

March 20, 2002

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

Re: Docket No. 020233-EI; Compliance Filing Pursuant to Order No. PSC-01-2489-FOF-EI concerning Proposal to Establish GridFlorida as a Regional Transmission Organization

Dear Ms. Bayo:

The GridFlorida Companies (Florida Power Corporation, Florida Power & Light Company and Tampa Electric Company) on March 19, 2002 completed, copied and shipped by Federal Express from Washington, D.C. for delivery in Tallahassee on March 20, 2002 the Compliance Filing required by Order No. PSC-01-2489-FOF-EI, issued December 20, 2001 ("Order"). The Order required the GridFlorida Companies to file with this Commission within 90 days a modified Regional Transmission Organization proposal that conforms with the Order. The Compliance Filing incorporate those changes that are necessary and appropriate in light of the Order, and retains the basic aspects of GridFlorida the Commission did not require to be changed.

Federal Express has stated late this morning that due to extreme weather this shipment, which is contained in 11 shipping boxes, will not arrive until March 21. Accordingly, copies of the entire filing are being made to all parties and this Commission electronically today. In addition, enclosed herewith are fifteen (15) hard copies of the companies' pleading entitled "Compliance Filing" together with an Executive Summary of the filing. Also enclosed, please find a disk containing a complete copy of the filing. Hard copies of the complete filing will be filed with the Commission as soon as they arrive by Federal Express.

A complete copy of the filing has been served today by mail from Washington, D.C. on all parties of record designated on the service list in Docket No. 020233-EI.

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

DOCUMENT NUMBER-DATE

U3238 MAR 20 02

FPSC-COMMISSION CLERK

Thank you for your assistance in connection with this matter.

Sincerely,

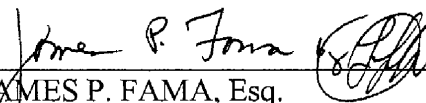
JAMES A. MCGEE, Esq.
Florida Power Corporation
Post Office Box 14042
St. Petersburg, FL 33733
Telephone: (727) 820-5185
Fax: (727) 820-5519

R. W. LITCHFIELD, Esq.
Office of General Counsel
Florida Power & Light Company
Post Office Box 14000
Juno Beach, FL 33408

HARRY W. LONG, JR., Esq.
Tampa Electric Company
Post Office Box 111
Tampa, FL 33601
Telephone: (813) 228-1702
Fax: (813) 228-1770

Enclosures

cc: By U. S. Mail or hand delivery all Parties of Record
By e-mail to the GridFlorida Advisory Committee
By posting on the GridFlorida web site: www.gridflorida.com



JAMES P. FAMA, Esq.
LeBoeuf, Lamb, Greene & MacRae, LLP
1875 Connecticut Avenue, N.W.
Suite 1200
Washington, DC 20009
Telephone: (202) 986-8053
Fax: (202) 986-8102
On behalf of Florida Power Corporation

WILLIAM G. WALKER III
Florida Power & Light Company
215 S. Monroe St.
Suite 810
Tallahassee, FL 32301
Telephone: (850) 521-3910
Fax: (305) 577-7001
On behalf of Florida Power & Light Co.

LEE L. WILLIS, Esq.
JAMES D. BEASLEY, Esq.
Ausley & McMullen
Post Office Box 391
Tallahassee, FL 32302
Telephone: (850) 224-9115
Fax: (850) 222-7952
Oh behalf of Tampa Electric Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Compliance Filing Pursuant to Order)
No. PSC-01-2489-FOF-EI concerning Proposal) DOCKET NO. 020233-EI
to Establish GridFlorida as a Regional Transmission) FILED: March 20, 2002
Organization)
_____)

COMPLIANCE FILING

Florida Power Corporation ("FPC"), Florida Power & Light Company ("FPL") and Tampa Electric Company ("Tampa Electric") (referred to collectively as the "GridFlorida Companies") hereby submit the Revised GridFlorida Proposal for this Commission's review of conformance with Order No. PSC-01-2489-FOF-EI, issued December 20, 2001 ("Order") and says:

1. The names, addresses, telephone numbers and facsimile numbers of the GridFlorida Companies are as follows:

JAMES A. MCGEE, Esq.
Florida Power Corporation
Post Office Box 14042
St. Petersburg, FL 33733
Telephone: (727) 820-5185
Fax: (727) 820-5519

JAMES P. FAMA, Esq.
LeBoeuf, Lamb, Greene & MacRae, LLP
1875 Connecticut Avenue, N.W.
Suite 1200
Washington, DC 20009
Telephone: (202) 986-8053
Fax: (202) 986-8102
On behalf of Florida Power Corporation

R. W. LITCHFIELD, Esq.
Office of General Counsel
Florida Power & Light Company
Post Office Box 14000
Juno Beach, FL 33408
Telephone: (561) 691-7101
Fax: (561) 691- 7135

William G. Walker
Florida Power & Light Company
215 S. Monroe Street
Suite 810
Tallahassee, FL 32301
Telephone: (850) 224-7197
Fax: (850) 224-7517
On behalf of Florida Power & Light Co.

