

ORIGINAL

LANDERS & PARSONS, P.A.
ATTORNEYS AT LAW

DAVID S. DEE
DIANE K. KIESLING
JOSEPH W. LANDERS, JR.
JOHN T. LaVIA, III
FRED A. McCORMACK
PHILIP S. PARSONS
LESLIE J. PAUGH
ROBERT SCHEFFEL WRIGHT

VICTORIA J. TSCHINKEL
SENIOR CONSULTANT
(NOT A MEMBER OF THE FLORIDA BAR)

MAILING ADDRESS:
POST OFFICE BOX 271
TALLAHASSEE, FL 32302-0271

310 WEST COLLEGE AVENUE
TALLAHASSEE, FL 32301

TELEPHONE (850) 681-0311
TELECOPY (850) 224-5595
www.landersondparsons.com

September 10, 2001

VIA HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
4075 Esplanade Way, Room 110
Tallahassee, FL 32399-0850

In re: Docket Number 001148-EI
Docket Number 000824-EI
Docket Number 010577-EI

Dear Ms. Bayo:

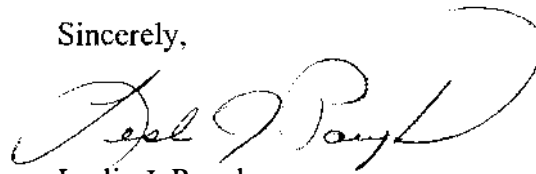
Enclosed for filing in the above referenced dockets are the original and fifteen (15) copies of the Prehearing Statement of Calpine Corporation to be served by hand delivery, facsimile or U.S. Mail.

Also enclosed is a diskette containing the above documents generated in Word.

Please acknowledge receipt and filing of the above by date stamping the duplicate of the prehearing statement for return to my office.

Thank you for your assistance.

Sincerely,


Leslie J. Paugh

LJP/jp
Enclosures

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DOCUMENT NUMBER-DATE
11278 SEP 10 2001
FPSC-COMMISSION CLERK



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

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

Filed: September 10, 2001

CALPINE COPORATION'S
PREHEARING STATEMENT OF ISSUES AND POSITIONS

Calpine Corporation ("Calpine"), pursuant to the Order Establishing Procedure (Phase 1) and Granting Joint Motion to Partially Alter Dates for Filing Testimony in these dockets, Order No. PSC-01-1549-PCO-EI, issued July 26, 2001, and Uniform Rule 28-106.211, Florida Administrative Code, hereby files its Prehearing Statement of Issues and Positions.

A. Witnesses.

None at this time.

B. Exhibits.

None at this time.

C. Statement of Basic Position.

The Commission should issue an order approving establishment of a regional transmission organization for Florida that integrates the characteristics and performs the functions of an RTO set forth in Order No. 2000. An appropriate, independent RTO could successfully address the existing impediments to

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efficient, reliable grid operation and foster wholesale competition which will benefit Florida ratepayers in form of lower electricity rates and increased products and services.

D. Issues of Fact.

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

Calpine: Yes. Pursuant to FERC Order 2000, participation in an RTO is voluntary. However, FERC acknowledged that it may use its regulatory authority in other areas such as market power analyses, market-based rate authority, and merger requests to mandate RTO participation. Notwithstanding voluntary participation, the filing requirements of FERC Order 2000 are mandatory. Public utilities were required to file either an RTO proposal or a report on the impediments to RTO participation. In addition, in order to qualify as an RTO, applicants were mandated to comply with the minimum characteristics and functions and other specific RTO requirements of Order 2000.

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

Calpine: An RTO will facilitate greater system efficiencies from the existing supply infrastructure as well as provide access to a broader array of additional supply options through a competitive wholesale electricity market. Generally, an RTO will improve efficiencies in transmission grid management, improve grid reliability and remove impediments to competitive supply entry, including elimination of remaining opportunities for discriminatory transmission practices. Specifically, a properly designed RTO will enhance access to, and use of, the transmission system and facilitate the least cost supply of power by eliminating rate pancaking, restrictive transmission policies and market participant control of the transmission grid and replacing them with a Florida-wide optimization of supply, transparent market signals and independent system operation. Further, Florida consumers' access to power supply alternatives would be further enhanced through uniform interconnection procedures for merchant generation, coordination of planning functions, and enhanced transmission expansion and upgrade activities.

