BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. UNDOCKETED

In the Matter of

PROPOSED RULEMAKING ON
STANDARDIZING GENERATOR
INTERCONNECTION AGREEMENTS
AND PROCEDURES.
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PROCEEDINGS:	WORKSHOP
BEFORE:	CHAIRMAN LILA A. JABER COMMISSIONER J. TERRY DEASON COMMISSIONER BRAULIO L. BAEZ COMMISSIONER MICHAEL A. PALECKI COMMISSIONER RUDOLPH "RUDY" BRADLEY
DATE:	Wednesday, April 24, 2002
TIME:	Commenced at 9:45 a.m. Concluded at 2:40 p.m.
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	TRICIA DeMARTE Official FPSC Reporter (850) 413-6736

IN ATTENDANCE:

ROBERT ELIAS and JENNIFER BRUBAKER, FPSC General Counsel's Office.

BRIAN J. MURPHY, W.R. "BOB" SCHONECK, and C. MARTIN MENNES, Florida Power & Light Company.

GARY L. MACEY, Florida Power Corporation.

ARTHUR L. NORDLINGER and GREG RAMON, Tampa Electric Company.

ROBERT C. MECHLER, Reliant Energy Power Generation, Inc.

JOE WELBORN, Seminole Electric Cooperative, Inc.

ROBERT C. "BOB" WILLIAMS, Florida Municipal Power Agency.

JOSEPH REGNERY, Calpine Corporation.

RICK WOLFINGER, Constellation Power.

P R O C E E D I N G S

CHAIRMAN JABER: Good morning. Let me first apologize for being late. We had multiple proceedings going on this morning. I think some of you probably knew that we had a telecommunications collaborative going on in Internal Affairs, and there was no real good time for me to take a break and come over here. So I apologize for any inconvenience.

I want to welcome everyone here today. I know this was a workshop that the Commissioners requested. These are very timely, important issues, and we want to make sure that we hear from everyone. I would ask before counsel reads the notice that we all make sure we know not to interrupt each other and that this workshop will be governed in a very orderly fashion. I would ask that you listen to the Commissioners' questions carefully and give a very precise, concise answer and prevent any confusion that might be created.

And with that, Ms. Brubaker, read the notice, and I've got some opening remarks.

MS. BRUBAKER: Pursuant to notice, the Florida Public Service Commission has set aside this time and place for the purpose of holding a public workshop on generator interconnection procedures and agreements. The purpose of the workshop is set out more fully in the notice.

CHAIRMAN JABER: Do you want -- do you need to take appearances now or as they speak?

MS. BRUBAKER: We can do it at your preference, Commissioner. We do have a sign-up sheet, so we should have a record of who all attended personally. We would ask that as people approach the microphones to speak that they do identify themselves for the record.

CHAIRMAN JABER: Okay. I think that's better. Let's just wait and hear who the speakers are. As you all know, Commissioners, in 1996 FERC issued Order 888 which laid the foundation of the promotion of wholesale competition by opening up access to the nation's grid. Order 888 encouraged but didn't require the formation of the ISOs.

In December of '99 FERC issued Order 2000. The objective of that order was that all transmission-owning entities in the nation, including the nonjurisdictional entities, would place their transmission facilities under the control of an RTO. As a further step in trying to promote competition, the FERC issued an advanced notice of proposed rulemaking in October of last year stating that it intended to adopt a standard interconnection agreement and procedures that would be applicable to all public utilities that own, operate, or control transmission facilities.

As the FERC noted in that ANOPR, generator interconnection is a critical aspect of the open transmission service. We agree with the FERC that in order to fully realize the benefits of open access transmission service procedures

must be established that will promote needed investment and infrastructure and encourage efficient siting processes. However, such procedures should not compromise the reliability of the grid and must recognize that the states and regions may have unique characteristics that need to be considered.

Parties, your presentations today will assist the Commission in better understanding these issues. Let me add a caution here. We do have a pending RTO proceeding, and we have a workshop on the RTO proceeding; I think it's May 29th. I would ask that you stay away from that proceeding to the degree you can. We are not here to relitigate those RTO issues.

So with that, let's get started.

