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ORIGINAL

September 10, 2001

BY HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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Re: Docket Nos. 001148-EI, 010577-EI and 000824-EI

Dear Ms. Bayo:


Enclosed for filing in the above referenced are the original and fifteen (15) copies of Joint Prehearing Statement of Florida Power Corporation, Tampa Electric Company and Florida Power & Light Company to be served by hand delivery, overnight delivery or U. S. Mail

Also enclosed is a diskette containing the above document generated in Word and saved in Rich Text format for use with WordPerfect.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,



Lee L. Willis

LLW/bjd
Enclosures

cc: All Parties of Record (w/encl.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of Florida Power & Light Company's Proposed merger with Entergy Corporation, the Formation of a Florida transmission company ("Florida transco"), and their effect on FPL's retail rates	DOCKET NO. 001148-EI
In re: Review of Tampa Electric Company and impact of its participation in GridFlorida, a Florida transmission Company, on TECO's retail ratepayers	DOCKET NO. 010577-EI
In re: Review of Florida Power Corporation's earnings, Including effects of proposed acquisition of Florida Power Corporation by Carolina Power & Light	DOCKET NO. 000824-EI FILED: September 10, 2001

**JOINT PREHEARING STATEMENT OF
TAMPA ELECTRIC COMPANY, FLORIDA POWER CORPORATION
AND FLORIDA POWER & LIGHT COMPANY**

Pursuant to Rule 25-22.038 of the Florida Administrative Code and the July 26, 2001 "Order Establishing Procedure (Phase 1) and Granting Joint Motion to Partially Alter Dates for Filing Testimony," Florida Power Corporation ("FPC"), Florida Power and Light Company ("FPL") and Tampa Electric Company ("Tampa Electric") (referred to hereafter collectively as the "GridFlorida Companies") hereby submit this Prehearing Statement and state as follows:

A. APPEARANCES

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B. JOINT WITNESSES:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Mike Naeve	Prudence of GridFlorida Companies' participation in GridFlorida, description of the Federal Energy Regulatory Commission ("FERC") Southeast Regional transmission organization ("RTO") proceeding, and retail unbundling issues.	2,3,5,6,7,8,9 and 11
James J. Hoecker	FERC policy underlying Order No. 2000	1, 2 and 3
Mike Naeve, C. Martin Mennes, Henry I. Southwick, and Greg Ramon (Panel)	Description of the GridFlorida RTO proposal	2, 3, 5 and 6
William Ashburn	Proposed GridFlorida Pricing Methodology	2, 3 and 4
Bradford L. Holcombe	GridFlorida estimated start up and operating costs	4

Henry I. Southwick	Interim management of GridFlorida and development of initial cost estimates.	4 and 6
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C. COMPANY SPECIFIC WITNESSES

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Korel M. Dubin	Impact of GridFlorida costs on FPL retail rates: Cost recovery methodology	4
C. Martin Mennes	FPL Asset Divestiture; GridFlorida cost offsets	4 and 5
Henry I. Southwick	The appropriateness of FPC’s decision to transfer operational control of transmission facilities to GridFlorida, the estimated costs to FPC retail customers and certain aspects of the issue of the prudence of FPC’s decision to participate in GridFlorida.	4, 5 and 6
Thomas L. Hernandez	Prudence of Tampa Electric RTO participation	1, 3, 5, 6
William Ashburn	Estimated impact of GridFlorida cost on Tampa Electric retail rates	3, 4 and 6

D. EXHIBITS:

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
Exhibit No. __ (CMN-1)	Mike Naeve	GridFlorida Formation Documents
Exhibit No. __ (HIS-1)	Henry I. Southwick	RTO Start-Up Costs Letter Agreement
Exhibit No. __ (HIS-2)	Henry I. Southwick	GridFlorida Request for Information Regarding Program Management Services and Business Systems (“Request for Information”).