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

Calpine: An RTO will benefit ratepayers by facilitating enhanced grid reliability and more efficient power supply. First, since an RTO will consider all resources under its control in assuring reliability and selecting the least cost supply solutions, it will inherently be more efficient and reliable than the existing local level of system control. Likewise, unified transmission system operation and planning will lower transmission costs through economies of scale and the elimination of duplicative, parochial practices. Second, an RTO will provide the operational independence and infrastructure necessary to facilitate a viable competitive wholesale market. In general, a competitive wholesale market will provide consumers with access to a broader array of generation supply alternatives, including merchant generation where the investment risk is borne by the market participants and not ratepayers. The specific benefits produced by a reliable, competitive wholesale electricity market and a uniform transmission system arise from the timely and coordinated expansion of the transmission grid, the creation of spot energy and ancillary services markets, the elimination of pancaked rates, increased access to generation resources, and the elimination of inefficient congestion management practices.

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

Calpine: Specific data related to cost analyses are not available to Calpine. However, as a general matter, costs of providing wholesale electric service should be lower under an RTO than continued sub-region specific tariffs and localized system operation.

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?

Calpine: While Calpine expects that the respective companies will substantiate their own business decisions, an effective RTO structure should be able to accommodate different business decisions while at the same time providing the centralized, independent control that is the hallmark of reliable, regionally operated transmission systems. Confidence in the operation of a competitive wholesale market cannot be achieved unless it is

operated by an independent entity that is not a market participant. TECO's/FPL's decision to transfer ownership and control of their facilities to GridFlorida, and FPC's decision to retain ownership but transfer operational control of its transmission assets are consistent with these needs.

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

Calpine: Yes. Based on all the information available to the utilities at the time, the decision to participate in GridFlorida was prudent. While Order 2000 is voluntary, FERC indicated a willingness to leverage its regulatory authority as evidenced by its requirement of FPC that the company participate in an RTO as part of its merger approval. As such, the utilities were forced to decide whether to create a regional transmission organization or possibly be ordered to join that of another region. The utilities' decision to take control of the RTO process on behalf of Florida ratepayers and shareholders was reasonable and prudent.

E. Policy Issues.

Issue7: What policy position should the Commission adopt regarding the formation of GridFlorida?

Calpine: First, the Commission should memorialize a policy position that recognizes the benefits of a robust, competitive wholesale power market in Florida. Second, the Commission should acknowledge that there remain important transmission-related impediments to a competitive wholesale electricity market such as pancaked transmission rates, burdensome intra-Florida reservation and scheduling practices, absence of transparency, and the continuing opportunities for undue discrimination in the operation of the transmission grid. Third, the Commission should support the establishment of an independent grid management structure that will ensure the development of competitive wholesale generation markets to increase Florida load's access to generation supply and to promote efficient system operation. The primary contribution of an RTO should be to independently operate the transmission system to provide fair and equal transmission access, efficiency through RTO-wide system optimization and establish a competitive spot market to encourage market participant funded investment. The Commission should support immediate establishment of an RTO that meets these requirements.

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

Calpine: Greater RTO scope can provide greater benefits through expanded access to supply alternatives, increased reliability and efficiency and increased economies of scale. Just as the existing operations and pancaked transmission tariffs within Florida today introduce cost and complication that interfere with the market efficiencies that could be delivered to consumers, RTO's with scopes smaller than the natural markets they fall within may diminish the full market efficiencies that would otherwise be available. Similarly, the ability to avoid redundancy in tariff development and administration, system operations and planning under an RTO covering a broader region can increase the economies of scale and reduce the RTO cost per unit of load. Large RTOs foster broader market development, increased reliability, and lower wholesale electricity prices while smaller RTOs may lead to incompatible structures and systems between RTOs which do not fully reflect wholesale market trading patterns. Notwithstanding the advantages of a Southeastern RTO, the Commission may wish to support implementation of an RTO in a phased approach initially in Peninsular Florida that is compatible with and will eventually merge with a larger Southeastern RTO.

