responsible for ISO New England, Inc. ("ISO-NE") related regulatory matters**
34 **pertaining to FPL's Seabrook Substation in Seabrook, New Hampshire.**

1

2 **Q. What is your background and what are your qualifications?**

3 A. I have a Bachelor of Electrical engineering degree from Clemson
4 University and a Master of Business Administration degree from Florida International
5 University. I have over 25 years of experience in preparing and negotiating contracts for
6 bulk power purchases and sales, working on purchases of generating units, administering
7 transmission services, and responding to generator interconnection requests. I have
8 participated extensively in proceedings before the Federal Energy Regulatory
9 Commission ("FERC") concerning wholesale rate cases and in FPL's past efforts to
10 implement a regional transmission organization in Florida. I have also testified
11 previously before the New Hampshire Public Utilities Commission ("Commission").

12 **Q. What is the purpose of your testimony?**

13 A. The purpose of my testimony is to provide the Commission with
14 additional information about the intra-corporate reorganization that entails the transfer of
15 the transmission substation ("Seabrook Substation," described in more detail in the Joint
16 Application for Approval filed in this docket) located on the grounds of the Seabrook
17 Nuclear Generating Station in Seabrook, New Hampshire ("Seabrook Nuclear Station")
18 from FPL to its affiliate New Hampshire Transmission, LLC ("NHT") pursuant to the
19 Asset Transfer and Assignment of Rights Agreement ("Transfer Agreement") between
20 FPL and NHT. I will also address how NHT will have the managerial, financial and
21 technical ability to continue operation of the Seabrook Substation consistent with the
22 relevant New Hampshire legal and regulatory requirements.

23

1 **CURRENT STATUS OF SEABROOK SUBSTATION**

2 **Q. Please explain the current ownership arrangements of the Seabrook**
3 **Substation.**

4 A. FPL, through its operating division FPL-New England Division ("FPL-
5 NED"), currently owns 88.22889 % of the Seabrook Substation. The remainder of the
6 substation is owned by Massachusetts Municipal Wholesale Electric Company
7 (11.59340%), Taunton Municipal Lighting Plant (0.10034%), and the Hudson Light and
8 Power Department (0.07737%) (the "Co-owners"). The same parties, in the same
9 ownership percentages, own the Seabrook Nuclear Station, except that the 88.22889%
10 share is owned by NextEra Energy Seabrook, LLC ("NextEra Seabrook"), a subsidiary in
11 the FPL Group corporate family, rather than by FPL. For a diagram of the ownership
12 structure of the FPL companies see Exhibit D to the Joint Application. FPL operates the
13 Seabrook Substation on behalf of all the owners. The proposed intra-corporate
14 reorganization does not affect the Co-owners' ownership interests in the Seabrook
15 Substation.

16 **Q. What is the regulatory status of the Seabrook Substation?**

17 A. FPL owns and operates the Seabrook Substation as a public utility in New
18 Hampshire, pursuant to approvals by the Commission, including the April 16, 2004
19 Settlement Agreement approved by the Commission in *Re Florida Power and Light*
20 *Company*, Order No. 24,258, 89 NH PUC 267 (2004). This Settlement Agreement
21 established various parameters for FPL's ownership and operation of the Seabrook
22 Substation. The regional facilities associated with the Seabrook Substation are under the
23 operational control of ISO-NE and are subject to the ISO-NE open access transmission

1 tariff ("OATT") that is under the jurisdiction of the FERC. FPL-NED also has a Local
2 Network Service Tariff that is under FERC's jurisdiction. While the Seabrook Substation
3 is owned by FPL, this is the only transmission asset that FPL owns outside Florida, and
4 as a result it falls under a different regulatory scheme than FPL's other transmission
5 assets. To accurately reflect the costs and revenues for the Seabrook Substation, FPL
6 maintains separate accounting books and records for FPL-NED, as if FPL-NED were a
7 separate entity (it is an operating division, not a separate legal entity), including listing
8 separate costs for FPL-NED in FPL's FERC Form 1.

9 **Q. How does FPL currently manage the operation of the Seabrook**
10 **Substation?**

11 A. Overall responsibility for operations of the Seabrook Substation rests with
12 FPL, through FPL-NED. FPL-NED and NextEra Seabrook are parties to an Operation,
13 Maintenance and Administrative Agreement ("OM&A Agreement"), which defines the
14 Parties' respective duties with respect to management, operation and maintenance of the
15 Seabrook Transmission Facilities. Under the OM&A Agreement, NextEra Seabrook
16 maintenance personnel (or contractors retained by NextEra Seabrook) perform the bulk
17 of the operations and maintenance and related functions at the Seabrook Transmission
18 Facilities. This arrangement allows for optimal coordination between the two companies,
19 with the experienced NextEra Seabrook operations and maintenance personnel
20 augmented by the expertise of FPL's transmission and substation personnel under the
21 direction and supervision of NextEra's Nuclear Area Manager and the Seabrook
22 Substation Administrative Manager. In addition, FPL-NED has a full-time liaison person

1 at Seabrook Substation to ensure appropriate coordination and communication with the
2 Seabrook Nuclear Station.

