



Florida Municipal Power Agency

ORIGINAL

Jody Lamar Finklea  
Assistant General Counsel | Manager of Legal Affairs

February 14, 2006

**HAND DELIVERY**

Ms. Blanca S. Bayó, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

RECEIVED-FPSC  
06 FEB 14 AM 8:54  
COMMISSION  
CLERK

Re: Docket 020233-EI  
Opposition of Florida Municipal Power Agency and Seminole Electric Power  
Cooperative to GridFlorida Companies' Motion to Withdraw Compliance Filing and  
Petition to Close Docket

Dear Ms. Bayó:

Enclosed for filing in the above-referenced docket are the original and fifteen (15) copies  
of Opposition of Florida Municipal Power Agency and Seminole Electric Power Cooperative to  
GridFlorida Companies' Motion to Withdraw Compliance Filing and Petition to Close Docket.

Sincerely yours

CMP \_\_\_\_\_  
COM 5 \_\_\_\_\_  
CTR \_\_\_\_\_  
ECR \_\_\_\_\_ Jody Lamar Finklea  
Assistant General Counsel and Manager of Legal Affairs

GCL \_\_\_\_\_

OPC \_\_\_\_\_

RCA \_\_\_\_\_ JLF  
Enclosures

SCR \_\_\_\_\_

SGA \_\_\_\_\_ cc: as noted on Certificate of Service

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R.V.N

FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER - DATE  
01246 FEB 14 08  
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 020233-EI

**OPPOSITION OF FLORIDA MUNICIPAL POWER AGENCY  
AND SEMINOLE ELECTRIC POWER COOPERATIVE TO GRIDFLORIDA  
COMPANIES' MOTION TO WITHDRAW COMPLIANCE FILING AND PETITION  
TO CLOSE DOCKET**

On January 27, 2006, Florida Power & Light Company ("FPL"), Progress Energy Florida ("PEF") and Tampa Electric Company ("TECO") (collectively referred to as "GridFlorida Companies") moved to withdraw the March 2002 Compliance Filing and September 2002 Petition of the GridFlorida Companies regarding Prudence of GridFlorida Market Design Principles and requested the Florida Public Service Commission ("FPSC" or "Commission") to close the instant docket. Florida Municipal Power Agency ("FMPA") and Seminole Electric Cooperative, Inc. ("Seminole") jointly oppose these requests. For the reasons set forth below, FMPA and Seminole ask the Commission to:

- Deny the GridFlorida Companies' Motion;
- Order an investigation in this docket, or in a new docket, to examine the Florida Independent Transmission Provider ("FITP")<sup>1</sup> proposal (and variations thereon including other non-RTO alternatives) with the goal of achieving most of the substantial benefits that the Commission found that GridFlorida would provide Florida consumers; and

<sup>1</sup> Florida Independent Transmission Provider ("FITP") proposal, non-RTO alternative for GridFlorida was proposed by FMPA, Seminole, Calpine Corporation, and Northern Star Energy and filed with the Commission on August 22, 2005.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

- Investigate the specific modifications that should be reflected in the GridFlorida RTO documents in order to achieve the desirable outcomes sought by the Commission and the stakeholders.

**I. GRIDFLORIDA COMPANIES' MOTION NEEDS TO BE CONSIDERED IN THE CONTEXT OF KEY COMMITMENTS AND FINDINGS OMITTED IN APPLICANTS' CHRONOLOGY**

GridFlorida Companies' Motion sets forth some elements of GridFlorida's long chronology. However, it completely omits some salient events and commitments, and fails to fully disclose the import of others. To assess the GridFlorida Companies' Motion, therefore, the Commission needs to consider the following:

1. The GridFlorida application resulted, in part, from Florida Power Corporation's commitment, as part of the merger that formed PEF, to participate in an RTO. As reflected in the Federal Energy Regulatory Commission's ("FERC") order approving the merger:

In order to address the intervenors' concerns regarding the lack of specificity in Applicants' original commitment to join RTO(s), Commission staff issued a letter on June 28, 2000, directing Applicants to provide additional details. In response, Applicants state that CP&L and Florida Power Corp are "each unequivocally committed to complying with FERC Order No. 2000 and to turning over operational control of its transmission system to a Commission-approved RTO."