MS. BRUBAKER: Commissioner, if I could just add one more thing. The presenters that we're having this morning have asked that questions during the presentation be limited to clarifying questions only. There will be time after the presentations to ask questions, offer comments, differing viewpoints and what forth, and also to remind that since this proceeding is being recorded, as you approach the microphone, please do identify yourself for the record.

CHAIRMAN JABER: Okay. The first thing I have on the agenda, Ms. Brubaker, is there will be a joint presentation by FPL, FPC, and TECO.

MS. BRUBAKER: That's correct.

MR. NORDLINGER: Good morning, Commissioners, Staff,

ladies and gentlemen, my name is Art Nordlinger. I'm the manager of generation interconnection services for Tampa Electric, and I'll be making a presentation on behalf of the three companies.

To my left are -- and assisting me are Bob Schoneck of Florida Power & Light, who's the manager of transmission planning, and Gary Macey of Florida Power Corp, who is the manager of transmission operations.

I have a lot to cover today, but to ensure that we're all starting the day with a common knowledge of what generation interconnection entails, I'll begin with some definitions, some examples. I'll be discussing the interconnection process and the treatment of interconnection costs, and then I'll try to give some perspective on interconnection in Peninsular Florida, the impact on transmission planning and siting, and ultimately, I'll wrap up with some brief comments about FERC's ANOPR on interconnections.

So what is generation interconnection service? Well, it's a service under each transmission provider's Open Access Transmission Tariff, but the important thing is that it be distinguished from deliverability; that is, under the tariff, there is transmission service or deliverability service. Generation interconnection service is a separate service from that. So as things stand today, generation interconnection service entails a connection to the grid, but it does not

include transmission rights.

Okay. Generation interconnection is governed for all the transmission providers by their individual procedures. And each of the three companies have their procedures posted on their OASIS. And although they're very similar to each other, they -- and they're very consistent, they are unique to each company.

Transmission -- or excuse me, interconnection procedures guide the interconnection process, and I'll be going over that in some detail in just a minute. Generation interconnection entails also a generation interconnection agreement, and it could also be an interconnection and operating agreement between the transmission provider and the generator. And this is nothing more, really, than a contract that spells out all the details of an interconnection: What facilities need to be built, when they're going to be built as far as construction schedule, the cost of the facilities, and who's going to pay for them. And then in terms of an operating agreement, it may also spell out the details of the operation of the interconnection and also the operation of the generator, it may have some details about that as well.

Okay. So when we say, "generation interconnection," just what are we talking about? So I'm going to try to give you a feel for that. This is a substation, and the black boxes represent circuit breakers, and the lines with arrows represent

transmission lines. Say we want to connect a generator to the substation. Well, there's a number of ways that we could do that, and the first one I'll talk about is called radial service. So there's what we call a radial connection from the generator to the substation.

Now, to connect this generator, we'd need to put in some new equipment. One would be this new circuit breaker that's kind of outlined in dotted lines there. And there would be a line, that is, a transmission line, that connects the generator to the substation, and that could be short or long. And then there would also be some other ancillary equipment, possibly switches, metering, protection equipment, some other things like this.

Now, additionally, the connection of this generator to a substation could also have other impacts; that is, some of the equipment that existed in the substation might be impacted by this generator; that is, that the equipment was not originally sized in order to be able to handle the extra power that a generator would put out and therefore might need to be replaced as well. So some of those other circuit breakers, for instance, might need to be replaced.

Additionally, it's possible that equipment that's in other substations that are nearby also might be impacted by the interconnection of the generator and might need to be replaced as well. Now, this is one way, as I said, a radial service

that we could connect a generator. Now, there's other ways.

For instance, if we have two substations that are connected by a transmission line, a generator might elect to connect somewhere along that transmission line. So just how would you do that? Well, what we would do is, we would break the line at some point and run lines, either short or long, depending on how far away the site was from the transmission line, to the generator site and then we'd connect in. And this is what we call looped service because there's not just one connection like there was in the radial service but there's two connections. Again, this generator could possibly also cause impacts on some equipment in Substation 1 or Substation 2 that might need to be replaced as well.

Okay. There's a variety of different facilities that might be part of an interconnection that might need to be added or, again, upgraded. It could be circuit breakers, line switches. You can certainly read the list. But we just wanted to give you an idea of some of the facilities that might be impacted by generation interconnection.

