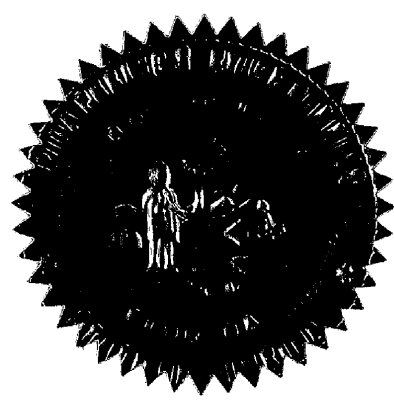


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 020233-EI

In the Matter of:

REVIEW OF GRIDFLORIDA REGIONAL
TRANSMISSION ORGANIZATION (RTO)
PROPOSAL.



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PROCEEDINGS: AGENDA CONFERENCE
 ITEM NO. 12

BEFORE: CHAIRMAN LISA POLAK EDGAR
 COMMISSIONER J. TERRY DEASON
 COMMISSIONER ISILIO ARRIAGA
 COMMISSIONER MATTHEW M. CARTER, II
 COMMISSIONER KATRINA J. TEW

DATE: Tuesday, April 18, 2006

PLACE: Betty Easley Conference Center
 Room 148
 4075 Esplanade Way
 Tallahassee, Florida

REPORTED BY: LINDA BOLES, RPR, CRR
 Official FPSC Reporter
 (850) 413-6734

1 PARTICIPATING:

2 KENNETH HOFFMAN, ESQUIRE, and ANNE GREALY,
3 representing the GridFlorida companies (Florida Power & Light
4 Company, Progress Energy Florida and Tampa Electric Company.)

5 TRUDY NOVAK, ESQUIRE, representing Seminole Electric
6 Cooperative.

7 FRED BRYANT, representing Florida Municipal Power
8 Agency, Seminole Electric Cooperative and Calpine Corporation.

9 JENNIFER BRUBAKER, ESQUIRE, BRENDA BUCHAN, BOB TRAPP
10 and TOM BALLINGER, representing the Florida Public Service
11 Commission Staff.

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P R O C E E D I N G S

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2 CHAIRMAN EDGAR: And that will bring us,
3 Commissioners, to Item 12. Okay.

4 MS. BUCHAN: Good afternoon, Commissioners. Item
5 Number 12 is a petition by the GridFlorida companies to
6 withdraw their compliance filing to establish a regional
7 transmission organization in Peninsular Florida and to close
8 the docket. There are several parties here today to answer
9 questions, and also I believe there are at least one or two
10 that would like to make statements. There are five issues in
11 this item and I propose to take them in order.

12 CHAIRMAN EDGAR: Thank you. And I'll begin at my far
13 left.

14 MR. HOFFMAN: Good afternoon, Madam Chairman. My
15 name is Kenneth A. Hoffman. Which me is Anne Grealy, who is
16 the Director of Regulatory Affairs for Florida Power & Light
17 Company. We are appearing this afternoon on behalf of all of
18 the GridFlorida companies, which consist of FPL, Progress
19 Energy Florida and Tampa Electric Company.

20 Madam Chairman, the GridFlorida companies support the
21 staff recommendation, and I would ask to be reserved the
22 opportunity to simply respond to any comments that the
23 intervenors may have or any questions that the Commissioners
24 may have. But for now we are content to simply state to the
25 Commission that we do support the staff recommendation.

1 CHAIRMAN EDGAR: Thank you.

2 MS. NOVAK: Good afternoon. My name is Trudy Novak
3 and I am the Director of Pricing and Bulk Power Contracts at
4 Seminole Electric Cooperative. And Fred Bryant is here today
5 on behalf of Florida Municipal Power Agency, and he will be
6 speaking on behalf of Seminole as well as Calpine Corporation
7 and FMPA.

8 MR. BRYANT: Good afternoon, Commissioners. Fred
9 Bryant on behalf of Florida Municipal Power Agency, Seminole
10 Electric Cooperative, Calpine Energy, the transmission
11 have-nots.

12 CHAIRMAN EDGAR: Mr. Bryant, if you have additional
13 discussion for us, this would be the time.

14 MR. BRYANT: I would be pleased to.

15 Commissioners, the real issue in this docket is not a
16 procedural issue, although I do find somewhat different the
17 procedural question that we're faced with today, and that is
18 the applicants have filed seeking for the Commission to close
19 the docket dealing with GridFlorida and allow the applicants to
20 withdraw their GridFlorida application. They ask this without
21 any evidentiary proceedings having been taken relative to their
22 motion. They cite to a cost study that was done but was not
23 subjected to the glaring light of cross-examination that is
24 typical and common in an evidentiary proceeding, and then they
25 ask you to make certain findings based upon no record evidence

1 other than workshops. But I also ask you not to focus on form
2 but instead focus on substance. And the substance is that the
3 Commission has done much in the last seven years. Indeed, has
4 come a long way from the days when I first started practicing
5 before this Commission in the early 1970s when Seminole and
6 Florida Municipal Power Agency and our members indeed had no
7 transmission access at all to the transmission grid of the
8 applicants, had to fight at the Federal Energy Regulatory
9 Commission, had to fight in the federal courts in antitrust
10 before we were even allowed to interconnect to their systems,
11 much less wield power through their systems.

