

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: October 12, 2001

**PG&E NATIONAL ENERGY GROUP COMPANY'S  
POST HEARING BRIEF**

PG&E National Energy Group Company ("NEG"), pursuant to Section IV of the Prehearing Order issued in this proceeding and Rule 28-106.215, Florida Administrative Code, hereby files this Post Hearing Brief of Issues and Positions, and Proposed Findings of Fact and Law.

**A. Statement of Basic Position.**

The Florida Public Service Commission ("Commission") should issue an Order finding the establishment of a regional transmission organization ("RTO") is prudent for Florida utilities that integrate the characteristics and perform the functions of an RTO as set forth in Order No. 2000. PG&E believes a Southeastern Regional Transmission Organization ("SERTO") is necessary to develop the wholesale market in the Southeastern U.S.

Such an organization will provide the liquidity, risk management and cost-efficiency benefits necessary for competitive wholesale markets and reduced costs to consumers. An independent RTO, appropriately formed and operated, could successfully address impediments to an efficient, reliable electric transmission grid and could foster wholesale competition which should benefit Florida ratepayers in the form of lower electricity rates.

**B. Statement of Issues and Positions**

**Issue 2:** What are the benefits to Peninsular Florida associated with the utilities (FPC, FPL, and TECO) participation in GridFlorida?

**Post-hearing Position:** \*\*\* An RTO, if properly implemented, will provide greater system efficiencies from the existing supply infrastructure, access to a broader array of additional supply options, improve grid reliability via uniform interconnection procedures, and remove impediments to competitive supply entry. \*\*\*

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

**Posthearing Position:** \*\*\* An RTO should benefit ratepayers by facilitating enhanced grid reliability, more efficient power supply, and more reliability than the existing local level of system control. Likewise, unified transmission system operation and planning should lower transmission costs through economies of scale and the elimination

of duplicative practices. \*\*\*

**Issue 6:** Is the utilities' decision to participate in GridFlorida prudent?

**Post-hearing Position:** \*\*\*Yes.\*\*\*

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

**Post-hearing Position:** \*\*\* The Commission should adopt an RTO policy that recognizes the benefits of a competitive wholesale power market in Florida and support an independent grid management structure that ensures the development of competitive wholesale generation markets to increase Florida's load access to generation supply and to promote efficiency.\*\*\*

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

**Post-hearing Position:** \*\*\* PG&E advocates and supports the development of a SERTO that contains many of the market design and market structure features contained in the original GridFlorida Model. A SERTO is necessary to develop the wholesale market in the Southeast. Such an organization will provide the attendant

liquidity, risk management, and cost-efficiency benefits necessary for competitive wholesale markets and reduced costs to consumers.\*\*\*

### **C. Proposed Findings of Fact**

The facts adduced at hearing and in the prefiled testimony provide a competent substantial evidence in support of NEG's issues positions stated above.

### **D. Proposed Conclusions of Law**

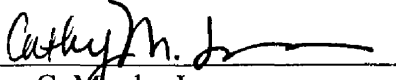
The formation of a Southeastern Regional Transmission Organization ("SERTO") is prudent and reasonable for Florida's shareholders and energy ratepayers.

### **E. Conclusion:**

PG&E advocates and supports the development of a SERTO that contains many of the market design and market structure features contained in the original GridFlorida Model and which were subsequently incorporated into the Collaborative Governance Model recommended to FERC by the Administrative Law Judge who presided over the recent mediation. A SERTO is necessary to develop the wholesale market in the Southeast. Such an organization will provide the attendant liquidity, risk management, and cost-efficiency benefits necessary for competitive wholesale markets and reduced costs to consumers. Among these benefits are: appropriate size and scale for regional transmission and market operations; addition of highly efficient, lower-cost generation to meet growing demand, optimal operation for all generation resources as a

result of fair and open transmission access and transparent market operations; removal of "seams" problems and costs associated with transfer of power between regions and sub-regions, and opportunity to increase needed transmission investment. NEG further supports the creation of a Stakeholder Advisory Committee that will work with the SERTO to design and implement features of the market. The creation of an independent transmission-owning company should act as effective vehicle to stimulate the necessary transmission investment and to provide for more efficient maintenance of the existing grid. NEG also supports the creation of an Independent Market Administrator ("IMA") that would be responsible for the operation of the grid and the real-time energy market. The IMA should become a permanent feature of the SERTO because of the concern that the ongoing operation of the transmission system and energy market by an ITC acting as the RTO can lead to conflicts. We agree with the proposed design of an independent Market Monitor and the use of locational marginal pricing and financial congestion hedges for congestion management in the SERTO. A SERTO will bring benefits to the region through increased competition and commercial opportunities for needed transmission expansion.

Respectfully submitted this 12th day of October, 2001.