Okay. Let's go on to the process of connecting a generator. Well, the process, as I said before, is governed by each transmission provider's procedures. And like I said, at least here in Florida they're very similar, so that means I can -- it makes it easy for me. I can do one set of procedures here that pretty much covers it for all the companies. It's

pretty much the same steps.

Now, the procedures also spell out what the time frame is for each of the steps, and I don't really elaborate on that as we go along, but I just wanted you to be aware of that, that each step has some limited time frame in which it needs to be completed.

Okay. So the process begins, according to if you read the procedures, when the generator submits an application to interconnect, but really, the process begins long before that because the generator would be looking for a site. It needs to find a place to build this generator, someplace of course that has all the facilities that he needs to build a generator. So by the time the generator comes to submit an application, they're pretty far down the road. They've got a lot of background done on this project.

So they submit an application. What's that entail? Well, they need to tell the transmission provider just where it is they want to interconnect. They need to tell them when, and they need to provide a whole bunch of data about their generator so that the transmission provider can properly assess what the impact of that generator is going to be on the system.

They also need to provide that data so that the generator -- or the transmission provider could figure out just what equipment would need to be added and what size of equipment would need to be added in order to facilitate the

interconnection. They provide a deposit that's used to pay for the studies that would need to be done, and additionally, some transmission providers require that the generator show that they have control of the site, where they're going to build a generator.

Now, once they have a completed application, that establishes the generator's queue position. Now, all the queue position really is, is a date. For a transmission provider that has a lot of people wanting to interconnect, it basically just dictates what order they're all going to be studied and at what -- and what order they're going to move through the process.

CHAIRMAN JABER: How is that order decided?

MR. NORDLINGER: It's just first in time. So when you have a completed application, you get your date, and that determines your order.

Okay. So once you've got your queue position, the transmission provider would send you a study agreement. The study agreement basically says, this is what -- based on the information you've provided us, this is the study that we think we need to do, or studies that we think we need to do, in order to determine your impact on the system. And we'll give you an estimate of what we think it's going to cost us to do your study, and we'll tell you when we're going to have it done.

So you sign an agreement, and you start the

first study. Now, the first study is the feasibility study, and that looks at basically, you know, is it feasible to connect a generator here? Things like, well, as we said, we need to add equipment to the substation. Is there even room to connect it? Or if there were a looped kind of connection, what are the practicalities of being able to run lines from the existing right-of-way where the existing line runs to where the generator says he wants to be? So some of those things need to be looked at, as well as things like generally what equipment do we need to interconnect? A circuit breaker, switches, meters, whatever it might be.

We'd also look at impacts on existing equipment, so circuit breakers that might be what we call overdutied, that is, they would need to be upgraded in order to accommodate the generator. And we'd also look at this point at impacts on other adjacent transmission systems. Oops, it seems to me I didn't push my button here. There it is. Okay. Sorry. Anyway, there would be possibly impacts on adjacent transmission systems, and those would need to be coordinated. So, again, we have our one-line diagrams, and I already described some of the facilities that might need to be upgraded or added in here.

Okay. So, now, there's a decision point. The transmission provider gives the generator the feasibility study; says, this is what I think it's going to take to

interconnect your generator; this is pretty much the equipment that's required; and these are the impacts that you're going to cause on other existing parts of the system. And the generator would then decide, well, that seems to be reasonable, or it agrees with what they thought it would be, and we're going to go on, or well, maybe there is some things we didn't anticipate here, maybe we need to pick a different site or start over, or whatever it may be. But let's assume that things turned out to everybody's satisfaction and we decide to go on.

The next thing we do is a facility study. A facility study really builds on the feasibility study. Where the feasibility study says, this is the equipment that I think you're going to need to interconnect your generator, a circuit breaker, a switch, meters and what have you, a facility study will say, you need a circuit breaker, this model number, this size. It might be that detailed, it might not be quite that detailed, but at least this is the size of the circuit breaker, this is the size of the switch, this is the kind of metering equipment and protection equipment that would need to be added. And it would be detailed enough that I could come up with a cost estimate at that point and say, this is what I think it's going to cost to do this interconnection, and this is the time it would take to construct it.

Additionally, for the upgrades of existing equipment, same story; that is, a cost estimate of what it would cost to

replace that equipment and the construction time that would be required. So now the generator hopefully has a good feel for what this is going to cost and what it's going to take to interconnect this generator to the system, and they have another decision: Should we go on?