F. Issues Of Law.

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

Calpine: This issue is moot insofar as FPL, FPC and TECO will continue to provide bundled retail electric service to their retail customers.

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

Calpine: This issue is moot.

Issue 10: Is Commission authorization required before the FPC can transfer operational control of its retail transmission assets?

and

Is Commission authorization required before FPL/TECO can sell its retail transmission assets?

Calpine: No position at this time.

G. Stipulated Issues.

Calpine is not aware of any stipulated issues at this time.

H. Pending Motions.

At this time, Calpine is aware of the following pending motions and petitions:

OPC - Response in Opposition to FPC's Proposal, filed on May 21, 2001 (Docket No. 000824)

CPV Atlantic - Petition to Intervene, filed on May 25, 2001 (Docket No. 001148).

Reliant Energy Power Generation, Inc. - Petition to Intervene, filed on June 7, 2001 (Docket Nos. 010577, 001148 and 000824).

FPL - Response to CPV Atlantic's Petition to Intervene, filed on June 8, 2001 (Docket No. 001148).

OPC - Response in Opposition to (FPL's, TECO's and FPC's) Petition to Determine Prudence of Formation of and Participation in GridFlorida, LLC., filed on June 15, 2001 (Docket Nos. 010577, 001148 and 000824).

Florida Industrial Power Users Group - Petition to Intervene, filed on June 18, 2001 (Docket No. 010577).

FPL - Response to Reliant's Petition to Intervene, filed on June 20, 2001 (Docket No. 001148).

CPV Atlantic, Ltd. - Petition to Intervene, filed on June 28, 2001 (Docket Nos. 010577 and 000824).

Duke Energy North America - Petition to Intervene, filed on June 28, 2001 (Docket Nos. 010577, 001148 and 000824).

Calpine Corporation - Petition to Intervene, filed on June 28, 2001 (Docket Nos. 010577, 001148 and 000824).

FPC - Motion for Reconsideration of the Requirement in Order PSC-01-1348-PCO-EI to Hold Revenues Subject to Refund, filed on July 2, 2001 (Docket No. 000824).

FPC - Request for Oral Argument on Motion for Reconsideration of Order PSC-01-1348-PCO-EI, filed on July 2, 2001 (Docket No. 000824).

OPC - Response in Opposition to FPC's Motion for Reconsideration, filed on July 6, 2001 (Docket No. 000824).

Florida Municipal Power Agency - Petition to Intervene, filed on July 6, 2001 (Docket No. 001148 and 000824).

Mirant Americas Development, Inc. - Petition to Intervene, filed on July 9, 2001 (Docket Nos. 010577, 001148 and 000824).

Enron Corporation - Petition to Intervene, filed on July 9, 2001 (Docket Nos. 010577, 001148 and 000824).

FPC - Response to the Petition to Intervene of CPV Atlantic, Ltd., filed on July 10, 2001 (Docket No. 000824).

PG&E National Energy Group Company - Petition to Intervene, filed on July 10, 2001 (Docket Nos. 010577, 001148 and 000824).

FPL (Butler) - Response to FMPA's Petition to Intervene, filed on July 16, 2001, (Docket No. 001148).

Dynegy Inc. - Petition to Intervene, filed on July 18, 2001 (Docket No. 001148).

FPC - Response to PG&E's Petition to Intervene, filed on July 23, 2001 (Docket No. 000824).

FPL - Response to PG&E's Petition to Intervene, filed on July 23, 2001, (Docket No. 001148).

FPL - Response to Dynegy's Renewed Petition to Intervene, filed on July 24, 2001 (Docket No. 001148).

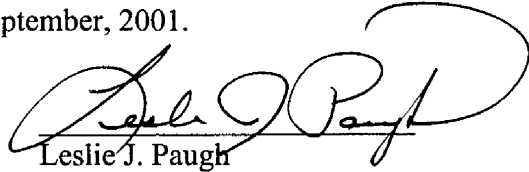
FPC - Response to FMPA's Petition to Intervene, filed on July 25, 2001 (Docket No. 000824).

FPC - Response to Walt Disney World's Petition to Intervene, filed on July 25, 2001 (Docket No. 000824).

