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Attached are joint comments for electronic filing. Below is the information requested by the Florida PSC's electronic filing instructions.

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 In re: Review of GridFlorida Regional Transmission Organization (RTO) Proposal

c. Name of Parties:

Lakeland Electric, Kissimmee Utility Authority, Gainesville Regional Utilities, and the City of Tallahassee, Florida (jointly the "Florida Municipal Group")

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Joint Comments on Florida Independent Transmission Provider Strawman

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Thank you for your attention to this matter. Please do not hesitate to contact the undersigned if you have any questions or concerns.

Regards,

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL

In re: Review of GridFlorida)
Regional Transmission)
Organization (RTO) Proposal)
_____)

Docket No. 020233-EI
Filed: October 17, 2005

**JOINT COMMENTS OF LAKELAND ELECTRIC,
KISSIMMEE UTILITY AUTHORITY, GAINESVILLE REGIONAL UTILITIES,
AND THE CITY OF TALLAHASSEE, FLORIDA**

Pursuant to the schedule agreed upon at the informal meeting convened in this proceeding on September 26, 2005, the City of Lakeland, Florida d/b/a Lakeland Electric (Lakeland), the City of Tallahassee, Florida (Tallahassee), Kissimmee Utility Authority (KUA), and the City of Gainesville, Florida d/b/a Gainesville Regional Utilities (GRU) -- collectively referred to herein as the Florida Municipal Group (FMG)¹ -- hereby comment on the "Florida Independent Transmission Provider" strawman proposed by the Florida Municipal Power Agency, Seminole Electric Cooperative, Inc., Calpine Corporation, and Northern Star Energy (collectively, "FITP sponsors").

BACKGROUND

The instant proceeding is long-running and concerns efforts to establish an independent system operator (ISO) or regional transmission organization (RTO) within peninsular Florida. Such efforts began approximately *five years* ago when the three principal investor owned utilities in the state developed and filed their GridFlorida proposal with the Federal Energy Regulatory Commission (FERC). Support for GridFlorida has eroded substantially in recent months due in

¹ The FMG is an *ad hoc* advocacy group. Each member of the FMG has intervened independently in this proceeding and reserves the right to express individual views at any time.

large part to changes in FERC policy and the release of data from a study performed by ICF Consulting, Inc. (ICF) indicating that the costs of GridFlorida would far exceed any benefits.

In an apparent effort to reinvigorate and reshape the process, four stakeholders filed a "strawman" proposal on August 22, 2005, relating to the establishment of a Florida Independent Transmission Provider (FITP). The FITP was characterized by its sponsors as a "Non-RTO Alternative" designed to capture the benefits of an RTO without the same level of costs. Unlike an RTO, the FITP would *not* take operational control of transmission facilities, would *not* implement energy markets, and would *not* materially alter congestion management practices. The FITP concept was discussed at an informal meeting convened by the Florida Public Service Commission (PSC) on September 26, 2005, during which a schedule for commenting on the proposal was agreed upon. The instant comments are filed in accordance with that schedule.

COMMENTS

As noted on a number of occasions in this proceeding, the FMG members are not wholly opposed to the creation of an organization to oversee aspects of the Florida transmission system. In fact, the group generally favors greater coordination and cooperation among Florida's utilities, regardless of whether they are municipalities, cooperatives, or investor owned. Any proposal to create such an organization must be sufficiently plausible to justify the time, effort, and resources that would inevitably be spent in its development and operation. The FMG seriously questioned whether the GridFlorida effort was sufficiently plausible, and the cost and benefit data presented in the ICF study appears to confirm that these concerns were well-founded.

While the FITP concept is markedly different from the GridFlorida model, it nevertheless may suffer from some of the same problems. Like GridFlorida, there is no evidence so far that the FITP approach would produce benefits in excess of costs. The FITP sponsors attempted to

make some showing of benefits at the September 26th meeting at the PSC. Their presentation selectively relied on certain data from the ICF study. The sponsors specifically assumed the FITP could achieve the same "Day 1" benefits as GridFlorida while incurring only a fraction of the costs.² Even using this highly optimistic assumption, however, the presentation still suggested that the costs of the FITP model would exceed benefits by a wide margin.³ Thus, based on the presentation, there is no reason to think the FITP concept would fare materially better than GridFlorida if subjected to the same type of rigorous cost/benefit analysis.

The FITP strawman also suffers from a lack of development. As it stands, the concept is scarcely more than a working hypothesis. This observation is not meant to fault the FITP sponsors, but rather to point out that significant time and effort would be required to even develop the concept to the point where it could be subjected to a meaningful evaluation. While the FITP sponsors and perhaps other stakeholders within Florida may be willing to undertake these efforts, there is no reason that such efforts need to be pursued in the context of a formal regulatory proceeding, nor should they delay resolution of the PSC's review of GridFlorida.

Thus, based on these considerations, the FMG members recommend that the PSC not initiate a formal investigation into the FITP concept at this time. The GridFlorida proceedings have been ongoing for several years already and have caused stakeholders to expend significant time and resources. The aim of these proceedings was to determine whether or not an RTO or ISO should be established within peninsular Florida. That question appears to have been answered rather conclusively by the ICF study. Accordingly, the FMG members believe the time

² The presentation from the September 26th meeting suggests that the FITP could realize the same "Day 1" benefits as GridFlorida (\$71 million) at a significantly reduced cost (\$195 million for FITP versus \$775 million for GridFlorida, net present value).

³ See *id.* (\$71 million in FITP benefits versus \$195 million in costs).

for terminating the GridFlorida proceeding is close at hand and see nothing in the FITP proposal that would cause them to rethink this conclusion.

That is not to say that there may not be some merit in the basic FITP concept. The FMG members support the elimination of pancaked rates and agree, as noted above, that greater coordination of transmission facilities within Florida would be useful. As such, the FMG would encourage the FITP sponsors to continue developing their idea and to seek out support from other stakeholders in the state. Such efforts may yield fruit and justify more formal proceedings at some point in the future. At this time, however, the concept is too underdeveloped to warrant immediate consideration, the expenditure of time and resources on behalf of stakeholders, or a further continuation of the instant regulatory proceedings.

CONCLUSION

The FMG requests that the comments and recommendations set forth above be taken into consideration by the PSC in this proceeding.

Respectfully submitted,

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Dated at Washington, D.C. this 17th day of October, 2005.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail this 17th day of October, 2005, to the following:

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