

VOTE SHEET

NOVEMBER 6, 2001

RE: Docket No. 000824-EI - Review of Florida Power Corporation's earnings, including effects of proposed acquisition of Florida Power Corporation by Carolina Power & Light.

Docket No. 001148-EI - Review of the retail rates of Florida Power & Light Company.

Docket No. 010577-EI - Review of Tampa Electric Company and impact of its participation in GridFlorida, a Florida Transmission Company, on TECO's retail ratepayers.

ISSUE 1: Is participation in a regional transmission organization (RTO) pursuant to FERC Order No. 2000 voluntary?

RECOMMENDATION: Yes. As a legal matter, participation in an RTO is voluntary pursuant to the express terms of Order No. 2000. Whether utility management was prudent in forming and participating in an RTO given the totality of the circumstances is addressed in Issue 6.

**DEFERRED**

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

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REMARKS/DISSENTING COMMENTS:

*Deferred to 11/7/01*

DOCUMENT NUMBER-DATE

14053 NOV-60

FPSC-COMMISSION CLERK

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ISSUE 2: What are the benefits to Peninsular Florida associated with the utility's (FPC, FPL, or TECO) participation in GridFlorida?

RECOMMENDATION: The benefits to Peninsular Florida associated with the utility's (FPC's, FPL's, or TECO's) participation in GridFlorida are those that can potentially improve the current Peninsular Florida transmission grid. Additional operational efficiencies between/among utilities and the consolidation of planning and maintenance may be the principal tangible benefits that can be achieved by participation in GridFlorida at this time. While GridFlorida may also enhance the effectiveness of the wholesale market for generation, it is not a prerequisite for competition, since open access transmission is currently available in the State. In addition, wholesale competition is currently constrained due to the limitation of the Florida Electric Power Plant Siting Act on merchant plant entry. The GridFlorida Companies have been unable to quantify the magnitude and the timing of the potential savings that they, and any other market participants, can expect to derive from these benefits.

ISSUE 3: What are the benefits to the utility's ratepayers of its participation in GridFlorida?

RECOMMENDATION: The benefits to the utility's ratepayers of its participation in GridFlorida are those that can potentially improve the current Peninsular Florida transmission grid. Additional operational efficiencies between/among utilities and the consolidation of planning and maintenance may be the principal tangible benefits that can be achieved by participation in GridFlorida at this time. While GridFlorida may also enhance the effectiveness of the wholesale market for generation, it is not a prerequisite for competition, since open access transmission is currently

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ISSUE 4: What are the estimated costs to the utility's ratepayers of its participation in GridFlorida?

RECOMMENDATION: If the Commission approves staff's recommendation regarding the prudence of the GridFlorida Companies participation in GridFlorida (Issue 6), staff recommends that the GridFlorida Companies should be afforded recovery of the approximately \$9 million in actual expenditures incurred through May 31, 2001, after an additional audit and review for reasonableness. Because there are questions regarding the prudence of a Transco going forward as being premature (see Issue 7), staff recommends that recovery of any incremental costs should not be addressed at this time. Additionally, staff recommends that final determination of actual costs expended through May 31, 2001, along with an appropriate recovery mechanism, be addressed in the Phase 2 proceedings for FPL and FPC. For TECO, staff recommends that the Commission address the reasonableness of its expenses and appropriate recovery mechanism at the time it seeks recovery of these costs. The Commission should make no decision on the acceptance of a specific pricing proposal until the utilities can provide quantifiable impacts on retail ratepayers. Without those quantifiable impacts, there is no sound basis for designing any rate proposal.

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ISSUE 5: Is TECO's/FPL's decision to transfer ownership and control of its transmission facilities of 69kV and above to GridFlorida appropriate?

and

Is FPC's decision to transfer operational control of its transmission facilities of 69kV and above to GridFlorida while retaining ownership appropriate?

RECOMMENDATION: The GridFlorida Companies should only transfer operational control of their transmission system assets to an ISO. The companies should maintain ownership of transmission assets, at this time. The Commission should find the demarcation point of 69kV and above for transmission facilities is reasonable.

