

State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

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DATE: April 22, 2002
TO: GridFlorida Companies (Florida Power & Light Company, Florida Power Corporation, and Tampa Electric Company)
FROM: Cochran Keating, Senior Attorney, Office of the General Counsel *WCK*
Roberta Bass, Chief of Market Monitoring and Strategic Analysis *Rpb*
RE: Docket No. 020233-EI - Review of GridFlorida Regional Transmission Organization (RTO) Proposal

Please find attached the Commission staff's informal data request in the above-referenced docket. This request seeks additional information from the GridFlorida Companies to clarify and explain the basis for certain aspects of the GridFlorida RTO proposal filed March 20 and 21, 2002, in this docket. Staff asks that responses to this request be submitted to staff and served on all parties by May 6, 2002. If additional time is needed to respond to any particular question(s), please contact Cochran Keating at (850) 413-6193 or Roberta Bass at (850) 413-6654.

WCK
Attachment

cc: All Parties of Record
Division of the Commission Clerk and Administrative Services
Division of Economic Regulation (Ballinger, Bohrmann, Breman, Draper, Floyd, Harlow, Hewitt, Kummer, Wheeler)
Division of Competitive Markets and Enforcement (Futrell, Trapp)
Division of External Affairs (Dean)
Division of Market Monitoring and Strategic Analysis (Bass, Buchan, Butler, Collins, Groom, Lowe, Noriega)
Office of the General Counsel (Brubaker)

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FPSC-COMMISSION CLERK

COMMISSION STAFF'S INFORMAL DATA REQUEST TO GRIDFLORIDA COMPANIES
DOCKET NO. 020233-EI

STRUCTURE AND GOVERNANCE

- (1) The By-Laws require GridFlorida to meet in the public (with the exception of specifically identified confidential matters), yet there is no comparable requirement for the Stakeholder Advisory Committee. Please explain why Stakeholder Advisory Committee meetings are not made open to the public.
- (2) At the initial meeting of the Board of Directors, the Board is directed to adopt "in the form attached" the By-Laws, the POMA, and the Agency Agreement. Does the GridFlorida proposal as filed allow for flexibility to modify and restructure GridFlorida through these documents in the future? If so, please identify those portions of the GridFlorida proposal which allow that flexibility.
- (3) Under the description of the Advisory Committee activities, it appears that the only time a presentation would be made by the Advisory Committee to the Board of Directors is when the Advisory Committee is disgruntled. Is this correct? Was it contemplated that the Advisory Committee would be permitted to make informative presentations or demonstrate new innovative ways to accomplish RTO tasks?
- (4) Please discuss if all bodies including GridFlorida, the Board of Directors, the Board Selection Committee, and the Stakeholder Advisory Committee should have a Code of Conduct.
- (5) Please discuss if all discretionary activities by the GridFlorida Directors would be subject to audit by any of the following: FERC, the RTO's Independent Compliance Auditor, and the FPSC.
- (6) Please explain why a not-for-profit ISO was adopted instead of a for-profit ISO.
- (7) Who determines when the Board of Directors holds a closed meeting, i.e., when a matter for discussion requires confidential treatment? Are any guidelines established for that entity to make such a determination?
- (8) The Executive Summary indicates that nothing in the GridFlorida structure would preclude future proposals to adopt incentive ratemaking or other specific performance incentives for the ISO, or the adoption of a for-profit structure for GridFlorida. Please describe the process that would be undertaken to notify the FPSC of these developments. To what degree would such changes be subject to approval by the FERC and the FPSC?
- (9) Please describe the primary responsibilities of the Board of Directors.
- (10) Please describe the primary responsibilities of the Stakeholder Advisory Committee.