12 With the help of the federal courts, with the help of
13 the Federal Energy Regulatory Commission and with the help of
14 this Commission under its Grid Bill jurisdiction, those battles
15 of the last 36 years have been largely won and the goals
16 largely achieved, but not all of the goals have yet been met.

17 This Commission in its December 2001 order based upon
18 record evidence found the following: That an RTO would
19 encourage competition among wholesale generators by removing
20 transmission access impediments and restrictions; two, that an
21 RTO would improve the current peninsular Florida transmission
22 grid; that an RTO would provide additional operational
23 efficiencies among utilities and the consolidation of planning
24 and maintenance; that an RTO would eliminate pancaked rates;
25 that an RTO would improve regional reliability; that an RTO

1 would provide more efficient allocation of transmission
2 capacity; that an RTO would improve emergency response; that an
3 RTO would provide more efficient treatment of loop flows; and
4 that an RTO would capture benefits associated with integrated
5 transmission planning, operations and pricing. Based upon this
6 2001 order, it would appear that the applicants now are asking
7 you to abandon those very important findings, indeed those
8 seminal findings that for many, many years the transmission
9 have-nots represented by my company and Seminole and Calpine
10 have sought at the Federal Energy Regulatory Commission, have
11 sought in federal courts, have sought at this Commission and
12 finally achieved recognition here at this Commission.

13 Therefore, I ask you these questions: If this docket
14 is to be closed, will those findings be lost? If this docket
15 is to be closed, will badly needed new transmission be built?
16 If this docket is to be closed, will Florida's electric
17 utilities agree on what transmission must be built to avoid
18 congestion, constraints and blackouts, and who will pay for
19 those improvements?

20 The applicants and the staff have advocated that the
21 FRCC, when you close this docket, will be the body that will
22 make those determinations. I must tell you, based upon my many
23 years of experience, I am a little skeptical that FRCC, a
24 voluntary organization, among the transmission haves and the
25 transmission have-nots will be able to solve and achieve

1 agreement on these critical issues that we have discussed and,
2 indeed, the critical findings that the Commission has made in
3 its 2001 order.

4 I'm reminded of the very trite saying that actually
5 it's not the principle involved, it will be the money involved.
6 And when we have the transmission haves and the transmission
7 have-nots and the FRCC fighting over the money, I do not
8 believe that the FRCC will be able to achieve solutions that
9 implement and achieve the findings that this Commission has
10 already determined in its order based upon an evidentiary
11 hearing and that the applicants are asking you to de facto
12 abandon by closing out the GridFlorida docket without an
13 evidentiary hearing.

14 The irony in this situation is that the stakeholders
15 in the state, including the applicants, have already agreed on
16 solutions to these difficult issues, have agreed, solutions
17 that were approved by the Federal Energy Regulatory Commission
18 in 2000 and by this Commission in its order of December 2001.
19 Those agreed upon solutions approved by the Federal Energy
20 Regulatory Commission and this Commission encompassed regional,
21 joint planning and pricing protocols are as valid today as they
22 were when they were suggested and approved by the applicants,
23 the stakeholders and this Commission. Only the Commission can
24 answer the questions that I have raised. But unless history is
25 altered, past attitudes and practices at the voluntary

1 organization of the FRCC, in my humble opinion, will not be a
2 solution.

3 In conclusion, close this docket if procedurally this
4 is the appropriate way for the Commission to continue to
5 proceed, but don't close this docket, close the book and forget
6 the important nine principles that this Commission has already
7 found. These principles are not principles solely for the
8 applicants, the transmission haves, nor solely for FMPA and
9 Seminole and Calpine, the transmission have-nots, but these
10 principles and findings that the Commission achieved in Order
11 2001 are for all ratepayers, all ratepayers of the State of
12 Florida.

13 You've gone far. Thirty-six years, the end is nearly
14 in sight. I ask you not to turn back. There can be no turning
15 around. We have gone too far. But don't close the docket,
16 don't close the book, don't abandon your principles that you've
17 already found. Be an active participant, as you have done so
18 well, in finding the solutions that we have advocated for for
19 so many years. The end is almost in sight. I ask you not to
20 abandon your efforts. Thank you.