ISSUE 6: Is the utility's decision to participate in GridFlorida prudent?

RECOMMENDATION: As discussed in Issue 7, the utilities were prudent to be proactive in responding to Order No. 2000. However, at this time, the Commission should not find that the utilities continued participation in GridFlorida is prudent. The utilities should design an ISO model and bring it to the Commission for review and approval. The utilities should specifically address, in the ISO proposal, the quantification and timing of benefits resulting from the development of an RTO.

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ISSUE 7: What policy position should the Commission adopt regarding the formation of GridFlorida?

RECOMMENDATION: Based on its authority under the Grid Bill, specifically, Sections 366.04 and 366.05, Florida Statutes, the Commission should require FPC, FPL, and TECO to submit a new RTO filing that conforms their GridFlorida proposal to this recommendation using an ISO model. The GridFlorida Companies should submit this proposal within 90 days following the issuance of the Commission's Order in this phase of the dockets. The filing should specifically identify the costs, the benefits, and the allocation of costs to the utilities based on the benefits received by each. The filing should also address whether the proposed ISO would be a for-profit or not-for-profit entity and include justification for the decision. Specific performance incentives and how they should be incorporated should also be included in the filing. The Commission should find that the "get what you bid" approach is preferable until the GridFlorida Companies can demonstrate that sufficient participants exist in the wholesale generation market and that localized market power has been adequately addressed. The Commission should also require that the concept of physical transmission rights and balanced schedules remain fixed until such time that GridFlorida petitions the Commission and justifies something different.

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ISSUE 8: Is Commission authorization required before the utility can unbundle its retail electric service?

RECOMMENDATION: Under the GridFlorida proposal, the GridFlorida Companies are not unbundling their retail electric service. Thus, the question of whether Commission authorization is required before electric retail rates can be unbundled is not presented in this proceeding. However, the effect of the GridFlorida proposal will be to convey ratemaking jurisdiction over the transmission portion of retail rates to FERC. Whether the Commission can approve a proposal that results in a transfer of its jurisdiction is addressed in Issue 10.

ISSUE 9: Is Commission authorization required before the utility can stop providing retail transmission service?

RECOMMENDATION: Under the GridFlorida proposal, the GridFlorida Companies will continue to provide retail transmission service as part of their bundled retail service. Thus, the question of whether Commission authorization is required before these utilities can stop providing retail electric service is not presented in this proceeding. However, the effect of the GridFlorida proposal would be to convey to FERC substantial jurisdiction over the retail transmission service provided by these utilities. Whether the Commission can approve a proposal that results in a transfer of its jurisdiction is addressed in Issue 10.

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ISSUE 10: Is Commission authorization required before FPC can transfer operational control of its retail transmission assets?

and

Is Commission authorization required before FPL/TECO can sell its retail transmission assets?

RECOMMENDATION: Yes. While the Commission's statutory authority does not expressly require Commission approval for a transfer or ownership or operational control of a utility's transmission assets, such authority is necessarily implied from the provisions of Chapter 366.

ISSUE 11: Is a Regional Transmission Organization for the Southeast region of the United States a better alternative for Florida than the GridFlorida RTO?

RECOMMENDATION: No. At this time, it would not appear advantageous to the GridFlorida Companies and their respective ratepayers to discard the notion of a peninsular Florida RTO in favor of joining a regional RTO. However, the utilities should continue to participate in discussions regarding the creation of a Southeast RTO in anticipation that the FERC may one day mandate all FERC-regulated utilities to join a regional transmission organization.

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ISSUE 12: Should these dockets be closed?

RECOMMENDATION: No. Docket No. 000824-EI (FPC) and Docket No. 001148-EI (FPL) should remain open to permit the Commission to complete its rate review for the respective companies. In addition, if the Commission approves staff's recommendation in Issue 7, which requires the GridFlorida Companies to file a proposal for an RTO that is in the form of an ISO, then Docket No. 010577-EI should also remain open.