*CPL Holdings, Inc.*, 92 F.E.R.C. ¶ 61,023, at 61,055-56 (2000). Based on that commitment, bolstered by FPL's announcement that it would be participate in an RTO (*id.* at 61,056), FERC found (*id.* at 61,055):

We are satisfied that, for the reasons provided by Applicants that are summarized above, and with Applicants' commitments to join Commission-approved RTOs, the merger will not enhance

Applicants' ability to adversely affect prices or output in electricity markets through the use of generation and transmission.

GridFlorida Companies' Motion is no small matter, and is inconsistent with "unequivocal" commitments made by PEF in connection with its merger.<sup>2</sup>

2. While GridFlorida Companies note that the Commission's Order No. PSC-01-2489-FOF-EI, issued December 20, 2001, found the Companies were prudent in proactively forming GridFlorida, they fail to mention key findings in that Order regarding the benefits GridFlorida would provide Florida consumers. Specifically, the Commission's December 2001 Order found, based on record evidence, that Florida consumers would obtain, in the form of improved reliability and wholesale competition, enhanced emergency response, and lower transmission and generation rates, the following key benefits from an RTO:

- "encouraging competition among wholesale generators by removing transmission access impediments and restrictions" (p. 9)
- "potentially improve the current Peninsular Florida transmission grid. The record indicates that additional operational efficiencies among utilities and the consolidation of planning and maintenance can be achieved by participation in GridFlorida." (pp. 9-10)
- "eliminate pancaked rates" (p. 10)
- "improved regional reliability, more efficient allocation of transmission capacity, improved emergency response and more efficient treatment of loop flows" (p. 10)
- "capture benefits associated with integrated transmission planning, operations, and pricing." (p. 14)

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<sup>2</sup> GridFlorida Companies' RTO application remains pending at the Federal Energy Regulatory Commission, having secured provisional approval. See *GridFlorida, LLC*, 94 F.E.R.C. ¶ 61,363, *reh'g granted in part and denied in part*, 95 F.E.R.C. ¶ 61,473 (2001), *reh'g pending*.

In light of Florida's recent hurricane experience, this Commission's findings regarding GridFlorida's contribution to achieving and maintaining adequate infrastructure, able to withstand contingencies or quickly restore service after outages, should not be ignored.

3. GridFlorida Companies omit any mention of the May 23, 2005 Workshop in this proceeding. The Workshop focused on the preliminary draft of the ICF study, with an agenda that expressly requested that presenters address alternative means to capture the benefits of GridFlorida:

Workshop Discussion – The preliminary results of the cost-benefit study indicate that the current GridFlorida RTO structure is not cost effective. Please include in your comments what measures, if any, this Commission should consider implementing in lieu of an RTO that would allow utilities to capture benefits resulting from a coordinated transmission system.

Presentations of FMPA and Seminole at that Workshop directly addressed that question.

4. Nor does the GridFlorida Companies' Motion make any reference to their commitment at the May 23, 2005 Workshop to submit, within 60 days of receipt of the final ICF report, a strawman proposal to capture a significant portion of the benefits intended to be achieved through an RTO. As stated by Mike Naeve, speaking on behalf of the GridFlorida Companies (Tr. 128-29):

[N]onetheless, there are significant savings that can be accomplished. And for some of these savings it may well be that the cost to achieve them are simply too great and we can't capture all of them. But, nonetheless, that still raises the issue, is there a way that ... the companies and the participants in this market in Florida can achieve some portion, perhaps some significant portion of the benefits that have been identified by ICF?

ICF has looked at one particular model for achieving those benefits, a phased model, a Day 1 and then a Day 2 model, and they found at least for that particular approach the costs at least are projected by them to exceed the benefits.

Other people have suggested alternative models, we've heard several alternative models today, and others have suggested that we go back to the drawing board and see if we can't come up with some way to capture these benefits. The applicants in this case agree with that. We think we should look at this pool of benefits, we should go back to the drawing boards and see if there is some reasonable way, some cost-effective way to capture those benefits or at least the ones that can be captured in a cost-efficient way.

So our proposal is that ... 60 days from the date of the ICF study we come back here and present to you an alternative approach for trying to capture some of these benefits.

The GridFlorida Companies' proposal to submit a strawman 60 days after the ICF report was accepted by the Commissioners in attendance, with the additional caveats that the process for developing the strawman be inclusive (Tr. 154), with an opportunity provided for stakeholders to comment before it is presented to the Commission (Tr. 155), and preferably including a range of options (Tr. 157). The GridFlorida Companies' Motion implicitly asks to be relieved of their commitment to produce a strawman without even acknowledging the commitment exists.