21 CHAIRMAN EDGAR: Mr. Hoffman.

22 MR. HOFFMAN: Thank you, Madam Chairman. I think
23 it's appropriate on behalf of the GridFlorida companies in
24 responding to some of the remarks of Mr. Bryant to provide some
25 perspective on where we've been with GridFlorida and where the

1 GridFlorida companies are going.

2 I'll begin by saying that I agree with Mr. Bryant to
3 the extent his remarks are saying that it's not critical to
4 focus on form and procedure. I think that's right. And what
5 the GridFlorida companies are focusing on in bringing this
6 request to the Commission is to avoid a waste of time and
7 resources of this Commission, the Commission staff, the
8 GridFlorida companies and the intervenors and participants in
9 this docket.

10 If you take a step back to December of 2001 and look
11 at that order, and we addressed this in the papers that we
12 filed with the Commission, it's very clear from that order that
13 the findings that the Commission made were tentative and
14 preliminary in nature. The GridFlorida companies are not
15 asking the Commission to abandon any findings. But you need to
16 keep in mind that in that order the Commission acknowledged
17 that it did not have the hard data that it needed to quantify
18 the costs and the benefits of a GridFlorida RTO. So that data
19 was ultimately developed and it was comprehensively analyzed as
20 part of an independent study, and that's the ICF cost benefit
21 study that you're aware of. That study confirmed that a
22 GridFlorida RTO is not cost-effective and should no longer be
23 pursued. That was the result reflected in the study. Whether
24 the GridFlorida RTO was modeled as a Day 1 or a delayed
25 Day 2 proposal, either way, the proposed GridFlorida RTO was

1 not cost beneficial for the customers of peninsular Florida.

2 Now despite the confirmation that comes from the ICF
3 study that GridFlorida is not cost beneficial, the GridFlorida
4 companies have still pursued the concepts, as Mr. Bryant
5 referred to, the opportunities to investigate the possibilities
6 and potentials of extracting the benefits that were in the
7 GridFlorida proposal, but to do so on a cost-effective basis.

8 The GridFlorida companies have held several
9 face-to-face meetings and conference calls to discuss non-RTO
10 alternatives to the GridFlorida RTO proposal. And it's our
11 intent to continue that process, to continue what we've already
12 started by investigating the potential of cost-efficient
13 approaches that would capture the planning, the reliability and
14 the energy market benefits in the wholesale market outside of a
15 formal RTO structure.

16 I think it's important for the Commission to be aware
17 of and understand some of the things that I'm talking about.
18 The primary focus of our investigation has been the development
19 and investigation into the development of a cost-based spot
20 market. Now this particular investigation arises from the
21 potential benefits that were expressly identified in the ICF
22 study as accruing from the implementation of energy markets.
23 We believe that this type of cost-based spot market could be
24 developed over time if it's determined to be cost-effective.
25 The basic framework as we've been working on it would be to

1 start initially with a voluntary nonfirm hourly market. And
2 after we've had the opportunity and experience with that type
3 of nonfirm hourly market, the GridFlorida companies would then
4 assess the potential of a longer term market such as a
5 day-ahead market.

6 Now where are we with this whole concept? Where are
7 we with this? Well, as I've said, we've had a number of
8 meetings and discussions where we focused on these markets.
9 We've also addressed the available technologies that could
10 facilitate this type of market and regulatory requirements that
11 go with that. One thing we are in agreement on, if nothing
12 else, is that we need to proceed expeditiously.

13 At the present time we're developing the more
14 detailed requirements associated with a cost-based spot market
15 and incorporating the desired features to produce a more
16 detailed strawman proposal. We expect to have something more
17 meaningful to share with the broad stakeholder group within
18 roughly three months from when the Commission issues its order
19 on our motion, which we would expect then to be within the
20 early to mid-August of 2006 time frame. Of course, we
21 recognize that at that point there will be some issues which
22 will not be resolved, but we think that that's a good point,
23 it's an appropriate point to facilitate the opportunity for
24 input from the broader stakeholder group. And then we would
25 then expect to conclude our investigation on a cost-based spot

1 market mechanism investigation within six months.

2 Secondly, Commissioners, it's very important to talk
3 about for a moment what is a new progressive, statewide joint
4 planning process, and this is the FRCC planning protocol that
5 Mr. Bryant referred to.

6 This is an enhanced planning process that was
7 approved by the board of the FRCC in the first quarter of 2005
8 in which extensive efforts have been underway and undertaken
9 since that time and as we speak. The FRCC and the transmission
10 providers in Florida fully endorse the process and believe that
11 it will work well for planning Florida's transmission system
12 reliably to meet the needs of all Floridians in the future.
13 There is a commitment to make it work, and the utilities that
14 have participated in this, and that's all utilities in Florida
15 who are members of the FRCC, believe that it's working like we
16 hoped it would.