Assuming that they say, yep, this sounds like a good project, let's keep going, the next thing we do is, we negotiate an interconnection agreement which might be, again, an interconnection and operating agreement. Again, this is just a contract to build these facilities that might have some operating parameters in them. So -- but there are other things that are included there as well: Milestones for construction of the facilities and construction of the generator, allocation of the cost, who's going to pay for this thing. There is probably provisions for security to be posted, payment terms, construction standards. You can see them all there and all kinds of other contract terms and conditions.

So assuming that we agree on the terms and conditions and details of this interconnection agreement, we would execute the agreement, everybody would sign the contract, and it would be filed at FERC for their acceptance. If we, for whatever reason, couldn't agree on some of the terms and conditions, it would still be filed at FERC, and we'd then ask FERC to rule on what the proper procedures -- or what it should be.

So FERC would issue their order. There possibly --

if they don't agree with -- if they were asked to rule or if they don't agree with something that's in the agreement, they would require compliance filing, possibly. Ultimately, you'd have a final order and a final agreement. The generator would provide security, and the facilities would be built in the time frame that hopefully the agreement calls for.

Okay. That's pretty much the process, and that's about all I have on the process. So the next thing I'd like to cover is the treatment of costs for interconnection.

CHAIRMAN JABER: On the process --

MR. NORDLINGER: Yes.

CHAIRMAN JABER: -- what's the point of entry for the parties to address their disagreement with FERC? At what point would you be able to go to FERC and say, we don't agree with your decision, or give us a hearing, or --

MR. NORDLINGER: Well, my understanding of the process is that -- now, are you saying that we didn't agree up front, or that we didn't agree with what FERC ordered? I don't understand the question.

CHAIRMAN JABER: With what FERC has ordered. You said FERC issues an order.

MR. NORDLINGER: I see. Okay. Yes. Yeah, FERC issues an order, and either of the parties, my understanding is, can ask for a rehearing of the FERC order. So they would ask to rehear the order, and then FERC -- well, first they

would say, yes, we'll rehear it, or no, we won't. And then if they do rehear it, then they take some type of arguments, I guess, and then rule.

CHAIRMAN JABER: Is there anything that happens between when you file it with FERC, when you file the agreement with FERC, and when it issues its order? Is there any negotiation with FERC, any workshop with FERC?

MR. NORDLINGER: Allow me to ask one of our FERC attorneys. It's a 60-day clock that runs, and usually they do not hear any kind of argument or anything like that; is that right? Oh, right. When you make your filing for reconsideration, that's when you make your points, make your arguments.

CHAIRMAN JABER: Thank you.

MR. NORDLINGER: Okay. Treatment of interconnection costs. Okay. Initially, as it says here, the generator funds all of the facilities necessary for interconnection and that includes upgrades to the existing equipment. So the generator is going to pay for all this -- whatever, circuit breakers, lines, whatever would have to be added. And also, if some of the existing equipment has to be upgraded, they will pay for that as well.

Now, it used to be that that was the end of the story; that is, FERC used to use what we call the "But For" test. So they'd say, well, we wouldn't have had to add any of

this equipment but for the interconnection to this generator, so the generator would pay for it. That was that. Over the past year or two, that's changed to some extent. And I'll try to get into the details of that.

Okay. The facilities that are added to interconnect the generator that are now considered part of the transmission system, and so, for example, if you want to -- I don't want to go back to Slide 11 here because it's too hard to deal with, but if you want to shift back to your Slide 11 and look at the radial facility there, you can see that we added a circuit breaker, for instance. Under the "But For" test, the generator would pay for the circuit breaker. Well, the generator still pays for that circuit breaker, but that circuit breaker is now considered what they call a system upgrade. And what that means, the implication of that is that system upgrades are eligible for credits when transmission service is taken.

Now what's "credits" mean? All that means is that at some point in time in the future when the generator takes transmission service, they get a bill for transmission service, but they can use those credits, dollar for dollar, against that bill. So if the bill is $10,000 and they have credits for the cost of the facilities which is a million dollars, let's say, then the bill is $10,000, they get a credit of $10,000, the bill is zero, or the amount owed is zero, and that account which was a million dollars, let's say, is now reduced by the

10,000 until it's used up.