HARRY W. LONG, JR., Esq.
Tampa Electric Company
Post Office Box 111
Tampa, FL 33601
Telephone: (813) 228-1702
Fax: (813) 228-1770

LEE L. WILLIS, Esq.
JAMES D. BEASLEY, Esq.
Ausley & McMullen
Post Office Box 391
Tallahassee, FL 32302
Telephone: (850) 224-9115
Fax: (850) 222-7952
Oh behalf of Tampa Electric Company

2. All pleadings, notices and staff recommendations should be forwarded to the following:

JAMES A. MCGEE, Esq.
Florida Power Corporation
Post Office Box 14042
St. Petersburg, FL 33733
Telephone: (727) 820-5185
Fax: (727) 820-5519

JAMES P. FAMA, Esq.
LeBoeuf, Lamb, Greene & MacRae, LLP
1875 Connecticut Avenue, N.W.
Suite 1200
Washington, DC 20009
Telephone: (202) 986-8053
Fax: (202) 986-8102
On behalf of Florida Power Corporation

R. W. LITCHFIELD, Esq.
Office of General Counsel
Florida Power & Light Company
Post Office Box 14000
Juno Beach, FL 33408
Telephone: (561) 691-7101
Fax: (561) 691- 7135

William G. Walker
Florida Power & Light Company
215 S. Monroe Street
Suite 810
Tallahassee, FL 32301
Telephone: (850) 224-7197
Fax: (850) 224-7517
On behalf of Florida Power & Light Co.

HARRY W. LONG, JR., Esq.
Tampa Electric Company
Post Office Box 111
Tampa, FL 33601
Telephone: (813) 228-1702
Fax: (813) 228-1770

LEE L. WILLIS, Esq.
JAMES D. BEASLEY, Esq.
Ausley & McMullen
Post Office Box 391
Tallahassee, FL 32302
Telephone: (850) 224-9115
Fax: (850) 222-7952
Oh behalf of Tampa Electric Company

3. As regulated electric utilities, the GridFlorida Companies' reasonable and prudent costs for providing retail electric service are recoverable through rates and charges approved by this Commission. The GridFlorida Companies also are public utilities subject to the jurisdiction

of the Federal Energy Regulatory Commission ("FERC") with respect to the provision of unbundled transmission service and wholesale electric service. The relief requested herein by the GridFlorida Companies is authorized pursuant to Sections 366.05, 366.06, and 366.076, Florida Statutes.

4. On December 20, 2001, this Commission issued Order 01-2489, which held that: (a) the GridFlorida Companies were prudent in proactively forming GridFlorida (see Order at 4); (b) the formation of a Regional Transmission Organization ("RTO") in Florida would lead to benefits to Florida ratepayers (see id. at 9); (c) GridFlorida initially should be structured as an independent system operator ("ISO") rather than a transmission-owning company ("transco") (see id. at 12); and (d) GridFlorida must use the get what you bid market approach (see id. at 20-23). The Commission made no decision on the specific GridFlorida pricing proposal, but noted that it should retain jurisdiction over the transmission component of bundled retail rates (see id. at 24).

5. In compliance with the Commission's directives, the GridFlorida Companies submit the volumes of GridFlorida documents that incorporate those changes that are necessary or appropriate in conformance with the Order, but that retain the basic aspects of GridFlorida that this Commission did not require to be changed. The documents, which are incorporated by reference herein, are as follows:

Tab	1	Executive Summary
	2	Cost Estimates
	3	RTO Formation Plan
	4	GridFlorida, Inc. Articles of Incorporation
	5	GridFlorida, Inc. By-Laws
	6	GridFlorida, Inc. Code of Conduct
	7	GridFlorida, Inc. Information Policy
	8	Participating Owners Management Agreement
	9	Agency Agreement
	10	Supplemental Services Agreement
	11	Market Monitor Articles of Incorporation
	12	Market Monitor By-Laws

- 13 Market Monitor Code of Conduct
- 14 Market Monitor Tariff
- 15 GridFlorida Open-Access Transmission Tariff
- 16 Redlined GridFlorida Open-Access Transmission Tariff

Each document, other than the executive summary and cost estimates, is being included in clean and redlined formats.¹

6. The GridFlorida structure reviewed by this Commission in its December 20, 2001 Order was developed through an extensive stakeholder process that lasted almost two years, and that has continued since that date. That structure also has been approved in large part by the FERC after an extensive regulatory process. See GridFlorida, LLC, 94 FERC ¶ 61,363 (2001); GridFlorida, LLC, 94 FERC ¶ 61,363, order on reh'g, 95 FERC ¶ 61,473 (2001). Certain matters addressed in the FERC and Commission orders related to the GridFlorida structure are the subject of generic proceedings initiated by FERC subsequent to the issuance of such orders.