17 I would also point out that the comments that were
18 filed on this issue in this docket by the Florida Municipal
19 Group indicate their support for this new joint planning
20 process. I'll also point out that one of the many benefits
21 that come from this process is that we have 100 percent
22 participation of all transmission owners in the FRCC in this
23 joint planning process. And, of course, with GridFlorida we
24 did not have 100 percent participation because some of the
25 municipalities had indicated that they were not going to join

1 GridFlorida.

2 How will it work? Very briefly. The utilities in
3 Florida will develop transmission expansion plans to meet the
4 needs of customers reliably. And what do I mean by reliably?
5 I mean consistent with NERC and FRCC reliability standards.
6 The transmission expansion plans of the individual transmission
7 providers will be put together and assessed on a statewide
8 basis by the FRCC to determine compliance with NERC and FRCC
9 reliability criteria.

10 Now as they do that coordinated process,
11 determinations will be made regarding whether there are other
12 additional opportunities available to coordinate these
13 individual transmission expansion plans to develop these
14 alternatives that could result in a more effective transmission
15 expansion plan for the FRCC as a whole.

16 The plan will be developed for the FRCC utilizing a
17 ten-year planning horizon and will be updated annually,
18 generally by June of each year. The FRCC's total transmission
19 expansion plan will consist of facilities that are determined
20 to be necessary to serve the load, taking into consideration
21 all of the latest data: The latest available load forecasts,
22 generation supply plans and feasibility of transmission
23 expansion alternatives.

24 The status of the FRCC transmission expansion plan
25 would then be addressed in the Commission's Ten-Year Site Plan

1 workshop, which typically takes place in August of each year.
2 So for this one we would be contemplating to bring this forward
3 in August of 2006.

4 The last thing that I'll say about this particular
5 issue, Commissioners, is that always supplementing and
6 buttressing the FRCC joint planning process is the Commission's
7 Grid Bill authority in your statutes. And the Commission
8 always has authority under its Grid Bill authority to order
9 construction of new transmission as it may deem necessary. So,
10 Commissioners, I think that that gives you perhaps some
11 perspective on the reasons why the GridFlorida companies felt
12 that it was appropriate to file this motion to close the
13 docket, and we hope that we've given you sufficient assurance
14 that the concepts, as Mr. Bryant put it, are important to us,
15 important to all of our customers, and that we're working
16 vigilantly to implement methods that are cost-effective to
17 implement for the benefit of the state. In light of that, we
18 would ask that you approve staff's recommendation.

19 CHAIRMAN EDGAR: Thank you. Mr. Bryant.

20 MR. BRYANT: If I might have a few moments to
21 respond.

22 CHAIRMAN EDGAR: You may.

23 MR. BRYANT: Why am I so suspicious? For the first
24 time in my whole career, this is the first time I've heard such
25 encouraging words from our investor-owned utilities as to all

1 the transmission problems that we've had in the State of
2 Florida. And I hate to say that maybe I don't trust it totally
3 when I hear, but we are products of our past and history, so I
4 guess the trust has to be reestablished. And, yes, the FRCC
5 has come a long way, but it is a voluntary organization where
6 no one is committed to do anything. The Public Service
7 Commission is the regulatory body where by statutory obligation
8 it is the oversight of the process.

9 Mr. Hoffman says, what is the concern of Mr. Bryant?
10 In three months we'll come back with this report from FRCC, six
11 months we'll come back with our proposals and the world will be
12 made right again. What's the rush then to close out this
13 docket? What is the rush procedurally to no longer have the
14 Commission actively through an ongoing docket maintaining its
15 oversight responsibilities? We're not asking that we have a
16 hearing next week in the GridFlorida docket. What we're asking
17 is not to close a docket, forget the procedural problems that
18 you have of not having a hearing to establish the findings that
19 applicants ask you to find by closing the docket, but keep the
20 docket open. Let's see what happens in three months. Let's
21 see what happens in six months.

22 You know, the FRCC at the operational level, the
23 operating people of all the companies are honorable,
24 well-intentioned, hardworking people. I remember years ago
25 when I negotiated a transmission contract with Florida

1 Power & Light, it took months and months and months of
2 negotiation and we were beat about the head and shoulders by
3 the big gorilla and I was feeling pretty bad about the lack of
4 my ability to negotiate much for my client. And as I was
5 leaving the negotiations with a signed contract, not much of
6 what I wanted in the contract, the actual FPL person who was in
7 charge of the operations of the transmission systems took me
8 aside and said, Fred, don't worry about all this that's in the
9 contract. We're the operations people. We'll make sure it
10 works. You know, he's right. He was right. We get caught up
11 in all this corporate ideology amongst ourselves, this
12 distrust. So why abandon the Commission's activities? Why the
13 need to close the docket? I guess my distrust meter goes up to
14 100 percent when I hear that. So I see no need to close the
15 docket.

16 In three months we're going to see some more from the
17 applicants, six months we're going to have a new, a new
18 proposal, and maybe 12 months from now we'll have the new
19 transmission regime, a voluntary regime, amongst all of this
20 where the Commission has had to do very little except look over
21 our shoulder.

22 You know, I'm the successful parent of two wonderful
23 children due 100 percent to my wife. They're young adults now.
24 When they were children, they were excellent children. When it
25 came time to divide the pie, guess what mother and daddy did?