5. The GridFlorida Companies make no mention of the August 22, 2005 FITP proposal, or the September 26 Staff Meeting where this proposal was presented.<sup>3</sup> As discussed in Part II below, this proposal attempts to achieve the purpose identified by the GridFlorida Companies at the May 23 Workshop: to achieve a significant portions of the benefits of an RTO without incurring the costs that ICF assumed in its study. Its objective is to improve the transmission grid through joint integrated transmission planning, operations and pricing (including elimination of pancaked rates) and, through a non-RTO structure, to secure the benefits of a RTO at a reasonable cost. The GridFlorida Companies'

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<sup>3</sup> The September 26, 2005 presentation is attached hereto as Appendix A.

Motion mentions neither the FITP proposal nor their October 17, 2005 one-page dismissal of that proposal, which offered no alternatives.

## **II. FURTHER EXPLORATION OF NON-RTO ALTERNATIVES TO ACHIEVE NEAR RTO BENEFITS IS WARRANTED, EITHER IN THIS DOCKET OR A NEW DOCKET**

FMPA and Seminole continue to support a Day 1 RTO<sup>4</sup> and believe the ICF study to be seriously flawed. Among other things, the ICF study focused narrowly on economic dispatch benefits, and made no attempt to quantify key reliability, planning and operations (including emergency restoration) benefits found by the Commission in its December 2001 Order.<sup>5</sup> However, in recognition of concerns raised as to the costs of even a Day 1 RTO and the Commission's interest, as expressed at the May 23 Workshop, in non-RTO alternatives, we have sought to focus on another means to achieve most of the benefits of an RTO at reasonable cost. We developed the FITP proposal in an effort to start the dialog on such a proposal. Instead of inclusively engaging in the pursuit of alternatives to a full RTO (as the GridFlorida Companies committed at the May 23 Workshop), the GridFlorida Companies now seek to close the docket despite earlier commitments to the Commission.

As the Commission found in its December 2001 Order (and quoted above), an RTO holds significant benefits for Florida. Recent hurricane experience dramatically demonstrates the need for enhanced coordination in operating the grid, restoring service, and rebuilding, planning, and expanding the system. An efficient and robust grid is essential to the citizens of this state. While FRCC has made some limited headway towards coordinated planning, its efforts fall far short of

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<sup>4</sup> A "Day 1 RTO" is one that performs the basic RTO functions – operating, planning, expansion, tariff administration, pricing – but does not operate an organized "Day 2" market.

<sup>5</sup> See Robert Davis of R. W. Beck, speaking on behalf of FMPA and Seminole at the May 23, 2005 Workshop (Tr. 83-98).

what Florida consumers require and deserve. Among other things, the FRCC process provides limited avenues to ensure that needed upgrades get made and to address cost allocation.

In contrast, the FITP proposal directly addresses these crucial issues. It builds on the FRCC process to develop a Peninsular-wide integrated planning process with the teeth to get the important job done in the most efficient and cost-effective way for Florida consumers. It addresses cost allocation of these upgrades through the grid-wide pricing that was accepted at FERC<sup>6</sup> and by this Commission,<sup>7</sup> and which makes good sense given the highly integrated nature of the Florida grid. It provides many other of the significant benefits this Commission had identified at a much lower price tag than the ICF study assumed.<sup>8</sup> For example, in addition to offering the \$71 million in quantifiable benefit identified by ICF (Tr. 44), FITP offered the following non-quantifiable benefits:

- Operational efficiencies through consolidation of planning and maintenance;
- Improved, more robust transmission grid through joint integrated transmission planning;
- Improved siting for generation and transmission; and
- Facilitation of improved wholesale competition.

As demonstrated by the FITP proposal, FMPA and Seminole are ready and willing to invest in the grid to enhance its structural integrity, while spreading the risks of storm damage, and are looking for ways to move the Peninsular-wide integrated planning and expansion process

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<sup>6</sup> See *GridFlorida, LLC*, 94 F.E.R.C. at 62,348, 62,350.

<sup>7</sup> See Order No. PSC-02-1199-PAA-EI in this proceeding, issued September 3, 2002, at 63 (accepting pricing proposal subject to modification to recognize the Commission's continuing jurisdiction over the total cost of transmission service to retail customers, and to further review after the first five-years of operation).