3

4 **THE TRANSFER FROM FPL TO NHT**

5 **Q. To What Entity Does FPL Intend to Transfer the Seabrook**
6 **Substation?**

7 A. FPL, which is a wholly-owned subsidiary of FPL Group, Inc. ("FPL
8 Group"), will transfer the Seabrook Substation to NHT. NHT is a wholly-owned
9 subsidiary of U.S. Transmission Holdings, LLC ("USTH"), which in turn is a wholly-
10 owned subsidiary of FPL Group Resources, LLC ("FPL Group Resources"). FPL Group
11 Resources is a wholly-owned subsidiary of FPL Group Capital Inc. ("FPL Group
12 Capital"), which in turn is a wholly-owned subsidiary of FPL Group. FPL Group Capital
13 also owns NextEra Energy Resources, LLC ("NextEra") and its generating and power
14 marketing subsidiaries through a separate holding company structure. See Exhibit D to
15 the application, showing ownership structure of these companies.

16 **Q. Will NHT, like FPL, be subject to the same conduct regulations?**

17 A. Yes, NHT will. The FERC Standards of Conduct will, just as they do with
18 FPL today, require functional separation to the maximum extent practical between NHT
19 and NextEra market function employees (*e.g.*, NextEra's power marketing employees
20 and business management employees that make day-to-day market decisions). In
21 addition, unless otherwise waived by FERC, the FERC affiliate restrictions and cross
22 subsidization rules will continue to apply.

23 **Q. Why is FPL transferring the Seabrook Substation to NHT?**

1 A. USTH is a new transmission holding company that will own regulated
2 transmission companies and assets located outside of Florida, including NHT. The
3 formation of USTH allows for consolidation of the ownership of affiliated transmission
4 assets outside Florida under one corporation structure owned by FPL Group Resources,
5 rather than by FPL or NextEra. This will simplify management of these assets,
6 streamline regulatory matters, and provide a framework for ownership of future regulated
7 transmission assets outside Florida. It is a natural fit to have the Seabrook Substation
8 under this holding company arrangement. FPL will transfer the Seabrook Substation to
9 NHT, which is directly owned by USTH. Assuming all regulatory approvals are received
10 in time, the parties expect to complete the transfer on or about June 1, 2010 – the
11 beginning of the 2010/2011 ISO-NE power year. When this occurs, NHT will have
12 assumed all legal rights, responsibilities, and obligations of FPL for the Seabrook
13 Substation. NHT will be a regulated utility in New Hampshire, and FPL-NED will no
14 longer exist.

15 **CONTINUITY OF OPERATIONS OF THE SEABROOK SUBSTATION AFTER**
16 **THE TRANSFER TO NHT**

17 **Q. Will the transfer change the operations of the Seabrook Substation?**

18 A. No, the transfer of the Seabrook Substation from FPL-NED to NHT will
19 not functionally change how the substation is operated. As described previously,
20 NextEra Seabrook maintenance personnel (or contractors retained by NextEra Seabrook),
21 perform most of the operations and maintenance and related functions at the Seabrook
22 Transmission Facilities, pursuant to the OM&A Agreement with FPL. As part of the
23 transfer of the substation, the OM&A Agreement will be amended and assigned from

1 FPL to NHT. Under the amended OM&A Agreement, NHT will contract with FPL to
2 perform various functions related to the Seabrook Substation. FPL or NextEra Seabrook
3 (or their contractors) will thus continue to perform operations and maintenance and
4 related functions. FPL will perform other administrative functions related to the
5 Seabrook Substation for NHT. This arrangement allows for continuity in administrative
6 matters, as the same FPL personnel and business groups currently supporting the
7 Seabrook Substation, through FPL-NED, will, in large part, continue performing these
8 responsibilities. This includes matters such as regulatory and ISO-NE matters and
9 business management. For example, I will continue having responsibility for regulatory
10 and ISO-NE-related matters pertaining to Seabrook Substation. For those areas where
11 responsibilities will be handled by new departments or personnel, a transition plan has
12 been developed to ensure appropriate training and implementation of applicable
13 responsibilities.