1 We divided the pie because we were the parents with the
2 obligation to oversee our children and not give them free reign
3 to fight over who had the biggest slice of the pie. That is
4 what happens at the FRCC process, a voluntary organization,
5 where the children argue over who's going to have the biggest
6 slice of the pie, who's going to pay more money, who's going to
7 pay less money. How can that work? How can that work when
8 they are left with the decision of who's going to divide the
9 pie, who's going to pay for what? It cannot work. Why the
10 rush to close the docket? My suspicion meter has gone off the
11 scale. Ms. Novak would like to add something, if she could,
12 Madam Chairman.

13 CHAIRMAN EDGAR: Ms. Novak.

14 MS. NOVAK: Thank you. With regard to the joint
15 planning process that's going on at FRCC right now, Seminole is
16 very skeptical about how that will work. There is actually a
17 joint transmission planning study that was approved by or is
18 being worked on by the FRCC planning committee and came up with
19 specific recommendations for transmission that is needed for
20 transmission constraints in the state right now. And we've
21 been told that we will be faced with TLRs this summer due to
22 the transmission problems in the state.

23 The problem is that no -- that the parties that are
24 involved are not willing to all commit to build the necessary
25 transmission infrastructure that came out of this study, and

1 the FRCC established this ad hoc pricing committee to try to
2 allocate -- to develop the pricing mechanism to allocate the
3 cost and to find a mechanism for getting the parties to build.

4 Well, what Seminole and FMPA state is that pricing
5 mechanism is already in the GridFlorida documents. We've got a
6 mechanism for allocating network upgrades to all network users
7 in the state. There's no reason why we have to go back and
8 start all over and spend months and months on this pricing
9 protocol that all the parties already worked on and this
10 Commission approved and the FERC approved, and that's really --
11 we're not saying that GridFlorida should be reinstated as it
12 was approved in 2001 with all of the markets. We're not
13 looking for that at all. In fact, the applicants are working
14 on market design, which we think is important, but that's not
15 the critical thing we need today. We need joint regional
16 transmission with a commitment to build and a pricing protocol
17 that makes that happen.

18 And we think that can happen -- we think the only way
19 that can happen is this Commission stays diligent and makes it
20 happen now and not wait for the parties to go off and start all
21 over their collaborative efforts and basically just go back to
22 the drawing board. And I think that's why we're very
23 frustrated. We've been working on this for a very long time.
24 We don't see the need to start over again. And you can see I'm
25 pretty passionate about this because I've been working on it

1 for many, many years, maybe not as many years as Fred, but for
2 many years. So that's basically the bottom line.

3 CHAIRMAN EDGAR: Commissioners, are there questions,
4 discussion at this point in time for staff or for our
5 presenters? Commissioner Deason.

6 COMMISSIONER DEASON: I'll pose this question both to
7 our staff and to Mr. Hoffman. What is the need to close out
8 the dockets at this point, the docket at this point? What do
9 we lose if we do not close the docket? What do we gain if we
10 do close the docket?

11 MS. BRUBAKER: I think actually I have several things
12 in mind. One is just in the sense of administrative efficiency
13 as kind of a clean break. If you are in agreement with staff
14 that it is not prudent to go forward with the GridFlorida RTO
15 proposal, that does not foreclose subsequent proposals from
16 being brought. However, this docket carries with it so much
17 history, I think just from almost an efficiency standpoint
18 there is a certain value to going ahead and closing the docket,
19 if you agree with staff that further progress on GridFlorida,
20 the RTO proposal is no longer prudent.

21 Is there any law or statute or anything that would
22 prohibit us from leaving the docket open? No. Again, it's
23 just our estimation that for a variety of reasons really that
24 it is cleaner and more efficient to close the docket. Again,
25 that does not prohibit any party from filing for whatever

1 subsequent relief, whatever proposals, whatever RTO-like
2 proposals they think might be cost-effective and prudent for us
3 to go forward on.

4 CHAIRMAN EDGAR: Mr. Hoffman.

5 MR. HOFFMAN: Thank you, Madam Chairman. I guess a
6 couple of comments. I guess on the same token, Commissioner
7 Deason, one could ask: What's the harm in keeping it open?
8 What is the need to keep it open? This is a matter they had
9 talked about rushing to close the docket. This is a particular
10 issue that's been bubbling at the Commission for over five
11 years. And, you know, I guess our feeling was that the time
12 has come to close the docket. It's not something that we feel
13 should remain open in perpetuity while different ideas about
14 planning, energy markets are bandied about by the GridFlorida
15 companies and/or the stakeholders. This was a docket, and I
16 think the discussion here is informative on this, this was a
17 docket that was open and directed to the GridFlorida proposal.
18 This is not a generic docket. This is a docket directed to the
19 GridFlorida proposal, and we now have a thorough study that
20 confirms that it is no longer prudent to pursue the approval of
21 the GridFlorida RTO. And that's a very important distinction.

