

Tracy E. Danese

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July 21, 1999



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

**Re: Undocketed Matter of Regional
Transmission Organizations**

Dear Ms. Bayo:

Please file the enclosed letter in the undocketed matter of regional transmission organizations.

Sincerely,

Tracy E. Danese
Chief Public Affairs Officer

TED/ej

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Commissioner Joe Garcia, Chairman
Florida Public Service Commission
Capital Circle Officer Center
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Commissioner Julia L. Johnson
Florida Public Service Commission
Capital Circle Officer Center
2540 Shumard Oak Boulevard
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Commissioner J. Terry Deason
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Commissioner Susan F. Clark
Florida Public Service Commission
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Commissioner E. Leon Jacobs
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

**Re: Undocketed Matter of Regional
Transmission Organizations**

Dear Commissioners:

For several months, the Commission has been receiving and considering various proposals for a transmission model to serve Florida in the post FERC Order 888 environment. To date, the only two alternatives that have emerged for serious consideration have been that proposed by the Florida Municipal Power Agency, et al, and the FPL/FPC proposal. JEA believes that there is a third model, which would better serve the needs of Florida's electric consumers while treating all stakeholders equitably. That model is a publicly owned not-for-profit transco.

The proposal outlined in this letter is conceptual only, and does not purport to cover all the myriad of issues which would have to be resolved in moving the state toward such a model. The restructuring contemplated by FERC is an opportunity to go beyond piecing together a compromised version of the status quo. It is an opportunity to fashion a transmission system that will have as its primary purpose maximizing the efficiencies of a competitive generation market on behalf of the consuming public. JEA believes that this opportunity for Florida to embrace a not-for-profit transco is the best approach to assure a robust competitive generation market. It is a window of opportunity that will not remain open indefinitely.

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JEA also believes there is great potential benefit for consumers in the wholesale environment contemplated by the Energy Policy Act of 1992. That benefit can be most fully achieved if the transmission system is exclusively focused on facilitating a robust generation market without the accompanying fiduciary obligations to stockholders to maximize return on investment. This is true regarding transmission because it will remain a natural monopoly subject to comprehensive regulation in the most probable scheme of things. To the contrary, generation will not be a natural monopoly, and a competitive regime in that dimension will best serve the public. The thrust of this proposal is to utilize the monopoly nature by subordinating it completely to the optimization of the competitive generation market.

The transco model, with a complete separation of beneficial interests in generation and transmission, is the best mechanism to assure meeting the FERC minimal requirements as set out in the NOPR. These are: a) independence of all market participants, b) appropriate scope and regional configuration to serve a rational market, c) possession of full operational authority for all transmission facilities, and d) exclusive authority to maintain short-term reliability.

In addition to most appropriately meeting those minimum requirements, a publicly owned not-for-profit transco has much to commend it as the better solution to the state's transmission needs. Its primary purpose would be unambiguous -- facilitating a truly competitive wholesale generation market. The planning and financing of necessary expansion and renewal would be clarified by the unitary ownership, removing one of the most troublesome features of less-than-transco proposals. Social and environmental costs inherent in the use of the state's natural resources for transmission facilities could be transparently internalized and more readily managed in the public interest. It would remove, or substantially mitigate, the effects of over-regulation and over-litigation as various competing interests maneuvered for competitive advantage.

The proposal advanced here would require substantial amendment to existing law for effective implementation. The structure and governance would certainly be political questions that would have to be resolved in the legislative arena. There would be disputed questions as to the measure of compensation to be paid to owners of transmission incorporated into such an unitary system that would undoubtedly have to be resolved in the legislative forum, and most probably, in judicial forums ultimately. A suitable statutory pathway to regional coordination should be left open and the transco would be subject to any federal legislation affecting transmission reliability. The question of regulation of a unitary publicly owned system would also be a political question at both state and federal levels. The Florida PSC should fashion a proposal for completing a statutory framework for a transco that it feels would best serve the consumer needs of Florida, and address those to the legislature. In the long-run, the PSC role in such a mechanism should be designed to provide the technical and economic oversight necessary to assure the public through the legislative and executive branches that the state transmission system in fact serves its stated purpose.

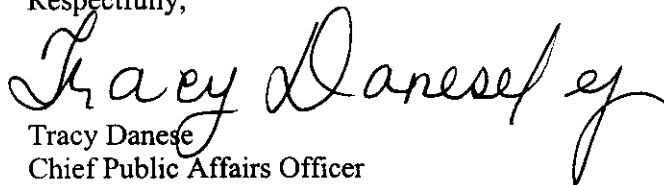
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There are numerous other elements, which would be highly contentious, and would have to be resolved in the political or judicial arenas. Even so, that would be preferable to the sub-optimization and almost certain perpetual state of litigation and legislative maneuvering that would accompany a less-than-transco solution. JEA respectfully requests the publicly owned not-for-profit transco model for transmission be included in the on-going consideration being given to Florida's response to the NOPR. If the commission is not so disposed, JEA respectfully suggests that maintaining the status quo is the next best option.

Respectfully,

A handwritten signature in cursive script that reads "Tracy Danese". The signature is written in black ink and is positioned above the typed name and title.

Tracy Danese
Chief Public Affairs Officer

cc: Joe Jenkins, Director of Electric and Gas
Blanco S. Bayo, Director, Division of Records and Reporting
Leslie Paugh, Esquire

TD/ej