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March 26, 2004

VIA HAND DELIVERY

Blanca S. Bayo, Director  
Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee FL 32399-0850

RECEIVED - FPSC  
MAR 26 AM 9:49  
COMMISSION  
CLERK

Re: Docket No. 020233-EI

Dear Ms. Bayo:

Please file and distribute the attached original and fifteen copies of the Florida Industrial Power Users Group's (FIPUG) post-workshop comments on the issues discussed at the March 17<sup>th</sup> workshop in the above docket.

Please acknowledge receipt of these documents by stamping the extra copy of this letter and attachments and returning a copy to me. Thank you for your assistance.

Sincerely yours,

*Vicki Gordon-Kaufman*  
Vicki Gordon-Kaufman

Encls.  
Cc. All Parties of Record

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FPSC-BUREAU OF RECORDS

**Docket No. 020233-EI**  
**FIPUG Follow-Up Comments**  
**To March 17-18, 2004 Workshop**

FIPUG adopts, incorporates and reiterates its comments filed on March 11, 2004.<sup>1</sup>

**Issue 1**

FIPUG reiterates its support for the Florida Public Service Commission (FPSC) to function as the Regional State Committee (RSC). The FPSC has the ultimate responsibility to ensure the reliability of the Florida transmission grid, pursuant to the Grid Bill, for Florida's consumers. Similarly, the FPSC has the responsibility to ensure just and reasonable rates for retail consumers. The FPSC can only fulfill these legislatively delegated functions by being closely involved and retaining oversight over GridFlorida.

As the Commission fulfills this important role, all consumers who will be impacted by GridFlorida and by the FPSC's involvement with it must be afforded the ability to provide input into the FPSC's decisions. The FPSC should not be dismissed as a participant or deterred from involvement in this role because it must provide due process to those affected by the formation and costs of the RTO; rather, it should welcome the opportunity to fully inform itself and protect retail consumers.

**Issue 2**

The workshop discussion made it clear that major differences continue to exist between the transmission "haves" and "have nots" and that concerns regarding discrimination and encouragement of a truly competitive wholesale market are far from resolution. FIPUG believes it is critical that all participants be fully engaged and included in all aspects of the process, including those related to rates and revenue requirements. For example, if municipals and cooperatives' revenue requirements are at issue, they should be able to participate in all filings proposed by the IOUs.

FIPUG continues to support the FPSC's review of all rate and revenue filings prior to such filings being made at FERC. The FPSC must retain this initial review function to protect entail consumers.

Though FIPUG understands that the Market Monitor role will be more fully discussed at a future meeting, FIPUG supports the Applicants' position that market monitoring and market power mitigation rules should be submitted to the FPSC prior to their submittal to FERC. As with other issues, the FPSC must stay fully engaged to protect retail consumers.

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<sup>1</sup> FIPUG notes that in the matrix used by Staff at the workshop, FIPUG's positions were not fully reproduced. Thus, the reader is referred to those comments as filed.

#### **Issue 4**

As a consumer group, FIPUG was surprised to learn that little thought has been given by either the “haves” or “have nots” to cost recovery matters. Staff members had insightful questions in this area, while the utilities had no answers. This issue is of critical concern to FIPUG (and presumably all other captive end users) who will ultimately (in one way or the other) bear the cost of both the formation and operation of the RTO.

As to the start up costs for GridFlorida, FIPUG remains unclear as to when strict proof of such costs will be submitted and analyzed by the FPSC. As noted by Calpine and discussed by FIPUG below, GridFlorida need not mimic the large utility bureaucracy now in place and a less expensive model is an option that should be explored. The same is the case for the on-going GridFlorida “management fee.”

Another equally significant issue is how retail consumers will be compensated when control of the transmission assets is transferred to GridFlorida,. Will GridFlorida make payments to the utilities which will be flowed through to consumers, who have paid for the transmission lines? FIPUG has grave concerns about paying twice for the transmission facilities which have already been recovered through retail rates.

Once the transfer occurs, the general discussion seemed to indicate that only “incremental” improvements would be included in GridFlorida’s charges. Putting aside the numerous and protracted discussion which will ensue over what is “incremental,” it is FIPUG’s view that such “incremental” improvements are already covered in base rates and through sales growth. If there is disagreement over this, current cost of service studies must be provided.

Finally, any proposed charges regarding maintenance are also cause for concern if such costs are due to the failure of a transferring utility to adequately maintain its transmission system when costs for such maintenance are funded through base rates.

As noted in the discussion of Issue 8, at the present time it is quite unclear that an RTO will do little more than increase consumers’ rates. The FPSC must prevent increased cost with no commensurate benefit.

#### **Issue 5**

Though FIPUG takes no position on the "date" issue, the Commission must ensure that all transmission facilities are appropriately maintained by the utilities, regardless of when they are turned over to GridFlorida.

## **Issue 8**

FIPUG shares Staff's concerns regarding the cost/benefit of the RTO venture and further appreciates Staff's vigilance over the large amounts of money that retail ratepayers are being asked to invest in an activity with uncertain and speculative benefits. Interestingly, the Applicants presented a complex (and no doubt expensive) proposal from ICF to assess market benefits and costs. Applicants volunteered to "fund" the study, but when pressed noted that such "funding" would be recovered through GridFlorida's start up costs -- which will no doubt be visited upon the ratepayers.

FIPUG appreciates Calpine's suggestion that it is possible to create a much less expensive RTO than that proposed by the Applicants. FIPUG encourages serious exploration of this option to minimize costs.