- (11) Please provide an overview of the level of accountability expected of the Board of Directors. More specifically, given that this Board is to be independent, would it be accountable (or does it in any way report) to any other group or organization?
- (12) Please provide an overview of the level of accountability expected of the Stakeholder Advisory Committee. More specifically, is the Stakeholder Advisory Committee accountable (or does it in any way report) to any other group or organization?
- (13) Please describe the relationship between the Board of Directors and GridFlorida management. Explain what, if any, system of “checks and balances” is contemplated between the Board of Directors and GridFlorida management?
- (14) The RTO Formation Plan describes the proposed composition of the Stakeholder Advisory Committee (Article IV). Of the thirteen representatives, two would have to represent governmental or non-profit organizations that are not utilities, provided that one representative from this stakeholder group shall be from the Florida Office of Public Counsel. Is it expected that a representative of the FPSC will be on the Stakeholder Advisory Committee?
- (15) Please describe the circumstances and the subject matter areas that GridFlorida contemplates would warrant: a) a FERC audit; b) an FPSC audit; and, c) an Independent audit.

RATE DESIGN AND PRICING PROTOCOL

- (16) Itemize the type and amount of transmission functional costs that each GridFlorida utility incurred during calendar year 2001.
- (17) Itemize the type and amount of GridFlorida RTO charges that each utility expects to incur during each of the first five years of operation of GridFlorida.
- (18) Please describe how each of the GridFlorida charges correspond to the services that the RTO will provide to each utility.
- (19) How will the utility distinguish between GridFlorida charges that each utility will seek to recover through base rates and those charges that the utility will seek to recover through a cost recovery mechanism?
- (20) Are the GridFlorida utilities proposing to recover GridFlorida charges through an existing cost recovery mechanism or a new cost recovery mechanism?
- (21) Describe the GridFlorida companies’ proposed process for the FPSC to determine an appropriate cost recovery mechanism?
- (22) If the utilities recover GridFlorida charges through a new cost recovery mechanism, will any differences exist among the new cost recovery mechanism and the existing cost recovery

clauses, in terms of how the Commission would administer the new cost recovery clause (i.e., true-up cycles, hearing schedules, etc.)?

- (23) For those GridFlorida charges that the utility will seek to recover through a cost recovery mechanism, how will each utility allocate those charges among its ratepayers?
- (24) Please specify the type and frequency of estimated and actual data that each utility will submit to the Commission to support its request for recovery of GridFlorida charges through the proposed cost recovery mechanism.
- (25) Will the additional RTO cost passed through the clause be subject to PSC review and approval or must it be passed through as presented?
- (26) Originally TDU costs were rolled into zonal rates which all transmission customers in that zone paid. If bundled load is not required to take transmission at zonal rates, how are zonal rates set for the TDU? If zonal rates are based on bundled load revenue requirements plus any TDU costs included in the zonal calculations divided by zonal load, how is the difference between the realized revenue streams (based on bundled rates) and the zonal costs treated?
- (27) If the RTO is collecting only a portion of the total revenue requirement due to the treatment of bundled retail load, how is the balance booked and treated? Is it deferred for collection at a later date?
- (28) Please identify for each GridFlorida utility the amount of revenue shifts, if any, from de-pancaking rates.
- (29) Please identify for each GridFlorida utility the potential amount of revenue shifts resulting from municipal utilities and cooperative utilities joining GridFlorida.
- (30) How will the deferred startup costs be recovered?
- (31) Tariff Sheet 163 refers to "Start up rate base." Since the ISO will own no facilities, what will be included in "start up rate base?"
- (32) Tariff Sheet 168, paragraph (3) refers to FERC assessments. Are these assessments similar to PSC regulatory assessment fees? What is the basis for the FERC assessments?
- (33) Tariff Sheets 184-5 discuss the treatment of TDU facilities. Page 184, Paragraph 2, says all TDU facilities must go under one of the options. If FERC determines that some of a TDU's facilities do not meet the integration standard, are all of that TDU's facilities disallowed for immediate inclusion in zonal rates and required to use the phase in option?
- (34) Refer to Tariff Sheet 189, New Facilities. If the ISO does not own facilities, it must somehow request or require members to build them. How will the cost of new facilities be booked and treated for retail regulatory purposes?