7. The GridFlorida Companies respectfully submit that the review of this Compliance filing should not relitigate the issues which have already been vetted or which could have been vetted during the extensive hearings in October 2001 which formed the basis for the Order. The review should be an expeditious determination of whether this Compliance filing indeed conforms to the requirements of the Order. Of course, each of the GridFlorida Companies will participate in all discussions regarding GridFlorida to ensure the best result for GridFlorida customers.

8. The GridFlorida proposal has been amended in this filing in four basic ways. First, GridFlorida has been changed from a for-profit transco to a non-profit ISO. Second, subject to one exception, at a transmission customer's option that customer's bundled retail load will be exempt

¹ The redlined documents show the changes made from the GridFlorida documents filed with FERC on May 29, 2001 in FERC Docket No. RT01-67. For the sake of completeness, the GridFlorida Companies have included with this filing the redlined Market Monitor Code of Conduct, even though that document is unchanged from the version last filed with FERC.

from zonal transmission charges under the GridFlorida transmission tariff for a five year transition period. The GridFlorida Companies will choose to exempt bundled retail load. Under this proposal the Commission will have authority during the transition period to set each of the GridFlorida Company's revenue requirements for existing transmission facilities to support retail transmission service. Third, a get what you bid approach for balancing energy and redispatch has been adopted. Fourth, the GridFlorida planning process has been revised to be more compatible with an ISO structure. These changes are discussed in the attached Explanatory Statement. These major changes also required a number of related modifications to the GridFlorida documentation, also as discussed in the attached Explanatory Statement.

9. While exempt from zonal transmission charges for bundled retail load, like other transmission customers the GridFlorida Companies will during the transition period (and thereafter) be subject to certain GridFlorida charges for all their load, including bundled retail load. These include the Grid Management Charge, the average system-wide transmission rate for new facilities, and a pro rata share of transmission dependent utility revenue requirements that are included in GridFlorida rates (these three charges hereinafter the "Charges"). Recovery by the GridFlorida Companies of the Charges through a recovery clause mechanism is an integral part of the pricing structure established to maintain the Commission's authority, as discussed above.

10. The Charges are expected to result in costs to the GridFlorida Companies that are greater than those embedded in current retail rates, as the Charges will reflect additional services provided by GridFlorida. Also, some Charges will be established on a basis that is not identical to the standards used today. For example, the pricing structure moves toward spreading cost responsibility for transmission facilities among all participants in GridFlorida, and thus the system-wide rate is established on a system average basis. In light of these factors, because the exact costs

are not known at this time, and because these costs are out of the GridFlorida Companies' control, a recovery clause mechanism will avoid over- and under-recovery, and will facilitate review of the level and basis for transmission costs in the future.

WHEREFORE, the GridFlorida Companies request that this Commission:

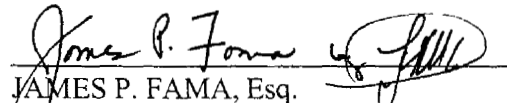
1. establish an expedited schedule for the completion of its review of this Compliance filing; and
2. determine that this filing is in full compliance with the Order, including express authorization for recovery of the Charges, at least to the extent they exceed amounts reflected in base rates, through a recovery clause mechanism.

DATED this 20th day of March, 2002.

JAMES A. MCGEE, Esq.
Florida Power Corporation
Post Office Box 14042
St. Petersburg, FL 33733
Telephone: (727) 820-5185
Fax: (727) 820-5519

R. W. LITCHFIELD, Esq.
Office of General Counsel
Florida Power & Light Company
Post Office Box 14000
Juno Beach, FL 33408
Telephone: (561) 691-7101
Fax: (561) 691- 7135

HARRY W. LONG, JR., Esq.
Tampa Electric Company
Post Office Box 111
Tampa, FL 33601
Telephone: (813) 228-1702
Fax: (813) 228-1770


JAMES P. FAMA, Esq.
LeBoeuf, Lamb, Greene & MacRae, LLP
1875 Connecticut Avenue, N.W.
Suite 1200
Washington, DC 20009
Telephone: (202) 986-8053
Fax: (202) 986-8102
On behalf of Florida Power Corporation

William G. Walker
Florida Power & Light Company
215 S. Monroe Street
Suite 810
Tallahassee, FL 32301
Telephone: (850) 224-7197
Fax: (850) 224-7517
On behalf of Florida Power & Light Co.

LEE L. WILLIS, Esq.
JAMES D. BEASLEY, Esq.
Ausley & McMullen
Post Office Box 391
Tallahassee, FL 32302
Telephone: (850) 224-9115
Fax: (850) 222-7952
Oh behalf of Tampa Electric Company

Executive Summary

The following summarizes the major aspects of the Compliance filing submitted by Florida Power & Light Company ("FPL"), Florida Power Corporation ("FPC"), and Tampa Electric Company ("Tampa Electric") (collectively, the "Applicants") in response to the Commission's Order No. PSC-01-2489-FOF-EI ("Order"). The documents described below were established as part of an on-going stakeholder process, which was carried-out after the Order through the GridFlorida Advisory Committee in a series of meetings. As part of this process, the Applicants distributed numerous drafts of GridFlorida documents, and received and considered extensive comments.¹

I. Non-Profit Independent System Operator Structure

As filed with FERC, GridFlorida would be a for-profit transmission company that would own transmission facilities ("transco"), including the transmission facilities currently owned by FPL and Tampa Electric. The Commission stated in the Order that, while it "appreciate[s] the merits of transferring ownership of transmission assets to GridFlorida," it "believes that a more cautious, transitional approach is prudent for Peninsular Florida at this time." Order at 12. The Commission required the Applicants initially to adopt an independent system operator ("ISO") structure for GridFlorida, but made "no judgment" as to whether the ISO should be for-profit or not-for profit. See id. at 13-14.