COMMISSIONER DEASON: Who has title to that item of -- that is considered a system upgrade, who has title to that piece of equipment?

MR. NORDLINGER: Well, no, it's owned by the generator -- by -- excuse me, I misspoke. It's owned by the transmission provider. So it's part of the transmission system. Now, the effect of this ultimately, and I'll get into this a little more, is that after all the credits are used up, that is, you've given all the money back, that's essentially the same as the transmission provider having paid for the equipment because you've given the generator the money back that they paid you for it, so it goes into rate base, or it becomes eligible to be part of rate base.

COMMISSIONER DEASON: When that item is first put into the system and it's considered a system upgrade, it is owned by the transmission company?

MR. NORDLINGER: Yes.

COMMISSIONER DEASON: Okay. But you have the obligation to -- it goes in, but you have not invested any money in that facility yourself, so --

MR. NORDLINGER: Exactly.

COMMISSIONER DEASON: -- it's not part of your investment base.

MR. NORDLINGER: Exactly.

COMMISSIONER DEASON: But as you refund the credits, well, then, you start getting an equity position in that piece of equipment yourself.

MR. NORDLINGER: Exactly.

COMMISSIONER DEASON: Okay.

COMMISSIONER BRADLEY: Talk a little bit more about the credits. Who refunds the credits?

MR. NORDLINGER: Okay. The transmission provider is holding this account, if you will; that is, the generator has paid for these facilities, and the transmission provider has actually used that money to pay for the facilities since they built them, pay the vendors, the constructors and whatever. But there is basically now an amount of money, a dollar amount, that is eligible for credits, and it's the same amount that the generator paid you. So if the generator paid you a million dollars for the interconnection, then the amount that they're eligible to use for credit is a million dollars.

So, essentially, the next million dollars of transmission service that they take, they get a bill that says whatever the amount is for the transmission service, you used your credit of the same amount, so the bill is zero.

COMMISSIONER PALECKI: Are the credits determined by FERC or negotiated between the parties? How is that agreed upon?

MR. NORDLINGER: Well, it's the actual amount that

the generator paid for their facilities.

COMMISSIONER PALECKI: What happens if that's subject to dispute?

MR. NORDLINGER: Well, when you say, "subject to dispute," that is, the way it typically works is that if I build a circuit breaker, a short transmission line, some other facilities, I'm going to submit to the generator the bills for just what that cost to build. Now, they may say, wow, you gold plated this or whatever, but it shouldn't get to that point only because the interconnection agreement should spell out exactly what I'm going to build.

So way up front when we did the facility study, we said, this is what we're going to build, and everybody agreed. This is what we're going to build, and this is pretty much what we think it's going to cost. So hopefully it's pretty well -- by the time you get to the point where the generator is actually paying you for it, it should be pretty much what everybody expected, I would hope. So -- and it's the actual amount, not the estimate, that's eligible for credit. So however much they wrote you in checks to pay for these facilities, that's the amount that's eligible for credits.

COMMISSIONER BRADLEY: Okay. Just one other question. Let me see if I understand this. The generator builds the -- does the facilities upgrades; right? He upgrades the system.

MR. NORDLINGER: No, the generator builds his own generator.

COMMISSIONER BRADLEY: Okay. So the transmission -- okay. That's where I missed.

MR. NORDLINGER: Yes. The transmission providers builds the --

COMMISSIONER BRADLEY: Builds the upgrade.

MR. NORDLINGER: -- upgrades to the transmission system.

COMMISSIONER BRADLEY: Okay. And gets the credit.

MR. NORDLINGER: Right.

COMMISSIONER BRADLEY: Okay. That answers my question.

MR. NORDLINGER: And something that is an important point, and thank you for reminding me, is there has to be designated a point of interconnection. That's the point -- and it's typically also the point in change of ownership; that is, the generator is going to build up to here, and the transmission provider is going to build from that point back to the transmission system and all the upgrades in the substation as well.

COMMISSIONER DEASON: I have another question. You indicated that if, for example, there's a million dollar amount expended for system upgrades, once the generator is interconnected and actually starts taking transmission service,

that they get credits -- immediate credits for that million dollars as -- for example, if the first month, if their transmission bill is a million dollars, their bill is zero; correct?

MR. NORDLINGER: Correct.

