

ORIGINAL

MCWHIRTER REEVES  
ATTORNEYS AT LAW

TAMPA OFFICE:  
400 NORTH TAMPA STREET, SUITE 2450  
TAMPA, FLORIDA 33602-5126  
P.O. BOX 3350 TAMPA, FL 33601-3350  
(813) 224-0866 (813) 221-1854 Fax

PLEASE REPLY TO:  
TALLAHASSEE

TALLAHASSEE OFFICE:  
117 SOUTH GADSDEN  
TALLAHASSEE, FLORIDA 32301  
(850) 222-2525  
(850) 222-5606 Fax

September 10, 2001

VIA HAND DELIVERY

Blanca S. Bayo, Director  
Division of Records and Reporting  
Betty Easley Conference Center  
4075 Esplanade Way  
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COMMISSION  
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Re: Docket Nos.: 000824-EI; 010577-EI and 001148-EI

Dear Ms. Bayo:

On behalf of Reliant Energy Power Generation, Inc., enclosed for filing and distribution are the original and 15 copies of the following:

- Reliant Energy Power Generation, Inc.'s Prehearing Statement.

Please acknowledge receipt of the above on the extra copy of each and return the stamped copies to me. Thank you for your assistance.

Sincerely,

*Joseph A. McGlothlin*  
Joseph A. McGlothlin

JAM/mls  
Enclosure

APP	_____
CAF	_____
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11289 SEP 10 01

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.

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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.

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Docket No. 001148-EI

In re: Review of Tampa Electric Company and the impact of its participation in GridFlorida, a Florida Transmission Company, on TECO's retail ratepayers.

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Docket No. 010577-EI

Filed: September 10, 2001

**RELIANT ENERGY POWER GENERATION, INC.'S  
PREHEARING STATEMENT**

Pursuant to Order No. PSC-01-1549-PCO-EI, Reliant Energy Power Generation, Inc. ("Reliant Energy"), files its Prehearing Statement.

**A. APPEARANCES:**

JOSEPH A. MCGLOTHLIN, McWhirter, Reeves, McGlothlin, Davidson, Decker, Kaufman, Arnold & Steen, PA, 117 South Gadsden Street, Tallahassee, Florida 32301.

MICHAEL BRIGGS, Reliant Energy, Inc., 801 Pennsylvania Avenue, Suite 620, Washington, DC 20004.

**B. WITNESSES:**

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Robert Mechler	Benefits of RTO; basis for high comfort level as to cost-effectiveness of RTO; recommended policy position on GridFlorida, Inc.	2, 3, 7 and 11

**C. EXHIBITS:**

None.

**D. STATEMENT OF BASIC POSITION:**

An RTO such as GridFlorida, Inc. can provide benefits to peninsular Florida and end use customers through improvements in market performance (that will result in lower costs of generation), reliability, and planning. The Commission should have a high comfort level that such benefits will outweigh the incremental costs of the RTO: because the costs of generation are roughly 18 times more expensive than the total cost of transmission, only a very small decrease in the costs of generation will be sufficient to more than offset the incremental costs of the RTO. Given Florida's fleet of old, inefficient generating units, the investment in the RTO is therefore an opportunity to leverage greater decreases in costs of generation.

**E. STATEMENT OF ISSUES AND POSITIONS:**

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

RELIANT ENERGY: No position.

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

RELIANT ENERGY: By eliminating the pancaking of transmission rates and encouraging entry of more participants, the RTO can lower transaction costs and increase revenues. Regional planning will lead to a system better optimized for local and regional (including the movement of bulk power) needs. Better management of parallel flows and congestion by the RTO will translate into greater reliability. A truly regional market served by more participants will lead to the economic

displacement of Florida's aging fleet of highly inefficient units. All of these advantages will result in lower costs to ratepayers, as well as dramatically lower impacts on the environment. Moreover, because the TOTAL cost of transmission is roughly 1/18 of the costs of generation, the opportunity is present to achieve significant net savings for ratepayers. The extent of the savings will be a function of the depth and liquidity of the wholesale market-- attributes the Commission should strive to enhance as it supports the RTO.

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

RELIANT ENERGY: By eliminating the pancaking of transmission rates and encouraging entry of more participants, the RTO can lower transaction costs and increase revenues. Regional planning will lead to a system better optimized for local and regional (including the movement of bulk power) needs. Better management of parallel flows and congestion by the RTO will translate into greater reliability. A truly regional market served by more participants will lead to the economic displacement of Florida's aging fleet of highly inefficient units. All of these advantages will result in lower costs to ratepayers, as well as dramatically lower impacts on the environment. Moreover, because the TOTAL cost of transmission is roughly 1/18 of the costs of generation, the opportunity is present to achieve significant net savings for ratepayers. The extent of the savings will be a function of the depth and liquidity of the wholesale market-- attributes the Commission should strive to enhance as it supports the RTO.