In compliance with this requirement, GridFlorida has been changed from a transmission-owning limited liability company to a Florida not-for-profit corporation. See Formation Plan, § 2.1. The Applicants have adopted a not-for-profit structure as a means of simplifying the governance structure. In addition, a not-for-profit structure eliminates potential conflict of interest concerns raised by various stakeholders related to for-profit Regional Transmission Organizations ("RTOs"). The Applicants also believe that for-profit RTOs that do not own transmission assets will have no greater incentives to operate efficiently than not-for-profit ISOs. Nothing in the GridFlorida structure, however, would preclude future

¹ In an Answer in Federal Energy Regulatory Commission ("FERC") Docket No. RT01-67-000 filed by the Applicants on July 17, 2001, the Applicants committed to make certain changes to the GridFlorida documentation. As FERC has not yet acted on the compliance filing that is the subject of the Applicants' Answer, the Applicants have not incorporated those changes here. The Applicants note, however, that they remain committed to make the changes included in the Answer. None of those changes, which mostly are clarifications, would significantly change the GridFlorida proposal described herein.

proposals to adopt incentive ratemaking or other specific performance incentives for the ISO, or the adoption of a for-profit structure for GridFlorida.

A number of conforming changes were required to transform GridFlorida to a not-for-profit ISO. The basis for most of these changes is self-evident. Others warrant a brief explanation.

Changes were required to the Board Selection Committee. Under the transco structure, that committee was to include, among other stakeholder representatives, one representative from each entity that was divesting its transmission assets to GridFlorida and one representative of investor-owned utilities that were transferring control of their facilities rather than divesting. Under the ISO structure, there will be no transmission owners divesting their assets to the RTO. Thus, the Board Selection Committee has been amended to include three representatives of investor owned utilities that are owners of transmission facilities within GridFlorida. See id. § 3.1. The total number of investor owned utilities on the Board Selection Committee--three--is unchanged. In addition, to address concerns raised by certain stakeholders, a ninth representative, to be selected by the Advisory Committee, was added to the Board Selection Committee. As under the transco structure, the Board Selection Committee will represent a balanced mix of interested stakeholders.

The Board Selection Committee also now will be retained on a going forward basis to elect future directors, fill vacancies, and remove directors. See id. §§ 3.7, 3.8. Under the transco structure, subsequent directors were to be elected by the holders of Class A Common Stock, but there no longer will be such stockholders.

Changes to the qualifications for directors also were appropriate. When GridFlorida was a for-profit transco, directors were to have "qualifications equivalent to those of directors of public corporations with equivalent or larger revenues and assets than that anticipated for" the managing member of GridFlorida. See id. § 3.2 (as filed with FERC on May 29, 2001). The original requirement was included with the anticipation of the transco going public through an initial public offering, which process would have been aided by a board with extensive public experience. Under the ISO structure this director qualification was not as critical, and has been eliminated consistent with stakeholder requests to expand the universe of potential candidates for the board. See id. § 3.2.

Finally, in response to requests from various stakeholders, provisions have been added to require that regular and special meetings of GridFlorida's board be

open to the public, but to permit the board to discuss confidential matters in closed, non-public sessions. See Bylaws, Article III, § 4.²

II. Transmission Pricing

The GridFlorida transmission tariff filed with FERC includes a comprehensive plan to mitigate cost shifts among the transmission owners and their respective customers. Under this plan, (i) the costs of existing transmission facilities are recovered through zonal charges and the cost of new transmission investment is recovered through a system-wide charge, (ii) zonal charges are phased-out in years 6 through 10 of RTO operations, (iii) multiple charges contained in existing contracts also are phased-out in years 6 through 10, and (iv) transmission dependent utilities ("TDUs") have the option of an automatic 5 year phase-in of their existing facilities costs into zonal charges, without a requirement that they demonstrate that those facilities are integrated with the GridFlorida transmission system, or an immediate roll-in of their existing facilities into zonal charges if they can demonstrate that they meet this integration standard. In addition, each Applicant committed to take (and pay for) transmission service under the GridFlorida transmission tariff for all its load (both retail and wholesale).