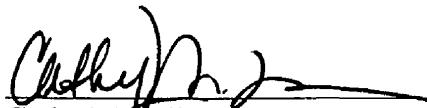
  
Jon C. Moyle, Jr  
Fla. Bar No. 0727016  
Cathy M. Sellers  
Fla. Bar No. 0784958  
Daniel Doorakian  
Fla. Bar No. Sworn in and awaiting Bar No.  
Moyle, Flanigan, Katz, Raymond & Sheehan  
The Perkins House  
118 North Gadsden Street

Tallahassee, Florida 32301  
(850) 681-3828 (telephone)  
(850) 681-8788 (telefax)

Attorneys for PG&E National Energy Group  
Company

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by U.S. Mail this 12<sup>th</sup> day of October 2001 to the following persons.

  
Cathy M. Sellers

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

Angela Llewellyn  
Post Office Box 111  
Tampa Electric Company  
Tampa, FL 33601

Matthew M. Childs  
Steel Hector & Davis  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301

Joseph A. McGlothlin  
Vicki Gordon Kaufman  
McWhirter Reeves  
117 S. Gadsden Street  
Tallahassee, FL 32301

Thomas A. Cloud  
Gray, Harris & Robinson, P.A.  
201 East Pine Street, Suite 1200  
Orlando, Florida 32802-3068

Lee L. Willis  
James D. Beasley  
Ausley & McMullen Law Firm  
227 South Calhoun Street  
Tallahassee, FL 32301

Jack Shreve/J. Roger Howe  
Office of Public Counsel  
c/o Florida Legislature  
111 W. Madison Street  
Room No. 812  
Tallahassee, Florida 32399-1400

Florida Retail Federation  
100 East Jefferson Street  
Tallahassee, FL 32301

John McWhirter, Jr.  
Florida Industrial Power Users Group  
McWhirter Reeves  
400 North Tampa St., Suite 2450  
Tampa, Florida 33601-3350

Linda Quick  
South Florida Hospital & Healthcare  
6363 Taft Street  
Hollywood, FL 33024

David L. Cruthirds  
Dynege, Inc.  
1000 Louisiana Street, Suite 5800  
Houston, TX 7702-5050

Mark Sundback  
Kenneth Wiseman  
Andrews & Kurth Law Firm  
1701 Pennsylvania Ave., N.W., Suite 300  
Washington, DC 20006

James P. Fama  
LeBoeuf, Lamb, Greene & MacRae, LLP  
1875 Connecticut Ave., NW, Suite 1200  
Washington, DC 20009

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

Ron LaFace/Seann M. Frazier  
Greenberg, Traurig Law Firm  
101 East College Avenue  
Tallahassee, FL 32301

Gary L. Sasso/James M. Walls  
Carlton, Fields Law Firm  
Post Office Box 2861  
St. Petersburg, FL 33731

Michael B. Twomey  
Post Office Box 5256  
Tallahassee, FL 32314-5256

Daniel Frank  
Sutherland, Asbill & Brennan, LLP (DC)  
1275 Pennsylvania Ave., NW  
Washington, DC 20004-2415

Bill Bryant, Jr.  
Natalie Futch  
Katz Kutter Law Firm  
12<sup>th</sup> Floor  
106 East College Avenue,  
Tallahassee, FL 32301

Marchris Robinson  
Enron Corporation  
1400 Smith Street  
Houston, TX 77002-7361

Michelle Hershel  
Florida Electrical Cooperatives Ass'n.  
2916 Apalachee Parkway  
Tallahassee, FL 32301

Richard Zambo  
Florida Industrial Cogeneration Ass'n.  
598 SW Hidden River Ave.  
Palm City, FL 34990

Kenneth Hoffman  
Rutledge Ecenia Law Firm  
P.O. Box 551  
Tallahassee, FL 32302-0051

Myron Rollins  
Black & Veatch  
P.O. Box 8405  
Kansas City, MO 64114

Thomas Kaslow  
Calpine Eastern  
The Pilot House,  
Second Floor  
Lewis Wharf  
Boston, MA 02110

Jennifer May-Brust  
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

Lee E. Barrett  
Duke Energy North America  
5400 Westheimer Court  
Houston, TX 77056-5310

Leslie Paugh  
Diane Kiesling  
Landers Parsons Law Firm  
310 West College Avenue  
Tallahassee, FL 32301

Beth Bradley  
Mirant Americas Development, Inc.  
1155 Perimeter Center West  
Atlanta GA 30338-5416



Melissa Lavinson  
PG&E National Energy Group  
7500 Old Georgetown Road  
Bethesda, MD 20814

Michael Briggs  
Reliant Energy Power Generation, Inc.  
801 Pennsylvania Avenue,  
Suite 620  
Washington, D.C. 20004

Timothy Woodbury  
Seminole Electric Cooperative, Inc.  
16313 North Dale Mabry Highway  
Tampa, FL 33688-2000

Paul Lewis  
Florida Power Corporation  
106 East College Avenue  
Suite 800  
Tallahassee, FL 32301-7740

Wade Litchfield  
Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, FL 33408-0420

Frederick M. Bryant  
Florida Municipal Power Agency  
2061-2 Delta Way  
Tallahassee, FL 32303

D. Bruce May  
Holland & Knight, LLP  
P.O. Drawer 810  
Tallahassee, FL 32302-0810