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

RELIANT ENERGY: Reliant Energy has accepted the estimates of the petitioners for purposes of commenting on the potential for net savings to end use customers.

5. ISSUE: 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?

RELIANT ENERGY: No position.

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

RELIANT ENERGY: No position.

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

RELIANT ENERGY: As a matter of general policy, because of the opportunity to obtain the benefits and savings described in response to 2 and 3 above, the Commission should support the formation and implementation of GridFlorida. The Commission can support GridFlorida on an overall basis while reserving its right to advocate different positions on specific details of the RTO. The Commission should not regard the development of a fully mature and robustly competitive market as a condition to precedent to the RTO; rather, it should support simultaneously the RTO and the measures needed to maximize benefits through a more vigorous level of competition.

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

RELIANT ENERGY: No position.

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

RELIANT ENERGY: No position.

10. ISSUE: 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?

RELIANT ENERGY: No position.

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

RELIANT ENERGY: Timing should be the paramount consideration. Because GridFlorida appears to be positioned to achieve the benefits of an RTO more expeditiously, the implementation of GridFlorida should not be delayed. If the larger RTO subsequently becomes a possibility, the design of a successful Florida-specific RTO could influence the manner in which the larger RTO takes shape.

**F. STIPULATED ISSUES:**

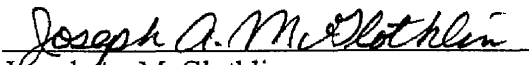
None.

**G. PENDING MOTIONS:**

Reliant Energy's Petition to Intervene is pending at the time this pleading is being prepared.

**H. OTHER MATTERS:**

None at this time.

  
Joseph A. McGlothlin  
McWhirter, Reeves, McGlothlin, Davidson,  
Decker, Kaufman, Arnold & Steen, P.A.  
117 S. Gadsden Street  
Tallahassee, Florida 32301  
(850) 222-2525 Telephone  
(850) 222-5606 Telefax

Michael G. Briggs  
Reliant Energy, Inc.  
801 Pennsylvania Avenue, Suite 620  
Washington, DC 20004  
(202) 783-7220 Telephone  
(202) 783-8127 Telefax

Attorneys for Reliant Energy Power Generation, Inc.

## CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of the foregoing the Reliant Energy Power Generation, Inc.'s Prehearing Statement has been furnished by (\*) hand delivery and U.S. Mail to the following this 10<sup>th</sup> day of September, 2001:

(\*)Robert V. Elias  
Division of Legal Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Buddy Hansen  
13 Wild Olive Court  
Homosassa, Florida 34446

Gary L. Sasso/James M. Walls  
Post Office Box 2861  
St Petersburg, Florida 33731

Ron LaFace  
Seam M. Frazier  
Attorneys for Florida Retail Federation  
Greenberg, Traurig Law Firm  
101 E. College Avenue  
Tallahassee, FL 32301

James Fama  
LeBoeuf Law Firm  
1875 Connecticut Avenue, NW  
Suite 1200  
Washington, DC 20009

Michael Twomey  
Sugarmill Woods Civic Assn.  
Post Office Box 5256  
Tallahassee, FL 32314-5256

Paul E. Christensen  
Sugarmill Woods Civic Assoc., Inc.  
26 Hibiscus Court  
Homosassa, Florida 34446

Jack Shreve  
Roger Howe  
Office of Public Counsel  
c/o The Florida Legislature  
111 West Madison Street, Room 812  
Tallahassee, FL 32399-1400

Daniel FrankG1  
Sutherland Asbill & Brennan, LLP  
1275 Pennsylvania Avenue, NW  
Washington, DC 20004-2415

Lee Schmudde  
Walt Disney World Co.  
1375 Lake Buena Drive  
Lake Buena Vista, Florida 32830

John R. Howe  
c/o The Florida Legislature  
111 West Madison Street  
Suite 812  
Tallahassee, Florida 32399-1400

James Beasley  
Ausley Law Firm  
227 South Calhoun  
Post Office Box 391  
Tallahassee, Florida 32301

Mark Sundback  
Kenneth Wiseman  
Andrews & Kurth Law Firm  
1701 Pennsylvania Avenue, NW, Suite 300  
Washington, DC 20006

David L. Cruthirds  
Dynergy Inc.  
1000 Louisiana Street, Suite 5800  
Houston, TX 77002-5050

Thomas A. Cloud  
Gray, Harris & Robinson, P.A.  
301 East Pine Street  
Suite 1400  
Post Office Box 3068  
Orlando, Florida 32802-3068

Linda Quick  
South Florida Hospital and Healthcare Assoc.  
6363 Taft Street  
Hollywood, Florida 33024

Thomas P. and Genevieve E. Twomey  
3984 Grand Meadows Boulevard  
Melbourne, Florida 32934

Matthew Childs  
Steel Hector & Davis  
215 South Monroe Street  
Suite 601  
Tallahassee, Florida 32301

  
Joseph A. McGlothlin