The Commission made no specific finding on the cost-shift mitigation plan. However, it did express concern that the transco form of RTO could reduce its jurisdiction over the transmission component of bundled retail service. Specifically, it noted that it "is charged with the responsibility of establishing fair and reasonable retail rates for Florida's investor-owned electric utilities, which includes the

² The Applicants note that each of the GridFlorida LLC Operating Agreement, Member and Shareholder Agreement, Subscription Agreement, and Voting Trust have been eliminated, as they have no application to the new RTO structure. Further, in addition to changes that were required or appropriate to comply with the Order, the Applicants adopted a number of suggestions during the on-going stakeholder process that addressed stakeholder concerns without changing fundamental aspects of the GridFlorida proposal. These include (i) references to specific search firms were replaced with more general references to nationally recognized search firms, see Formation Plan, § 3.3, (ii) the Board Selection Committee and search firm will develop a confidentiality policy to safeguard the confidentiality of the board selection process, see id., (iii) the search firm will propose a pool of between 12 and 15 individuals for consideration for the board, see id., and (iv) a consulting firm will be retained to assist with the development of an executive compensation plan, which may include an appropriate incentive arrangement, see id. § 3.6.

[Applicants,]" and concluded that "under an ISO model, where the ownership of transmission assets is retained by the individual retail-serving utilities, we believe this Commission would continue to set the revenue requirements needed to support retail transmission service and retain oversight over cost control and cost recovery." Order at 14.

As noted, under the GridFlorida transmission tariff on file with FERC, transmission customers, including the Applicants, would obtain and pay for all transmission services under the GridFlorida transmission tariff, including paying the zonal charge for transmission service for bundled retail load. In an effort to address the Commission's desire to retain as much authority over retail transmission revenue requirements for existing facilities as possible, while retaining the overall pricing protocol approved by FERC, the Applicants have amended the GridFlorida transmission tariff to provide that at a transmission customer's option that customer's bundled retail load will be exempt from charges for zonal transmission rates during the first five years of RTO operations. See GridFlorida Transmission Tariff, § 1A.³ The GridFlorida transmission tariff will continue to provide that each transmission owner will submit its total revenue requirement for existing facilities (which will be FERC-approved) to the RTO for the development of zonal rates. Under this new approach, however, during the transition period the RTO will collect only a portion of that total revenue requirement under the RTO tariff--from wholesale customers and from customers with bundled retail load voluntarily placed under the tariff--and distribute those revenues to the transmission owners. The Applicants will elect the option to exempt their bundled retail load from zonal rates during the transition period. The Applicants thus will not be billed a zonal rate for their use of the transmission system to serve bundled retail load during this period.

This approach will maintain the status quo with regard to jurisdiction over the Applicants' existing transmission facilities during the five year transition period.

³ The option to place bundled retail load under the tariff was included to provide flexibility to non-jurisdictional entities that may wish to join GridFlorida, that would be their own zone, and that would want to include all load under the GridFlorida tariff. The one exception to the option to exempt bundled retail load applies to a transmission customer serving the bundled retail load of a TDU, which must pay the zonal rate for that load. See id. There is no mechanism in the GridFlorida transmission tariff that would require that bundled retail load to pay a portion of the other transmission owners' revenue requirements for existing facilities if that load is not included under the tariff. Were this exception to be removed, an additional adder would be needed to ensure that the bundled retail load of TDUs pays their appropriate share of the costs of existing facilities.

Today, each Applicant submits its total transmission revenue requirement to FERC for approval, and recovers a portion of that revenue requirement from wholesale customers. The Applicants do not, however, pay for transmission service associated with bundled retail load under their FERC tariffs, leaving the Commission with the jurisdiction to set the transmission component of bundled retail service. This approach has been adopted in other ISOs to address concerns over state jurisdiction, see Southwest Power Pool, 89 FERC ¶ 61,284 at 61,889 (1999), and FERC recently reaffirmed that it finds such an approach acceptable, Midwest Indep. Trans. System Operator, Inc., 98 FERC ¶ 61,141 at 61,413 (2002) ("MISO"). However, new costs that are both determined and allocated by FERC-- e.g., the grid management charge ("GMC") and new facilities charge--will be within FERC's exclusive jurisdiction and will be charged to all load, including retail load.

A number of conforming changes were required to implement this approach. These conforming changes mainly relate to the billing of RTO charges such as the GMC, and the treatment of the cost-shift mitigation measures, which provide important protections for retail customers, related to TDU credits, grandfathered agreements, and the phase-in to system-wide transmission rates. These conforming changes are:

- Each transmission customer, including transmission owners, will be billed the GMC for all its load, including bundled retail load. See GridFlorida Transmission Tariff, § 34.1. FERC has ruled that these types of charges must be allocated to all load. See MISO, 98 FERC at 61,412-13.
- Each transmission owner will submit to the RTO its revenue requirement for new facilities, which must be accepted by FERC before becoming effective. Because FERC will establish both the cost of these facilities, and allocate them among all transmission owners, the RTO will bill each transmission customer the average system-wide rate for new facilities, including for bundled retail load. See GridFlorida Transmission Tariff, § 34.1.
- A TDU that obtains the right to credits will submit to the RTO its transmission revenue requirement for existing facilities. That revenue requirement must be accepted by FERC before becoming effective. The RTO will recover the approved revenue requirement (to the extent of the phase-in as applicable) under the tariff. See id., Attachment H. Each transmission customer in the zones where the TDUs are located will be billed a pro rata share of such revenue

requirements for all its load, including bundled retail load. See id. § 34.1.