COMMISSIONER DEASON: Is that FERC policy, or is that just the way you do it? And I guess my question is, if, for example, there's a million dollar upgrade and engineers estimate that it would last ten years, why don't you amortize that one-tenth per year while they're taking transmission service and give them credit one-tenth a year over ten years?

MR. NORDLINGER: I understand your question, and to my knowledge, FERC policy is that it's on a dollar-for-dollar basis as you take transmission service; that is, that is the FERC's policy for system upgrades.

COMMISSIONER DEASON: That's a pretty rapid recovery, isn't it?

MR. NORDLINGER: Yes. Generally, you could estimate that a generator would get all their money back in less than three years and most -- and very often less -- in a year or so.

COMMISSIONER DEASON: Well, you anticipated my next question. On average, full recovery of system upgrades is achieved from one to three years?

MR. NORDLINGER: Yeah, three years would be a very expensive interconnection. Most interconnections just, you

know, doing a quick calculation, you'd think that the generator could -- would take that much service in about a year, could be two, and three, you know, we would guess at the outside.

COMMISSIONER DEASON: Thank you.

MR. NORDLINGER: Okay. Now, there's another part to this, and that is that these credits up until recently were on a dollar-for-dollar basis, but now FERC has also ruled that the credits need to be returned with interest. So, now, if the generator pays the million dollars, that's what's in their account, and they take transmission service for a million dollars, they actually have a million dollars plus interest at the FERC rate.

So if it's 4 percent right now or so and it takes a year, so that would be $1,400,000 that they have to -- or $1,040,000? $40,000. Thank you. Oops. No calculator, I'm lost. Anyway, $1,040,000 in credits that they'd actually have -- be able to take.

COMMISSIONER DEASON: How do you recover your interest expense then that you're paying the generator? Has that become part of your cost of doing business for your transmission system as a whole?

MR. NORDLINGER: I believe that's true. Yes.

Okay. One other change that's recently happened as far as the way cost recovery works are the treatment of interconnection costs with FERC. If you look at the -- again,

at Page 11 where I had the one-line diagram, I'm going to talk about the looped service now for just a second. As you can imagine, for some part of this --

COMMISSIONER BRADLEY: Excuse me.

MR. NORDLINGER: Oh, I'm sorry.

COMMISSIONER BRADLEY: Before we move from Page 19 --

MR. NORDLINGER: Oh, okay.

COMMISSIONER BRADLEY: -- it says that since 2001, credits that generators receive for system upgrades are returned with interest.

MR. NORDLINGER: Yes.

COMMISSIONER BRADLEY: Okay. I guess I'm getting a little confused here because I'm trying to figure out -- I think you said previously that system upgrades were the responsibility of the transmission companies.

MR. NORDLINGER: They're owned by the transmission company, and they are built by the transmission company, but the generator initially pays for them. Then after they have paid for them and start taking transmission service, they can get that same amount of money back in transmission service.

COMMISSIONER BRADLEY: Okay. Okay. Now we're on the same page.

MR. NORDLINGER: Okay. All right. Another change again that FERC has made is that -- and again, I was referring to the looped service on Page 11. As you can imagine, at some

point in time that transmission line is going to need to be out of service. And depending on how major or minor that line might be, it's possible that while that line is out of service for construction of the interconnection, generation on the system might need to be redispatched in order to keep overloads from happening on other adjacent transmission lines as a result of this line being out for some period.

Now, during that time that the system is redispatched, by definition the system is economically dispatched; that is, the generators are dispatched in a way that is the most economical as far as burning fuel. Now, if we have to change that dispatch, by definition that's going to cost more in fuel. There's going to be generators that are going to be running more that have a more expensive fuel and others that are going to be running less or might not be running at all that have a less expensive fuel. So there will be an incremental fuel cost that's realized during the time that that line is out.

Now -- and FERC has ordered in a number of cases that the generators can't be assigned that fuel cost -- that differential fuel cost directly. So the result of that is that it just becomes part of the fuel -- that additional fuel costs just becomes part of the system fuel cost.

COMMISSIONER PALECKI: What is FERC's reason for that? Is it to encourage additional building of additional

generation?

MR. NORDLINGER: That may be part of it. What their rulings indicate is that they don't feel that there's been a proper justification of the reasonableness of the additional fuel costs. They don't know that they can assess whether that fuel cost differential is just and reasonable. So they have said -- so they have ruled as they have.