14 **Q. Please elaborate on how under this arrangement NHT will ensure that**
15 **it has the needed managerial, financial and technical ability to operate the Seabrook**
16 **Substation.**

17 A. FPL and NHT are working to ensure that there is a seamless transition in
18 the operation of the Seabrook Substation in connection with the transfer. Almost all
19 current O&M, reliability, administrative, regulatory, and business management functions
20 will continue to be handled by the FPL or NextEra Seabrook personnel or divisions that
21 are currently tasked with these responsibilities. The only major difference is that there
22 will be new executive oversight of the facilities due to its ownership by NHT.

1 **Q. Will NHT have the managerial expertise to own, operate, and**
2 **maintain the Seabrook Substation?**

3 A. Yes, NHT will have the necessary managerial expertise. The President of
4 NHT, as well as USTH, will be Edward F. Tancer, who was previously the Senior Vice
5 President for Governmental Affairs for FPL and also served as General Counsel for FPL
6 Group. Based on Mr. Tancer's experience and knowledge of legal and regulatory
7 matters, he is well-qualified to assume overall responsibility for NHT's operations. Also,
8 Mr. Tancer's overall management of NHT will benefit from the continuity in
9 administration and operations of the Seabrook Substation through the OM&A
10 Agreement.

11 **Q. Will NHT have the financial resources to own, operate and maintain**
12 **the Seabrook Substation?**

13 A. Yes, NHT will have the necessary financial resources to own, operate and
14 maintain the Seabrook Substation. NHT is an indirect, wholly-owned subsidiary of FPL
15 Group Capital,. As of December 31, 2009 FPL Group Capital had a senior unsecured
16 credit rating of "A2" from Moody's, "A-" from Standard & Poor's and "A" from Fitch.
17 As of December 31, 2009, FPL Group Capital had total assets of \$21.6 billion, with a
18 total net available liquidity of \$2.4 billion. FPL Group Capital has a Line of Credit
19 Agreement with FPL whereby FPL Group Capital will make loans to FPL to finance the
20 construction by FPL of certain upgrades at the Seabrook Substation. NHT will assume
21 this loan when it acquires the Seabrook Substation from FPL. FPL Group Capital has a
22 security interest in the Seabrook Substation assets to secure the Seabrook Substation asset

1 loans, and this security interest will remain in place when NHT acquires the Seabrook
2 Substation.

3 **Q. Will NHT have the technical expertise required to operate and**
4 **maintain the Seabrook Substation?**

5 A. Yes. Operating and maintaining the Seabrook Substation requires
6 technical expertise in several areas, including expertise regarding SF6 gas management,
7 high voltage breaker design and maintenance, transformer design and maintenance,
8 switches, arresters, coupling capacitor voltage transformers (CCVT's), line traps,
9 metering, and protection and control design and maintenance. FPL and NextEra
10 Seabrook possess this expertise and the related experience. With the formation of NHT,
11 NHT will, through the OM&A Agreement, have the appropriate and necessary
12 mechanism to ensure that FPL and NextEra Seabrook will provide continuity in
13 performance of the O&M and related functions. Through this arrangement, the Seabrook
14 Substation will continue to benefit from the high level of maintenance and work control
15 procedures that govern the Seabrook Nuclear Station, which procedures are designed
16 with an emphasis on safety and reliability and go well beyond the procedures used for
17 operating and maintaining non-nuclear transmission and substation facilities.
18 Accordingly, the combination of continued involvement by FPL and NextEra Seabrook
19 personnel helps ensure that NHT has the technical expertise required to operate and
20 maintain the Seabrook Substation.

21 **Q. Please address other ways in which the transfer of the Seabrook**
22 **Substation is in the public good.**

1 A. The transfer places the Seabrook Substation in a better location within the
2 FPL Group corporate family. Transferring the Seabrook Substation from FPL to USTH
3 ends the unusual situation of FPL owning transmission assets outside Florida. This
4 should make for more straightforward regulation of the facility's operations by all of the
5 regulatory commissions, including the NHPUC, as NHT will be a stand-alone New
6 England Utility and Transmission Owner. NHT will continue to be regulated by the
7 NHPUC, including paying taxes and NHPUC assessments. The transfer is also consistent
8 with USTH's ownership of other regulated transmission assets outside Florida.

9 **Q. Will the transfer of the Seabrook Substation cause the rates of NHT to**
10 **increase beyond the rates charged by FPL-NED?**

11 A. No. FPL and NHT do not anticipate that there will be any rate impact
12 from the transfer of the Seabrook Substation from FPL-NED to NHT.

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

14 A. Yes.

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