- Transmission owners will collect all revenues from existing agreements that are not converted to tariff service. Those revenues will be used to reduce the applicable transmission owner's revenue requirement for existing transmission facilities. The transmission owner will not be charged the zonal transmission charges for these grandfathered contracts, but will be subject to the other charges under the GridFlorida tariff. See id. § 1A and Attachment T, § 6.2; see also MISO, 98 FERC at 61,413 (grandfathered agreements not subject to transmission rate but are subject to cost adder for RTO costs).⁴
- All load, including bundled retail load, will be under the RTO tariff and pay for service beginning in year six of RTO operations, the year the phase-out of zonal rates begins. See GridFlorida Transmission Tariff, § 1A.

Recovery by the Applicants of the GMC, the average system-wide transmission rate for new facilities, and TDU credits, in each case that are allocated to bundled retail load, is an integral part of the pricing structure. Because these charges are expected to result in costs to the Applicants that are greater than those embedded in current retail rates, the exact costs are not known at this time, and these costs are out of the Applicants' control, a recovery clause mechanism is appropriate to avoid over- and under-recovery, and to facilitate review of the level and basis for transmission costs in the future.

III. Market Design

Under the transmission tariff on file with FERC, GridFlorida will manage congestion through a flowgate approach with physical transmission rights ("PTRs"). Each scheduling coordinator must submit balanced schedules of generation and load, including necessary PTRs, to the RTO on a day-ahead basis. GridFlorida will rely on mandatory incremental bids ("incs") and decremental bids ("decs") submitted for generators to manage real-time congestion. The Commission concluded that the physical rights model with balanced schedules should be maintained, see Order at

⁴ The only exception is a provision that avoids the double-charging of load that is served by two or more pre-existing agreements, one of which will be phased-out in years 6-10 under the cost shift mitigation plan. See GridFlorida Transmission Tariff, § 7.1.

20, 22, but that generators should be paid what they bid in the inc/dec market, rather than a market clearing price, see id. at 21-22. Attachment P to the GridFlorida transmission tariff has been revised accordingly.

The GridFlorida market design was designed to accommodate "Internal Control Areas." Under the ISO structure, FPC and FPL intend to become such control areas. As filed with FERC, the GridFlorida transmission tariff permits an Internal Control Area to restrict the use of dec bids for balancing service. See GridFlorida Transmission Tariff, § 1.2.3 (as filed with FERC on May 29, 2001). To ensure GridFlorida is able to address overgeneration in the GridFlorida region given the additional Internal Control Areas, the GridFlorida market design has been amended to provide that GridFlorida will utilize voluntarily submitted dec bids to address overgeneration in the ISO, but if insufficient voluntary bids are available GridFlorida may order an Internal Control Area that is over-generating to decrease the generation in that control area. See GridFlorida Transmission Tariff, § 8.6.5.

IV. Planning and Operations

The GridFlorida planning protocol is included in Attachment N to the GridFlorida transmission tariff. The planning protocol currently on file with FERC reflects the RTO structure contemplated at the time the protocol was prepared, *i.e.*, GridFlorida as a transco that would own a significant portion of the transmission assets in the Florida Reliability Coordinating Council.

As part of the transformation of GridFlorida to a non-profit ISO, the Applicants compared the transco planning protocol in Attachment N (including how it would need to be changed to apply to an ISO structure) to other planning protocols prepared specifically for ISOs. The Applicants determined that the planning protocol adopted by the Midwest Independent System Operator ("Midwest ISO"), which has been approved by FERC, Midwest Indep. Trans. System Operator, Inc., 97 FERC ¶ 61,326 (2001), provided the best platform for preparing a GridFlorida ISO planning protocol. That planning protocol provides for more of a collaborative process among the ISO, transmission owners, and other market participants, allowing the ISO to better utilize the expertise of the transmission owners and other market participants for planning. It thus will better allow for an expedited and more efficient transition to a GridFlorida ISO structure, better allow the ISO to plan for all users of the transmission system, and better maintain high levels of reliability.

Like the GridFlorida planning protocol currently filed with FERC, under the new ISO planning process customers will continue to directly interface with the RTO for planning, interconnection requests, and transmission requests. Also, GridFlorida will continue to have ultimate decision-making authority over planning, and will

develop the regional transmission expansion plan through an open and participatory planning process. Additionally, the planning process will continue to (i) identify and facilitate the adoption and implementation of transmission projects and/or potential generation alternatives that can effectively relieve congestion; (ii) identify and evaluate longer range needs and facilitate transmission projects to expand competitive markets; (iii) maintain and enhance the efficiency and reliability of the transmission system; (iv) consider whether expansion plans required to provide requested transmission service can be combined into a more efficient expansion plan; and (v) assess whether expansion can efficiently reduce overall transmission system losses. See GridFlorida Transmission Tariff, Attachment N, § I. The Applicants have made a number of changes, many at the request of stakeholders, to provide additional clarity and specificity on these points.