<sup>8</sup> See Appendix A, which demonstrates FITP's cost effectiveness.



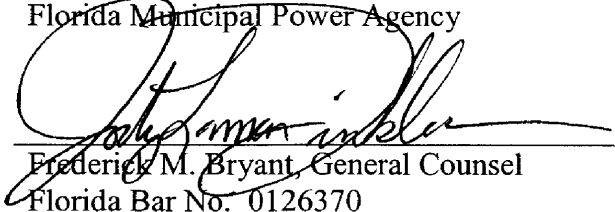
forward for the benefit of all Florida consumers. Instead, by their Motion, the GridFlorida Companies apparently seek to end such efforts, despite their express commitment to this Commission to develop and propose their own strawman within 60 days of the ICF report and despite earlier commitments to the FERC.

This Commission's important Grid Bill responsibilities mandate that it not allow the GridFlorida Companies to renege on their commitment to explore in an inclusive manner non-RTO alternatives that would achieve a significant portion of the benefits of an RTO at a reasonable cost. To that end, it should:

- Deny the GridFlorida Companies' Motion;
- Order an investigation in this docket, or in a new docket, to examine the FITP proposal (and variations thereon including other non-RTO alternatives) in an effort to achieve most of the substantial benefits that the Commission found that GridFlorida would provide Florida consumers; and
- Investigate the specific modifications that should be reflected in the GridFlorida RTO documents in order to achieve the desirable outcomes sought by the Commission and the stakeholders.

Respectfully submitted this 13th day of February, 2006.

Florida Municipal Power Agency



Frederick M. Bryant, General Counsel

Florida Bar No. 0126370

Jody Lamar Finklea, Esq.

Florida Bar No. 0336970

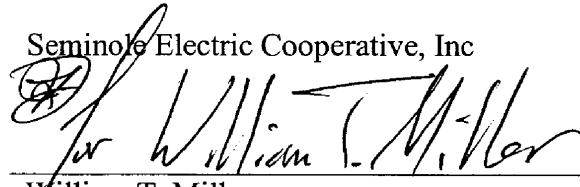
FLORIDA MUNICIPAL POWER AGENCY

2061-2 Delta Way, Post Office Box 3209

Tallahassee, FL 32303

(850) 297-2011

Seminole Electric Cooperative, Inc



William T. Miller

MILLER, BALIS & O'NEIL, P.C.

1140 19th Street, NW, Suite 700

Washington, DC 20036-6600

(202) 296-2960

Cynthia S. Bogorad

SPIEGEL & MCDIARMID

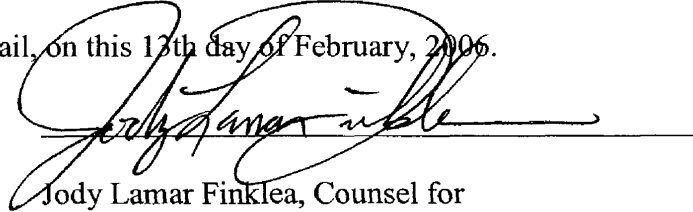
1350 New York Ave., NW, Suite 1100

Washington, D.C. 20005-4798

(202) 879-4000

CERTIFICATE OF SERVICE

I CERTIFY that a copy of the foregoing document was furnished to the parties on the attached Service List, by United States Mail, on this 17th day of February, 2006.

A handwritten signature in black ink, appearing to read "Jody Lamar Finklea", is written over a horizontal line. The signature is fluid and cursive.

Jody Lamar Finklea, Counsel for

FLORIDA MUNICIPAL POWER AGENCY

# Appendix A

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# **Florida Independent Transmission Provider (FITP)**

A Non-RTO Alternative for Peninsular Florida

**Proposed by:  
Florida Municipal Power Agency  
Seminole Electric Cooperative, Inc.  
Calpine Corporation &  
Northern Star Energy**

# FITP Key Objectives

- Secure key benefits of a day-1 RTO at reasonable costs
- Enhance efficiency through elimination of pancaked rates
- Improve transmission grid through joint integrated transmission planning, operations and pricing