MARKET DESIGN

- (35) Since physical transmission rights (PTRs) will be allocated based on flowgates, please discuss how many flowgates have been pre-determined to be commercially significant. Also, discuss the process for determining flowgates, including, but not limited to, how often the matter will be studied, what happens for real time congestion, and how allocation accounts for load growth.
- (36) Will utilities that have cost based wholesale rates be limited to cost based quotes for congestion management, or is this a new service for which FERC will have to approve the rate charged?
- (37) How much detail will the LSE have to provide in order to satisfy the balanced load requirement? Will each generating unit need to be identified? Will load need to be broken down to the sub-station level?
- (38) Explain further the need for "Internal Control Areas." Why isn't TECO listed as having an internal control area? Is this only for IOUs who have previously provided control area services to munis and coops?
- (39) Will ancillary services be priced on a get what is bid approach? Will utilities who have cost based wholesale rates be limited to cost based quotes for ancillary services, or is this a new service for which FERC will have to approve the rate charged?
- (40) If GridFlorida intends to promote demand side responses, should IOU load management and interruptible tariffs be modified to allow for economic dispatch rather than just for capacity shortages?
- (41) Will revenues from regulation and operating reserve services be credited to the fuel adjustment clause?
- (42) If start-up costs are to be uplifted in order to make the generator whole, would excess revenues above costs be refunded?
- (43) What has GridFlorida done to identify and mitigate local market power or real time market power conditions? Is this a function of the Market Monitor?
- (44) Should markets proceed before the Market Monitor has established market power identification and mitigation? If so, please explain. If not, why not?
- (45) Has GridFlorida proposed an installed capacity requirement (ICE) proposal in the current filing?
- (46) The original GridFlorida filing at the FERC contained balanced schedules. This portion was accepted by FERC. Please explain the original rationale for proposing balanced schedules and justification as to why that rationale continues to apply today.

- (47) The original GridFlorida filing at the FERC contained a clearing price method for the balancing energy price and congestion management. This concept was rejected by the FERC. What were the primary reasons the FERC rejected this portion of the filing and do those same facts and circumstances exist today?
- (48) The original GridFlorida filing at the FERC contained physical transmission rights as a means to allocate transmission across congested areas (flowgates). The FERC accepted this portion of the original filing. Please explain the original rationale for proposing physical transmission rights and justification as to why that rationale continues to apply today.

PLANNING AND OPERATION

- (49) Please describe the effects of the changes from the previously filed planning protocol to the currently filed planning protocol.
- (50) What will be the role of the POs in determining ATC, if any?
- (51) On Sheet 204 of Attachment N of the current filing, the transference of “operational control of transmission facilities” is mentioned, whereas in the MISO planning protocol approved by FERC, the type of control transferred is “functional.” What is the difference, if any?
- (52) For purposes of this question, assume the following scenario: (a) GridFlorida determines that construction is necessary; (b) the PO does not wish to own and construct facilities; and (c) the transmission provider is unable to enter into alternative arrangements. The OATT states that the PO may contest its obligation by citing an undue financial burden. Who will make the final determination as to whether the PO faces an undue financial burden? Why is undue financial burden the only basis established in the OATT upon which a PO may seek relief from responsibility to build?
- (53) When the transmission provider determines that transmission construction is necessary, should the construction of the needed capacity be bid out rather than giving the PO the right of first refusal? Should there be a threshold at which point a bidding process would be required?
- (54) In Attachment N, Original Sheet No. 212 states, “The process for carrying out the planning of the Transmission Provider shall be collaborative with the Transmission Provider, POs, LSEs, generators, Transmission Customers, the FRCC, the FPSC and other market participants.” Is the FPSC’s role in the planning process expected to be collaborative or will the FPSC have a “review and approval” role in the planning process?