Additionally, the Applicants have incorporated a number of enhancements from the GridFlorida planning protocol on file with FERC, which are not included in the Midwest ISO's planning protocol, into the new ISO planning protocol. These include:

- As a transition mechanism, GridFlorida will adopt and incorporate into its transmission expansion plan the most recent 10 year plans of all participating transmission owners. See id. § VI.
- The Commission has the right to review the GridFlorida Plan (and supporting data) and to provide input to GridFlorida and transmission owners during the decision making process. Id. This provision will not in any way limit the Commission's exercise of its jurisdiction. See Order at 19.
- GridFlorida will develop Planning and Facilities Standards. See GridFlorida Transmission Tariff, Attachment N, § IX.
- A transmission customer can request enhanced or special facilities, and can construct a delivery point or enhanced facilities itself on an expedited basis. See id.
- GridFlorida will develop databases used in the planning process, coordinate planning with non-participating transmission owners and other RTOs, and periodically monitor real-time data to identify emerging trends that require modification of planning assumptions to assure the reliable operation of the transmission system in the future. See id. § XI.

- The procedural time-frames for the planning process have been maintained, though at the request of stakeholders the specific starting date for the process has been left to the discretion of GridFlorida. Id., Attachment N-1.
- The transition criteria for the initial GridFlorida plan have been retained. Id., Attachment N-2.
- Specifications regarding new delivery points have been retained. Id., Attachment N-3.

The new planning protocol thus includes a number of enhancements to the Midwest ISO planning protocol, which FERC already has approved. It provides a balanced and effective planning process that is best suited to the new ISO structure, and is consistent with the Commission's desire for a transitional approach to RTO development. Similar planning protocols are being successfully implemented by ISOs today.

The Applicants note that conforming changes have been made to the Operating Protocol, which is Attachment O to the GridFlorida transmission tariff. Also, the Applicants have amended Attachment R to the GridFlorida transmission tariff, which relates to terms and conditions applicable to delivery point interconnections. Attachment R was specifically drafted for the prior transco structure. Under that structure, point of delivery interconnections typically would have been between the RTO--an independent entity--as transmission owner and the party wishing to interconnect with the RTO's system. In light of the move to the ISO structure, this assumption underlying the prior Attachment no longer will hold true. In these circumstances, point of delivery interconnections will impact the ISO, the transmission owner, and the interconnecting party, raising additional relationships that should be addressed. The Applicants believe under these circumstance that it is appropriate to permit the ISO to develop delivery point terms and conditions.

V. Participating Owners Management Agreement and Agency Agreement

The Participating Owners Management Agreement (“POMA”) is the agreement by which transmission owners will transfer operational control over transmission facilities to GridFlorida. In addition to the POMA, transmission owners participating in GridFlorida must execute an Agency Agreement. The Agency Agreement allows GridFlorida to arrange for transmission service under the

GridFlorida transmission tariff over facilities that are not under its control.⁵ These agreements strike a careful and appropriate balance between the requirement that transmission owners transfer control over their facilities to GridFlorida, and the need to ensure that the transmission system is operated safely and reliably for the protection of the customers and investors of all transmission owners participating in GridFlorida.

In this filing, the Applicants have made certain modifications to the POMA and the Agency Agreement currently on file with FERC to reflect the fact that GridFlorida will now be organized as a non-profit corporation and will not own transmission facilities. In addition, certain modifications were made to the POMA to parallel amendments made by the Applicants to the GridFlorida transmission tariff. Finally, certain provisions were amended for clarity and in response to stakeholder comments.

VI. Other Changes to GridFlorida Documents

A number of changes to conform the GridFlorida transmission tariff to the provisions discussed above have been made. The Applicants also have amended the cut-off date for when (a) transmission facilities are considered existing facilities (and thus included in the zonal rate) or new transmission investment (and thus included in the system-wide rate), see GridFlorida Transmission Tariff, §§ 1.11A, 1.26A, and (b) existing agreements automatically will be converted to service under the GridFlorida transmission tariff, see id., Attachment T, § 8.1. Investments or new agreements entered into on or after January 1 of the year GridFlorida begins commercial operations will be considered new transmission investment and agreements subject to automatic conversion, respectively.

This change reflects the fact that the start-up date for GridFlorida has already been delayed beyond the original proposed date. The phase-in plan was designed to mitigate cost shifts to GridFlorida customers. If the date delineating new versus existing investment was not moved, a number of facilities would be considered new investment, and thus charged to all load through the system-wide charge. This would exacerbate, rather than limit, cost shifts. Further, if the date for automatic phase-in of existing agreements was not also moved, then facilities may be put into service in response to new service requests which would have to be recovered from zonal load without concurrent revenues from a grandfathered agreement.