# FITP Governance

- Separate non-profit entity
- Hybrid board with balanced stakeholder and independent representation
  - 3 IOUs
  - 3 generating non-IOU LSE utilities
  - 2 non-IOU wholesale utilities
  - 2 generators/marketers
  - 1 non-generating LSE
  - 5 independents (i.e., non-stakeholders)

# FITP Agency Agreements

- Agency agreements between Transmission Owners (TOs) and FITP
- TOs will not transfer functional control of facilities to the FITP
- FITP will act as agent for transmission operations, tariff administration, and collecting and distributing transmission revenues
- FITP has authority through agency agreements to commit/obligate TOs to construct transmission with costs allocated pursuant to pricing protocol



# FITP Tariff Administration

- Regional tariff offering network and point-to-point service
- Point of contact for all transmission service and interconnection requests
- Operates OASIS
- Oversees coordinated ATC/TTC calculations

# FITP Tariff Administration (continued)

- Congestion management through TLRs under existing procedures (no market based congestion management system)
- Independent Security Coordinator
  - FITP may retain third party to act as agent for this function
  - Proponents envision that FPL will continue to perform security coordinator functions
- Ancillary services to the extent not self-supplied would continue to be supplied by existing TOs under cost-based rates or through other voluntary arrangements

# Planning and Expansion

- FITP will develop an annual peninsula wide transmission plan taking into consideration needs of all TOs and transmission customers
- Builds on FRCC joint planning process
- 10-year site plan from individual TOs is used as starting point
- FITP coordinates activities with FRCC to develop integrated plan
- Transmission and interconnection requests handled by FITP through tariff procedure

# FITP Pricing Protocol

- All members of FITP with native load obligations will be network transmission customers
- Point-to-point transmission available, but only required for sales out of the FITP region
- All TOs subject to FITP tariff for transmission service to serve all native load, including retail
- All facilities at 69kV and above are included in transmission access charges

# FITP Pricing Protocol (continued)

- Recovery of costs pursuant to joint planning process:
  - Existing Facilities (in service on or before 12-31-00) – Zonal Rates (either continued or phased out)
  - New Facilities (in service after 12-31-00) that are not participant funded – Grid Wide Rates
- Zonal Rates developed based upon existing control areas
- Participant funding limited to transmission required for exports and for enhanced (e.g., gold-plated) facilities
- No pancaked rates for new transmission service (service agreements entered into after 12-15-00)

# FITP Pricing Protocol (continued)

- Pancaked rates for existing firm transmission agreements (service agreements entered into on or before 12-15-00) are phased out in years 1-5
- TO revenue recovery from FITP for short term firm and non-firm point-to-point transmission service phased out in years 1-5
- TDU credits for Existing Facilities phased in during years 1-5
- New Facilities of TDUs (like New Facilities of other TOs) recovered through Grid Wide Rate
- Grid Wide Management Charge for recovery of FITP costs

# FITP Cost Estimate

- Staffing Needs: 72 FTEs (ICF – 194 FTEs)
- Control Center/Office Space - 29,000 sq. ft.
- Backup control center – 5,000 sq. ft.
- Start-up Costs - \$26 million (2004\$) (ICF - \$110 million)
- Annual Operating Costs - \$16 million (2004\$) which equates to \$0.07/MWh for peninsula Florida (ICF - \$60 million)
- Net Present Value of Costs - \$195 million (2004\$) (ICF - \$775 million)

# FITP Benefits

- **Non-Quantifiable Benefits**
  - Operational efficiencies through consolidation of planning and maintenance
  - Improved transmission grid through joint integrated transmission planning
  - Improved siting for generation and transmission
  - Facilitation of improved wholesale competition



# **FITP Benefits (continued)**

- **Quantifiable Benefits**
  - Net present value of Day 1 benefits identified by ICF - \$71 million
  - With or without additional quantifiable benefits, FITP is justified

# Summary

- FPSC's findings in its December 2001 order regarding the efficiencies and qualitative benefits to be derived from the formation of a regional transmission organization are still valid
- The cost of the FITP proposal substantially improves the quantified cost/benefit analysis
- Development of an independent regional transmission provider will be good for Florida's wholesale and retail consumers

## WHERE WE GO FROM HERE

### Recommended Next Steps

- Request that substantive comments of staff, applicants and other stakeholders be submitted by date certain (e.g., October 15)
- Schedule a date for resumption of stakeholder collaborative discussions to address comments and establish an implementation plan for FITP (e.g., November 1)