COMMISSIONER DEASON: I mean, isn't that, the effect of that an immediate pass-through to retail customers of additional fuel costs, that but for the addition of this generation would not have existed? I mean, you're talking of fuel costs.

MR. NORDLINGER: Right.

COMMISSIONER DEASON: Fuel costs generally, and I guess it depends from utility to utility as to what their wholesale versus retail is, but, you know, most utilities in this state, 90-plus percent of fuel costs are passed through -- directly to the retail jurisdiction fuel through a direct pass-through through a fuel adjustment clause. So I guess my question is, does this FERC policy have the effect of directly increasing retail customers' bills that they pay for fuel costs?

MR. NORDLINGER: Yes.

COMMISSIONER BAEZ: Are those costs quantifiable, easily quantifiable? I mean --

MR. NORDLINGER: Generally, yes; that is, you can figure out how much -- or how you would have run your generation versus how you did run your generation and therefore figure out a differential.

COMMISSIONER DEASON: How long is this period of time does it take for a transmission system -- when there's a loop facility for the transmission system, basically to be -- you have to redispatch generation while this transmission system is being upgraded?

MR. NORDLINGER: It really depends on the situation. And I should also say, in all fairness, that in every instance with this line out does not mean that the generation would need to be dispatched. It's only in the case where taking out a major transmission line would cause overloads or other adverse impacts on other lines that the generation has to be redispatched. But -- and also it just depends on the configuration of this -- of the interconnection.

So you would hope it would just be, what, for a few weeks that you have to -- that it's just -- that you have to have it out for -- you do as much as you can without taking it out, of course. And then what's a reasonable estimate? I'll defer to my colleagues here.

MR. SCHONECK: It could take months as you're building to accommodate the new interconnection. What you do is try to find a window for clearances. And if you're up

against a schedule to meet kind of an in-service date and you can't find those windows where you don't have to run out of economics, that you get into this redispatch situation in order to accommodate those clearances on the system.

COMMISSIONER DEASON: Well, you anticipated my next question. Is there flexibility in the negotiation process between the transmission company and the generator to time this such that it minimizes the impact on the necessity to redispatch generation?

MR. SCHONECK: I think you attempt to do that, again, based on your windows. As you're coming up, you try to take your -- your clearance is kind of in your off-season. Like, when you take your units down, you take your lines out, but as you're coming up, if you need to meet an in-service date, you try to do that the best you possibly can.

But to the extent that you have to take these clearances in order to do this work and that you have to change the dispatch a little, there's a differential in cost there that has to be covered somehow. But, yes, they do try to work to the extent that they can.

COMMISSIONER BRADLEY: And my question would be this then: After the system upgrade has occurred, and just to follow up on Commissioner Deason's question about the additional cost to the customer, is the new interconnection system upgrade going to be more efficient and as a result in

the future drive down the cost of service to the customer? Is this temporary or -- the question is, is this a temporary condition, or is it a permanent increase?

MR. NORDLINGER: I'd say generally an interconnection doesn't have an impact one way or another as far as the system being more efficient. Now, as far as having additional generation that might -- that certainly might have impacts on system efficiency at some point in the future, but the interconnection itself really doesn't -- generally it doesn't affect system efficiency.

COMMISSIONER DEASON: Let me follow up on the Commissioner's question, though, but there is the argument, maybe more than just an argument, maybe it is in fact that if the new generation that comes on-line which is requiring the system upgrades, if it is an efficient generator and it's going to be part of this system and is there for retail utilities to purchase more cost-effective energy, that it may in the long term reduce customers' fuel costs.

MR. NORDLINGER: Yes.

CHAIRMAN JABER: Let me follow up on something you said about the FERC order. You said it's FERC's policy not to allow the transmission provider to collect the additional fuel costs from the generator because in FERC's opinion the transmission providers didn't provide justification showing that that was a reasonable cost that could be collected from

the generator. Did FERC go further and say, however, you can pass on the cost to the consumer, or is that just how the transmission providers have reacted?

MR. NORDLINGER: I'd say that's the net effect.

CHAIRMAN JABER: Uh-huh. So is it possible that FERC hasn't allowed the transmission provider to collect that incremental fuel cost from the generator because they've found that there was an uneconomic redispatch of generation, or are the two not related? I'm reading your bullet point --

MR. NORDLINGER: Right.