⁵ GridFlorida must make transmission service over distribution facilities available to wholesale transmission customers under its transmission tariff.

The Applicants also have revised the provisions of the transmission tariff, the POMA, and the Agency Agreement related to liability for damages arising out of service provided by GridFlorida. See id. § 10.3; POMA, § 10; Agency Agreement, § 7. The changes are necessary to retain, at the wholesale level, the protection currently provided to utilities in Florida under state law and Commission regulation. The language in the revised transmission tariff parallels liability language currently contained in the retail tariffs of the three Applicants.

VII. Cost Impacts on Retail Customers

Attachment 2 to this filing includes estimated start-up and operating costs for GridFlorida. These costs are estimated based on a blueprint created by Accenture for implementation of a transco structure, adjusted to reflect the move to an ISO structure. The major adjustments are explained in Attachment 2.

Total start-up costs for the new GridFlorida structure are estimated at \$186.6 million, including each Applicant's incremental costs associated with GridFlorida. See Attachment 2, Start-Up Cost Calculations, column 14, line 25. The operating budget is expected to be \$46.5 million during the first year of GridFlorida operations. See id., Operating Expenses Calculations, column 14, line 24.

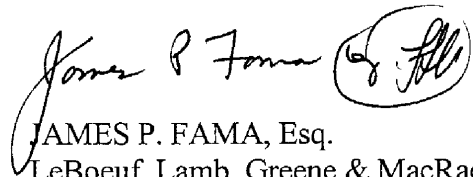
VIII. General Description of Anticipated Financing

The Applicants expect that within approximately six months following the formation of GridFlorida as an ISO and its board being seated, GridFlorida will be able to secure financing to cover GridFlorida's start-up costs and to reimburse the Applicants for their start-up costs. The Applicants believe that such financing will be possible given that GridFlorida's tariff will then be approved by FERC and the Applicants' transmission facilities will then be committed to GridFlorida pursuant to the POMA. Until such financing is in place, the Applicants expect that GridFlorida's cash requirements will be relatively minimal and that such requirements could be met through some combination of small direct loans and corporate guarantees made by the Applicants to or for the benefit of GridFlorida.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served by first class mail the foregoing document upon each person designated on the service list in Docket No. 020233-EI.

Dated this 20th day of March 2002.

A handwritten signature in cursive script that reads "James P. Fama". To the right of the signature is a circular stamp containing the initials "J.P.F." in a stylized font.

JAMES P. FAMA, Esq.
LeBoeuf, Lamb, Greene & MacRae, LLP
1875 Connecticut Avenue, N.W.
Suite 1200
Washington, DC 20009
Telephone: (202) 986-8053
Fax: (202) 986-8102

James P. Fama
LeBoeuf, Lamb, Greene & MacRae, LLP,
1875 Connecticut Avenue, N. W.,
Suite 1200, Washington, D. C. 20009

Seann M. Frazier
Greenberg Traurig
11 East College Avenue
Tallahassee, Florida 32301

James A. McGee
Florida Power Corporation,
Post Office Box 14042
St. Petersburg, Florida 33733

Joseph A. McGlothlin
McWhirter, Reeves, McGlothlin, Davidson,
Decker, Kaufman, Arnold & Steen, P. A.
117 South Gadsden Street
Tallahassee, Florida

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

N. Wes Strickland
Foley & Lardner
300 Park Avenue East
Tallahassee, Florida 32301

Lee L. Willis
Ausley & McMullen Law Firm
Post Office Box 391
Tallahassee, Florida 32302

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

Harry W. Long, Jr.
Tampa Electric Company
Post Office Box 111
Tampa, Florida 33601

Wm. Cochran Keating
Robert V. Elias
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Leslie J. Paugh
Diane K. Kiesling
Landers & Parsons, P.A.
310 West College Avenue
Tallahassee, Florida 32301

Daniel E. Frank
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, N.W.
Washington, D. C. 20004-2415

Jon C. Moyle, Sr.
Cathy Sellers
Moyle, Flanigan, Katz, Raymond
& Sheehan, The Perkins House
118 North Gadsden Street
Tallahassee, Florida, 32301

John W. McWhirter, Jr.
McWhirter, Reeves, McGlothlin, Davidson,
Decker, Kaufman, Arnold and Steen, P. A.,
400 North Tampa Street
Suite 2450
Tampa, Florida 33601-3350

Peter Antonacci,
Gray, Harris, & Robinson, P.A.
301 S. Bronough Street
Suite 600
Tallahassee, Florida 32302-3189

John Roger Howe
Deputy Public Counsel
Office of Public Counsel
C/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, Florida 32399-1400

Vicki Gordon Kaufman
McWhirter, Reeves, McGlothlin, Davidson,
Decker, Kaufman, Arnold and Steen, P.A.,
117 South Gadsden Street
Tallahassee, Florida 32301

Bill Bryant Jr.
Natalie Futch
Katz, Kutter, Haigler, Alderman,
Bryant & Yon, P.A.
106 East College Avenue
12th Floor
Tallahassee, Florida 32301