22 The other thing that I would add, Commissioner
23 Deason, is by allowing us to move forward and have closure of
24 this docket, it would then allow us to then take that order to
25 FERC and sort of complete the withdrawal of the GridFlorida RTO

1 at the FERC level.

2 CHAIRMAN EDGAR: Mr. Bryant.

3 MR. BRYANT: Then open a generic docket. What simple
4 solution comes from Mr. Hoffman. Open a generic docket.
5 Continue your oversight. The Commission has the ability with
6 any of its findings in the previous dockets to always, as I
7 recall my procedural -- the Commission's procedures, to reach
8 back into the other dockets and bring forth findings it's made
9 in those dockets pursuant to evidentiary hearings which they
10 have had in the 2001 docket. Open a generic docket. Keep the
11 pressure on the children.

12 MR. HOFFMAN: Chairman, I think just to -- if I may,
13 just to clarify the record.

14 CHAIRMAN EDGAR: Yes, sir.

15 MR. HOFFMAN: I think that Mr. Bryant suggested that
16 I had recommended that a generic docket be opened. Of course I
17 had not. I was trying to make the distinction between what
18 this docket, the subject matter of this docket and the fact
19 that the arguments that Mr. Bryant and Ms. Novak were making
20 would perhaps be more appropriate if they were made within the
21 confines of a generic docket.

22 And the other thing that I would add, Commissioners,
23 is that you don't need an open docket to assert your Grid Bill
24 authority. It was there before this docket was opened and
25 it'll be there after it's closed.

1 CHAIRMAN EDGAR: And this is to our staff.
2 Mr. Bryant suggested that we should continue our oversight. Do
3 we need to have this docket, the RTO docket open or,
4 alternatively, a generic docket open on similar issues in order
5 to continue oversight?

6 MS. BRUBAKER: Commissioner, no, we do not. We --
7 there are any number of items which staff monitors on a regular
8 basis. We will take our analysis of those items to the
9 Commissioners through various forums, including things like
10 internal affairs. In my opinion, this docket would not be the
11 forum in which to continue staff's oversight in monitoring
12 these matters, and nor do I believe that we need to open a
13 generic docket to do what staff has every intention of doing
14 anyway.

15 CHAIRMAN EDGAR: Commissioner Arriaga.

16 COMMISSIONER ARRIAGA: To staff, how do you intend to
17 monitor a cost-based spot market? What tools do you have in
18 your hand to continuously monitor what's going on with a
19 cost-based spot market? It's my understanding that FERC is
20 running a virtual spot market, not on an hourly basis but on a
21 virtual time. So how can we keep track of a spot market
22 without some kind of tool, legal tool or procedural tool that
23 would allow us to do this?

24 MR. BALLINGER: It's my understanding, this is Tom
25 Ballinger with staff, that the companies -- we had a cost-based

1 spot market years past known as the broker system. It was
2 abandoned as the world got more into competition and we thought
3 price was the way to set transactions; just go through a
4 bidding war. We've kind of come full circle now. It appears
5 we're going, looking at going back to a cost-based system. So
6 I think we're waiting to see what the companies come back with
7 their proposal. Will it be a sharing proposal like the broker
8 where the transaction price was in the middle based on cost?
9 Will there be some sort of sharing between the companies and
10 ratepayers? We don't know yet.

11 Once that is established though, all those
12 transactions will go through the fuel clause, I presume, with
13 their economy because it'll be based on fuel savings. And
14 that's where we'll be able to monitor and audit the
15 transactions, who's buying from whom and that sort of thing.

16 COMMISSIONER ARRIAGA: So our participation via
17 staff, it's passive more than active. You wait for the results
18 to come to you instead of continuously being monitoring the
19 process?

20 MR. BALLINGER: I wouldn't put it totally passive.
21 We, we are in attendance at meetings at the FRCC where these
22 items are discussed. We add our input as to how they can
23 probably better them as they're developing them along. So
24 it's -- I hate to use the word "collaborative," but we're,
25 we're active participants, if you will.

1 COMMISSIONER ARRIAGA: Does the same apply to the
2 joint planning, the joint statewide planning process? Is the
3 participation of the Commission via the staff on a voluntary
4 passive basis or is it -- what I'm trying to get at is I think
5 I'm beginning to understand why the RTO docket may or may not
6 be necessary to keep open. But shouldn't we have a tool that
7 would make us active participants of the two processes that
8 have been appropriated by the companies?

9 MS. BRUBAKER: If I may, Commissioner.

10 COMMISSIONER ARRIAGA: Yes.

11 MS. BRUBAKER: It was mentioned earlier that the
12 Commission has continuing authority under the Grid Bill to
13 oversee transmission in the State of Florida, and that is
14 correct. And part of staff's monitoring process is to always
15 have that in the back of our minds.