Exhibit No. __ (HIS-3)	Henry I. Southwick	Summary of proposals received in response to Request for Information.
Exhibit No. __ (BLH-1)	Bradford L. Holcombe	Business Blueprint Documents
Exhibit No. __ (BLH-2)	Bradford L. Holcombe	Matrix of Accenture's RTO experience.
Exhibit No. __ (BLH 3)	Bradford L. Holcombe	Spreadsheet prepared by GridFlorida Companies showing the incremental cost impact on GridFlorida users of estimated start-up and operating costs.
Exhibit No. __ (WRA-1)	William R. Ashburn	Transmission revenue requirements by customer class; Estimated impact of GridFlorida cost on retail rates.
Exhibit No. __ (WRA-2)	William R. Ashburn	Development of GridFlorida start-up cost revenue requirements.
Exhibit No. __ (TLH-1)	Thomas L. Hernandez	Tampa Electric comments to FPSC and FERC on RTO-related issues.
Exhibit No. __ (KMD-1)	Korel M. Dubin	GridFlorida rate impact and cost allocation methodology.

E. STATEMENT OF BASIC POSITION

TECO, FPC and FPL Statement of Basic Position

The respective decisions made by the GridFlorida Companies to participate in an RTO and their specific decisions to participate in the GridFlorida RTO continue to be prudent and in the best interests of Florida ratepayers. Pursuant to its authority under the Energy Policy Act of 1992, the FERC issued Order No. 2000, 65 Fed. Reg. 809, on December 20, 1999, which

established a national policy that it is in the public interest for all jurisdictional public utilities that own, operate or control facilities for transmission of electric energy in interstate commerce to form and participate in regional transmission organizations. The GridFlorida Companies had a choice to make in the wake of FERC Order No. 2000. They could either proactively develop an RTO proposal that was tailored to the needs of the Florida market or face the prospect of ultimately being ordered by the FERC to participate in an RTO developed by others who did not have Florida's interests in mind.

Order No. 2000 makes it clear that the formation of RTO's is an integral part of a federal initiative to increase competition nationally in the wholesale generation market. Pursuant to the mandatory process established by the FERC in Order No.2000, all jurisdictional utilities were required to make a filing on October 16, 2000, in which they either submitted a proposal to join an RTO or, in the alternative describe the specific obstacles to their participation and their plans for overcoming these obstacles.

FERC did not intend for utilities to simply be able to decide to opt out of RTO participation despite FERC's adoption of a "voluntary" approach to RTO formation in the first instance. This requirement was clearly intended to further FERC's policy goal that all transmission owners participate in an RTO.

The GridFlorida proposal advanced by the GridFlorida Companies was not created in a vacuum. To the contrary, the proposal for the formation of GridFlorida was the product of many months of intense and detailed collaborative discussions with a wide range of market participants, including municipal utilities, rural electric cooperatives, existing and potential operators of Florida non-utility generation and FERC Staff. FPSC staff members attended and participated in many of these public meetings. In addition, a number of workshops were held

before the FPSC in order to keep it fully apprised of the GridFlorida proposal as it evolved. The result was an RTO proposal with a Florida focus that meets the requirements of the FERC and creates significant benefits for Florida ratepayers.

In particular, the GridFlorida proposal eliminates pancaked rates for new transactions, depancakes existing transactions over a period of 10 years and provides for congestion management, leading to more efficient allocation of transmission capacity. These and other aspects of the GridFlorida proposal represent tangible benefits to ratepayers that will stimulate increased competition in the wholesale market.

The GridFlorida Companies have invested significant time and resources in developing an RTO proposal that is in compliance with FERC's Order No. 2000. The Grid Florida Companies submit that the Commission should determine that the decision to participate in and form GridFlorida is prudent and that the GridFlorida Companies' decisions with respect to the scope, form ownership structure and functions of GridFlorida are also prudent.

F. STATEMENT OF ISSUES AND POSITIONS

ISSUE 1: Is participation in a regional transmission organization (RTO) pursuant to FERC Order No. 2000 voluntary?

FPL, FPC & TECO:

Order No. 2000 established a federal policy that all transmission owners join an RTO. Although Order No. 2000 stops short of mandating RTO participation, the GridFlorida Companies faced the substantial likelihood that, if they refused to propose an RTO, they ultimately would be forced to do so by FERC, either directly or through ever increasing penalties. The GridFlorida Companies did not believe that RTO participation was voluntary in the long run. Thus, the choice

faced by the GridFlorida Companies was not whether to join an RTO, but whether to proactively develop an RTO that was tailored to meet the needs of Florida or ultimately be forced to join an RTO that they had no role in shaping.

(Witnesses: Naeve, Hoecker)

ISSUE 2: What are the benefits to peninsular Florida associated with the utility's (FPC, FPL or TECO) participation in GridFlorida?