TECO - Motion for leave to file testimony and exhibits out of time, filed on August 16, 2001 (Docket No. 010577)

Seminole Electric Cooperative, Inc. - Petition to Intervene, filed on September 4, 2001 (Docket Nos. 010577, 001148 and 000824).

Respectfully submitted this 10th day of September, 2001.

A handwritten signature in black ink, appearing to read "Leslie J. Paugh". The signature is fluid and cursive, with a large, prominent loop at the end of the last name.

Leslie J. Paugh

Florida Bar No. 0613568

lpugh@landersandparsons.com

Diane K. Kiesling

Florida Bar No. 233285

dkiesling@landersandparsons.com

Landers & Parsons, P.A.

310 West College Avenue

Tallahassee, Florida 32301

(850) 681-0311 (telephone)

(850) 224-5595 (facsimile)

Attorneys for Calpine Corporation

CERTIFICATE OF SERVICE

I HERBY CERTIFY that a true and correct copy of the foregoing has been furnished by *Hand-delivery, facsimile transmission (***) and U.S. Mail to the following parties on this 10th day of September, 2001.

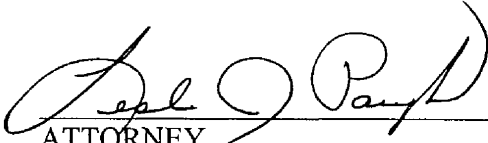
<p>Robert V. Elias, Esquire* Division of Legal Services Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850</p>	<p>David L. Cruthirds, Esquire ** Attorney for Dynegy, Inc. 1000 Louisiana Street, Suite 5800 Houston, TX 77002-5050</p>
<p>Matthew M. Childs, P.A.* Steel Hector & Davis, LLP 215 S. Monroe Street, Suite 601 Tallahassee, Florida 32301</p>	<p>Bill Walker Florida Power & Light Company 215 South Monroe Street, Suite 810 Tallahassee, FL 32301-1859</p>
<p>Thomas A. Cloud/W. Christopher Browder** Gray, Harris & Robinson, P.A. Post Office Box 3068 Orlando, Florida 32802-3068</p>	<p>Joseph A. McGlothlin, Esquire* Vicki Gordon Kaufman, Esquire McWhirter Reeves 117 S. Gadsden Street Tallahassee, Florida 32301</p>
<p>John W. McWhirter, Jr., Esquire** Attorney for FIPUG McWhirter Reeves 400 North Tampa Street, Suite 2450 Tampa, Florida 33601-3350</p>	<p>Jack Shreve * John Roger Howe Office of Public Counsel c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, Florida 32399-1400</p>
<p>Ms. Angela Llewellyn Tampa Electric Company Post Office Box 111 Tampa, Florida 33601</p>	<p>Lee L. Willis* James D. Beasley Ausley & McMullen Law Firm 227 South Calhoun Street Tallahassee, Florida 32301</p>
<p>Harry W. Long, Jr. Tampa Electric Company Post Office Box 111 Tampa, Florida 33601</p>	<p>James A. McGee** Post Office Box 14042 St. Petersburg, FL 33733-4042</p>