16 To the extent we can participate, we can participate,
17 we do. And to the extent we identify problems, concerns, we
18 can bring that to the Commission and get guidance on what
19 action to be taken might be appropriate.

20 As far as participation, I don't know that I would
21 qualify it as passive, although we are not active participants
22 in the sense that we are not utilities ourselves. I think we
23 do have a voice in the process and I do believe that the
24 participants hear it.

25 COMMISSIONER ARRIAGA: One more, please.

1 CHAIRMAN EDGAR: Commissioner Arriaga.

2 COMMISSIONER ARRIAGA: And I appreciate what you're
3 saying. How -- Mr. Hoffman has just proposed certain dates,
4 three months, six months and that was on a voluntary basis. He
5 may or may not come back. How can we hold him accountable so
6 they can come back without some kind of tool in our hands to do
7 that?

8 MS. BRUBAKER: Well, again, I think the tool that's
9 provided to us is under the GridFlorida statute. You know, we,
10 we can't look ahead to know what those circumstances may be
11 that may -- Mr. Trapp, if you --

12 MR. TRAPP: Yes, Commissioner Arriaga, Commissioners.
13 I'm Bob Trapp with the Commission staff. This is an area Tom
14 is -- began to give you some insight in. I'd like to perhaps
15 complete that insight. Many of the items that have been
16 discussed today with respect to ongoing activities, Grid Bill
17 activities, transmission planning studies, reliability
18 assessments, costing models, brokerages, these are all subjects
19 that have spun out of the GridFlorida proposal, and they're
20 items that staff has and will continue to aggressively pursue
21 on behalf of the Commission. Now we're staff; we don't vote.
22 All we can do is participate with the industry. We try as much
23 as possible to be flies on the wall to know what's going on, to
24 intervene and interject ourselves and to try to steer parties
25 toward voluntary resolution. Where that resolution cannot be

1 reached, we come to you, and we will be coming to you in the
2 next couple of months.

3 April 1st, the Ten-Year Site Plans of all the
4 generating utilities were filed with the staff. My staff is
5 currently in the process of evaluating those, putting together
6 questions, deposition -- well, not depositions -- discovery
7 questions to get a full understanding of what the utilities are
8 planning with regard to generation and transmission expansion
9 planning in the State of Florida. We intend to have very
10 shortly a briefing meeting with the FRCC with respect to
11 critical transmission issues in Central Florida and in North
12 Florida. We intend to make those a focal point of the Ten-Year
13 Site Plan review process this year. We intend to bring that to
14 you. Again, I think the August date is a scheduled date by
15 this Commission to begin these discussions with you where the
16 industry will provide you their ideas of where they think
17 they're going, and you'll have an opportunity to give them your
18 ideas of where you think they should be going. And to the
19 extent that we need to escalate that into more formal docketed
20 matters, staff will be there to help you do that.

21 With respect to GridFlorida, it was politely said
22 there is history associated with the GridFlorida. I'm not as
23 polite. I'd call it baggage. It's certainly taken its pound
24 of flesh from probably everybody here at the table. I think
25 it's time for it to go. I think it's time for us to open a new

1 book and go forward with some of the proposals we've heard here
2 today. And I can assure you, staff is going to be right there
3 amongst them making sure they do what's right. And if they
4 don't, we're coming to you.

5 CHAIRMAN EDGAR: Commissioner Arriaga.

6 COMMISSIONER ARRIAGA: Thank you for your eloquence.
7 I really, really appreciate what you're saying, and I sense
8 that it's heartfelt because of your history in the Commission
9 and the time you've spent here.

10 I just wanted to make sure that you feel that you
11 have the tools in your hand to do exactly what you're doing. I
12 was just trying to provide some insight as to what do you need
13 to make sure that you can do exactly what you're saying, and I
14 appreciate that very much. Thank you.

15 CHAIRMAN EDGAR: Thank you. I guess perhaps one
16 person's history is another person's baggage.

17 COMMISSIONER CARTER: Madam Chairman.

18 CHAIRMAN EDGAR: Commissioner Carter.

19 COMMISSIONER CARTER: I'm prepared to move staff's
20 recommendation.

21 COMMISSIONER ARRIAGA: I would second.

22 CHAIRMAN EDGAR: I have a motion and a second.

23 COMMISSIONER DEASON: Madam Chairman, before we vote
24 I'd like to --

25 CHAIRMAN EDGAR: And I was going to ask for

1 discussion. Commissioner Deason.

2 COMMISSIONER DEASON: Okay. All right. Thank you.

3 Having lived through the baggage gathering process
4 that was GridFlorida, I think there's a lot there. I would not
5 characterize it as baggage. That's just a disagreement that I
6 have. There was a lot of effort put in, and I think there was
7 sincere effort put in by a number of, of parties.