FPL, FPC & TECO:

Anticipated benefits include: (1) eliminating pancaked rates, (2) more efficient planning on a regional basis; (3) the ability to improve regional reliability through regional operations; (4) the creation of a real-time balancing market and ancillary services markets that are market based; (5) a congestion management proposal that leads to more efficient allocation of transmission capacity; (6) improved emergency response; and (7) more efficient treatment of loop flows.

(Witnesses: Naeve, Hoecker, Ashburn)

ISSUE 3: What are the benefits to the utility's ratepayers of its participation in GridFlorida?

FPL& TECO:

Anticipated benefits include: (1) eliminating pancaked rates, (2) more efficient planning on a regional basis; (3) the ability to improve regional reliability through regional operations; (4) the creation of a real-time balancing market and ancillary services markets that are market based; (5) a congestion management proposal

that leads to more efficient allocation of transmission capacity; (6) improved emergency response; and (7) more efficient treatment of loop flows.

(Witnesses: Naeve, Hoecker, Ashburn and Hernandez)

FPC: FPC envisions two types of benefits which may be flowed through to ratepayers through FPC's annual formula calculation of its transmission revenue requirements: (1) as a result of a more vibrant wholesale market, FPC may engage in more economy transactions with respect to generation costs, which would result in lower fuel costs or additional sales margins; and (2) savings associated with any reduction in FPC transmission system costs.

(Witness: Southwick)

ISSUE 4: What are the estimated costs to the utility's ratepayers of its participation in GridFlorida?

FPL, FPC & TECO:

The total incremental start-up costs are estimated to be \$136 million. The amounts allocated to GridFlorida Companies' retail customers are as follows:

FPL: approximately \$70 million

FPC: approximately \$32.7 million

TECO: approximately \$16.9 million

Incremental annual operating costs are estimated to be \$52 million for the first full year of operation in the End State mode allocated to GridFlorida Companies' retail customers as follows:

FPL: approximately \$26.8 million

FPC: approximately \$11 million

TECO: approximately \$7.5 million

(Witnesses: Southwick, Dubin, Holcombe and Ashburn)

FPL: FPL maintains that such incremental GridFlorida transmission charges are properly recoverable through the Capacity Cost Recovery Clause. Explicit approval of recovery of the incremental transmission costs through a recovery clause is required for FPL to proceed with RTO development.

(Witness: Dubin)

ISSUE 5: **Is TECO's/FPL's decision to transfer ownership and control of its transmission facilities of 69 kV and above to GridFlorida appropriate?**

and

Is FPC's decision to transfer operational control of its transmission facilities of 69 kV and above to GridFlorida while retaining ownership appropriate?

FPL, FPC & TECO:

Pursuant to FERC Order No.2000, RTOs must be given complete operational control over the transmission assets of participating utilities. The GridFlorida Companies concluded that it would be in the best interest of the GridFlorida Companies and their ratepayers to relinquish control over all of their 69 kV and above transmission facilities. A uniform demarcation point is a reasonable approach to achieve fairness and equal access to the transmission system of the RTO. Furthermore, there is a benefit to aligning the ownership of the transmission facilities with the responsibility for operating and maintaining those facilities. This alignment also results in the entity that is responsible for decisions regarding expansion and other capital expenditures also being an owner of

facilities with the responsibility for obtaining the necessary financing. For this reason, Tampa Electric and FPL have provisionally decided to transfer their transmission assets to GridFlorida. In contrast, FPC has determined that its business interests are best served if it remains the owner of its transmission facilities for the time being. In the final analysis, both courses of action are reasonable and prudent. The facilities operated by GridFlorida will be operated at the same level of efficiency, reliability and safety, and the GridFlorida Companies will receive the same level of high quality transmission service, whether or not transmission assets are divested.

(Witnesses: Panel, Naeve, Mennes, Southwick and Hernandez)

ISSUE 6: Is the utility's decision to participate in GridFlorida prudent?

FPL, FPC & TECO:

Yes. It was prudent for the GridFlorida Companies to make the decision to submit their own proposal rather than take the substantial risk that they later would be forced to join an existing RTO which the GridFlorida Companies did not participate in developing. If the GridFlorida Companies later were forced to join an existing RTO, they would have to take that RTO as they found it, and would have minimal input into its essential features. By contrast, there have been considerable benefits to Florida ratepayers resulting from the GridFlorida Companies' decision to form their own RTO and to develop their own proposal.