<p>Paul Lewis, Jr.* Florida Power Corporation 106 East College Avenue, Suite 800 Tallahassee, FL 32301-7740</p>	<p>Ron LaFace/Seann M. Frazier* Greenberg, Traurig Law Firm 101 E. College Avenue Tallahassee, FL 32301</p>
<p>Florida Retail Federation* 100 E. Jefferson Street Tallahassee, Florida 32301</p>	<p>Gary L Sasso/James M. Walls Carlton, Fields Law Firm Post Office Box 2861 St. Petersburg, FL 33731</p>
<p>Linda Quick** South Florida Hospital and Healthcare 6363 Taft Street Hollywood, FL 33024</p>	<p>Michael B. Twomey, Esquire** Post Office Box 5256 Tallahassee, Florida 32314-5256</p>
<p>Mark Sundback, Esquire** Kenneth Wiseman, Esquire Andrews & Kurth Law Firm 1701 Pennsylvania Avenue, N.W., Suite 300 Washington, DC 20006</p>	<p>Jon C. Moyle, Esquire* Cathy M. Sellers, Esquire 118 North Gadsden Street Tallahassee, FL 32301</p>
<p>Buddy L. Hansen 13 Wild Olive Court Homosassa, FL 34446</p>	<p>Paul E. Christensen Sugarmill Woods Civic Assoc. Inc. 26 Hibiscus Court Homosassa, FL 34446</p>
<p>James P. Fama LeBoeuf, Lamb, Greene, & MacRae LLP 1875 Connecticut Avenue, NW Suite 1200 Washington, DC 20009</p>	<p>Daniel Frank** Sutherland Asbill & Brennan, LLP (DC) 1275 Pennsylvania Avenue, NW Washington, DC 20004-2415</p>
<p>Lee Schmudde** Walt Disney World Co. 1375 Lake Buena Vista Drive Lake Buena Vista, FL 32830</p>	<p>Thomas P. and Gene E. Twomey 3984 Grand Meadows Blvd. Melbourne, FL 32934</p>

INTERESTED PERSONS:

Kenneth Hoffman Rutledge Law Firm Post Office Box 551 Tallahassee, Florida 32302-0551	CPV Atlantic, Ltd 145 NW Central Park Plaza, Suite 101 Port Saint Lucie, FL 34986
Myron Rollins Black & Veatch Post Office Box 8405 Kansas City, MO 64114	Jennifer May-Brust, Esq. Colonial Pipeline Company 945 East Paces Ferry Road Atlanta, GA 30326
G. Garfield/R. Knickerbocker/S. Myers Day, Berry Law Firm CityPlace I Hartford, CT 06103-3499	Michelle Hershel Florida Electric Cooperatives Association, Inc. 2916 Apalachee Parkway Tallahassee, FL 32301
Richard Zambo, Esq. Florida Industrial Cogeneration Assoc. 598 SW Hidden River Ave. Palm City, FL 34990	Sofia Solernou 526 15 Street, Apt. 14 Miami Beach, FL 33139
Thomas J. Maida/N. Wes Strickland Foley & Lardner Law Firm 106 E. College Avenue, Suite 900 Tallahassee, FL 32301	Bruce May, Esquire Holland Law Firm Post Office Drawer 810 Tallahassee, FL 32302-0810
James J. Presswood, Jr. Legal Environmental Assistance Foundation 1114 Thomasville Road Tallahassee, FL 32303-6290	Michael Briggs Reliant Energy Power Generation, Inc. 801 Pennsylvania Avenue, Suite 620 Washington, DC20004
Bill L. Bryant, Jr. Natalie B. Futch Katz, Kutter, Haigler, Alderman, Bryant & Yon, P.A. 106 E. College Ave. 12 th Floor Tallahassee, FL 32301	Marchris Robinson Manager, State Government Affairs Enron Corporation 1400 Smith Street Houston, Texas 77002-7361
Frederick M. Bryant FMPA 2061-2 Delta Way Tallahassee, FL 32303	Robert C. Williams, P.E. FMPA 8553 Commodity Circle Orlando, FL 32819-9002

Homer O. Bryant 3740 Ocean Beach Boulevard Unit 704 Cocoa Beach, FL 32931	Steven H. McElhaneey 2448 Tommy's Turn Oviedo, FL 32766
Melissa Lavinson PG&E National Energy Group Company 7500 Old Georgetown Road Bethesda, MD 20814	Calpine Eastern Thomas W. Kaslow The Pilot House, 2 nd Floor Boston, MA 02110
Duke Energy North America Lee E. Barrett 5400 Westheimer Court Houston, TX 77056-5310	Mirant Americas Development, Inc. John G. Trawick 1155 Perimeter Center West Atlanta, GA 30338-5416
Seminole Electric Cooperative, Inc. Timothy Woodbury 16313 North Dale Mabry Highway Tampa, FL 33688-2000	Sutherland Asbill & Brennan, LLP Russell S. Kent 2282 Killeara Center Blvd. Tallahassee, FL 32308-3561
FP&L R. Wade Litchfield 700 Universe Boulevard Juno Beach, FL 33408-0420	


 ATTORNEY