8 The impetus behind the GridFlorida proposal
9 certainly, perhaps more than one source, but certainly an
10 extremely large source was initiatives that were undertaken at
11 the federal level, the FERC. Florida was put into a position
12 of having to be cognizant of that and at the same time trying
13 to preserve our jurisdiction, trying to preserve what we
14 thought was best for Florida, particularly given our unique
15 geographic position and our uniqueness as far as -- some would
16 consider us an island when it comes to the national grid
17 questions.

18 And we explored those. And I think that all of the,
19 all of the parties that were involved put forward their pound
20 of flesh, as Bob characterized it, and tried to come to a
21 solution. I think that there were, there were problems
22 identified. When I say problems, maybe that's not a correct
23 term, there were opportunities explored for enhancing the
24 system for the betterment of the system and ultimately
25 betterment for the customers who depend upon that system. And

1 when I say customers, I'm talking about all customers,
2 Mr. Bryant, IOU customers as well as those of municipal and
3 cooperative systems.

4 Just because at this point the study indicates that
5 the specifics of the GridFlorida proposal are not
6 cost-effective does not mean that there are not continued
7 opportunities for enhancements. And I think that Mr. Hoffman
8 has identified some of the initiatives that are underway. I
9 congratulate them for that.

10 Just let me say my preference would have been at this
11 point, Mr. Hoffman, for there to have been a joint motion for
12 all of the GridFlorida participants -- I say participants --
13 GridFlorida companies and those intervenors saying that we're
14 in agreement that the GridFlorida RTO as originally envisioned
15 is not the cost-effective way, but that we think there are
16 opportunities out there and here are how we perceive is the
17 best way to go forward, and that there be some, maybe not meat
18 on the bones but at least a skeleton put forth to us as to a
19 forward-looking plan as to how we go about that and hopefully
20 with some agreement from everyone involved that this is the
21 best way to go forward.

22 That would have been the preferred alternative.
23 We're not here with that. I'm not sure that it makes a lot of
24 sense just to keep this docket open. I think that the
25 Commission does have ongoing authority. I think there's been a

1 commitment expressed by Mr. Trapp and the other staff here that
2 this is something that they perceive to be extremely important
3 and they're going to be very vigorous and conscientious in
4 their consistent review and monitoring of this situation. I
5 take comfort in that. And the only request that I have is that
6 if there is -- if we are to close this docket, and perhaps this
7 is a question for legal, if we can somehow in our order capture
8 the comments that were provided here today by Mr. Hoffman, just
9 so it's set forth, that in -- because I know that I am in -- if
10 I vote with the motion, which I am inclined to do, that part of
11 the reason I am willing to close this docket is because there
12 is an acknowledgment by the GridFlorida companies that there
13 are opportunities for enhancement, there are opportunities for
14 efficiencies, and that they're not only willing, they have
15 already undertaken initial steps to pursue those. I'm taking
16 great comfort in that. I want that acknowledged in our order
17 closing the docket, if that can be done.

18 MS. BRUBAKER: We can certainly do that.

19 COMMISSIONER DEASON: And I would ask Mr. Hoffman, if
20 staff thinks it's necessary to be able to communicate with them
21 for purposes of the order, Mr. Bryant, you're included in that
22 as well, you heard what Mr. Hoffman said -- I just think that
23 the language that memorializes that commitment needs to be
24 included in the order in some appropriate manner. And with
25 that, I can support the motion, Madam Chairman.

1 CHAIRMAN EDGAR: Commissioner Deason, I am very
2 comfortable with your suggestion, and I appreciate it. And I
3 note Ms. Brubaker's comment from our legal office that, that
4 they can follow through on that, that suggestion.

5 I know in, in my mind when I've reviewed this in the
6 briefings I've had with staff over the past, a little over a
7 year on this issue, the way I view this recommendation is
8 perhaps closing a chapter, and I see some, some advantage to
9 that perhaps, but certainly not closing the book. I think
10 that, that the, the work that has been put in by all who were
11 involved, and you were certainly here to work on it and witness
12 it first-hand, but that the work that has gone into this over
13 the past years, much was learned, much was gained, much
14 analytical data compiled. And we as a Commission, the
15 companies, and ultimately the ratepayers, I think, will
16 continue to reap benefit from, from all of that. And I
17 certainly commit over the next two to three years to, to do
18 whatever I can to further that so that the work that was put
19 into this is not lost but that gain continues.

20 Is there further discussion? With that, I'll call a
21 vote. We have a motion, we have a second for the staff
22 recommendation, with the discussion that we've had about
23 reflecting some of our discussion in the order that will come
24 from this. And all in favor of that, please say aye.

25 (Unanimous affirmative vote.)

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Opposed. Please show that adopted.

Thank you all.

(Agenda Item 12 concluded.)

1 STATE OF FLORIDA)
2 COUNTY OF LEON)

CERTIFICATE OF REPORTER

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I, LINDA BOLES, RPR, CRR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 26th DAY OF APRIL, 2006.

Linda Boles
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FPSC Official Commission Reporter
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