(Witnesses: Naeve, Panel, Hoecker, Ashburn and Hernandez)

ISSUE 7: What policy position should the Commission adopt regarding the formation of GridFlorida?

FPL, FPC & TECO:

The Commission should conclude that the GridFlorida Companies have been prudent in their planning of the proposed GridFlorida RTO and that commercial operation of GridFlorida, as proposed, would be in the best interest of Florida ratepayers. A swift and unequivocal finding that the formation and operation of GridFlorida is prudent is in the best interest of Florida ratepayers.

(Witness: Naeve)

ISSUE 8: Is Commission authorization required before the utility can unbundle its electric service?

FPL, FPC & TECO:

The GridFlorida Companies intend to continue providing bundled retail electric service to their respective retail ratepayer groups subsequent to the commercial operation of the proposed GridFlorida RTO. The GridFlorida Companies will be customers of GridFlorida under the RTO tariff and the rate established by the FERC will be the rate paid by the GridFlorida Companies not the rate paid by retail customers. Bundled service will continue to be provided to retail customers. Therefore, the question of whether Commission authorization is required before retail electric rates can be unbundled is not raised under the factual circumstances presented in this proceeding.

(Witness: Naeve)

ISSUE 9: Is Commission authorization required before the utility can stop providing retail transmission service?

FPL, FPC & TECO:

This issue is inapposite because the GridFlorida Companies intend to continue providing bundled retail electric service, including transmission service, to their respective retail ratepayer groups subsequent to the commercial operation of the proposed GridFlorida RTO. Therefore, the question of whether Commission authorization is required before an electric utility can cease providing retail transmission service is not raised under the factual circumstances presented in this proceeding.

(Witness: Naeve)

ISSUE 10: Is Commission authorization required before FPL/TECO can sell its transmission assets? Is Commission authorization required before FPC can transfer operational control of its retail transmission assets?

FPL, FPC & TECO:

No. There is no provision in chapter 366, Florida Statutes or elsewhere in the Florida Statutes that requires FPSC approval of the transfer of ownership or control of transmission facilities by an electric utility.

(Witness: Legal issue to be addressed in Post-Hearing Briefs)

ISSUE 11: Is a Regional Transmission Organization for the Southeast region of the United States a better alternative for Florida than the GridFlorida RTO?

FPL, FPC & TECO:

The GridFlorida Companies are currently participating in the mediation proceedings before the FERC regarding the formation of a Southeastern RTO. By participating in the mediation process the GridFlorida Companies can best protect interests unique to Florida and its ratepayers. The GridFlorida Companies cannot yet determine whether participation in a Southeast RTO is a better alternative for Florida than the GridFlorida RTO. At some point in time a larger regional RTO may become an appropriate alternative for Florida utilities. This will depend, in large measure, on how a larger regional RTO is structured. In the meantime, the expeditious development and implementation of GridFlorida is a prudent alternative for electric utilities in Florida.

(Witnesses: Naeve, Panel and Hernandez)

G. STIPULATED ISSUES

FPL, FPC & TECO: None at this time.

H. MOTIONS

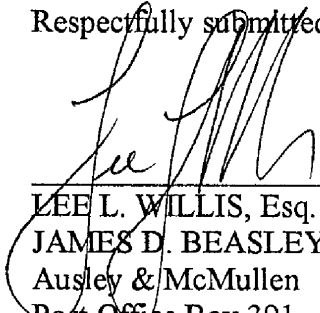
FPL, FPC & TECO: None at this time.

I. OTHER MATTERS

FPL, FPC & TECO: None at this time.

DATED this 10th day of September 2001.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Joint Prehearing Statement, filed on behalf of Florida Power & Light Company, Tampa Electric Company and Florida Power Corporation has been furnished by hand delivery (*), overnight delivery (**) or U. S. Mail on this 10th day of September, 2001 to the following:

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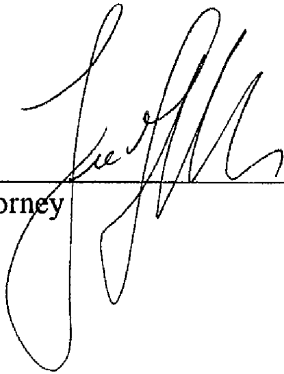
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