CHAIRMAN JABER: -- trying to put all the pieces together. It says, the cost to uneconomically redispatch generation cannot be collected from the new generator.

MR. NORDLINGER: Right. So that is to -- when you redispatch the system, by definition that's less economic than you would have otherwise dispatched it.

CHAIRMAN JABER: And I suppose as it relates -- and I recognize you may not even be familiar with our fuel clause, but I suppose one could argue that because there was an uneconomic redispatch and FERC has found that there isn't enough justification to allow the transmission company to collect the incremental fuel costs from the generator, then perhaps there isn't enough justification to allow that recovery even through fuel clause adjustments that are passed on to the retail ratepayer.

MR. NORDLINGER: I really don't know the answer to that.

COMMISSIONER PALECKI: So even if a party was able to successfully argue to FERC that the redispatch of generation during this construction process was the most economic redistribution possible with the construction going on, FERC still would not allow the additional fuel costs?

MR. NORDLINGER: I really can't say; that is, I can tell you how they've ruled up until now on a number of cases, you know. And what they have said is that they don't feel that -- or my understanding of the orders is that they don't feel that there's been proper justification for them to be able to say that these redispatched costs are reasonable and justified, so as a result, they have disallowed them.

Now, whether there is some other way that they could be presented such that they might change their mind, I'm afraid I really can't say.

COMMISSIONER PALECKI: Thank you.

COMMISSIONER DEASON: Well, how does that relate to this "but for" standard, which apparently they're not using? But it seems like these are fuel costs that would not have been incurred but for the construction period and the redispatch that had to take place. So FERC must have been accustomed at some point to calculating "but for" type costs, but they're not willing to do that anymore, I take it?

MR. NORDLINGER: I don't know as far as redispatch is concerned, but as you can see from this, generally FERC is not using "but for," it would seem, in many instances as far as the assignment of costs for the generators.

Okay. Well, I think we've probably covered most of what I have on my next slide, which is just really to sum up, to say that previously facilities that were part of the -- that were built for the benefit of the generator or upgraded for the benefit of the generator were paid for directly by the generator and that was that.

But now they are all considered system upgrades, or most of them are considered system upgrades, for which the generator can get credits, and those credits come back, that same amount of money comes back to the generator with interest which they can use when they take transmission service.

The net effect of that is that the cost of these facilities that were built to interconnect the generator that are now -- that FERC rules are system upgrades and also the upgrade of existing parts of the transmission system are -- ultimately become part of the transmission provider's rate base, and they're socialized to all customers.

COMMISSIONER PALECKI: If we had a merchant power plant in the state of Florida and the transmission system that the interconnection was made to was owned by an investor-owned electric utility and that generation was then transmitted to

out of state, to Alabama, for their use, would the credits still be paid by that investor-owned utility to the generator despite the fact that the ratepayers of that utility do not benefit at all from that transaction?

MR. NORDLINGER: Yes.

COMMISSIONER PALECKI: And what is the reason for that?

MR. NORDLINGER: That's the net -- that's the effect of FERC's current rules as far as how they treat the costs of these facilities.

CHAIRMAN JABER: Can we go back to the FERC order we were just discussing on the incremental fuel cost?

MR. NORDLINGER: Sure.

CHAIRMAN JABER: If FERC knew that you were not able to recover that from the retail customer, do you think it would result in a change in policy? That's the first question.

And the second question is, have the companies not pursued a change in that policy because they know they can recover it from the retail ratepayer?

MR. NORDLINGER: Okay. Well, two parts to this, and I'll also let Bob answer as well. But one is that as far as what they might otherwise rule if they knew that the costs could not otherwise be recovered, I can't say what they might rule. However, I am aware that Florida Power & Light has an interconnection agreement at FERC that -- where it was ruled

that they could not recover these incremental fuel costs that were caused because of redispatch; that my understanding is that FERC told them they needed to take that clause out of their contract. And Florida Power & Light has asked FERC to rehear that. Am I correct on that, Bob?

CHAIRMAN JABER: And you can come up to the microphone if you'd like.

MR. MURPHY: I mean, we both know the issue.

CHAIRMAN JABER: Why don't you come up to the microphone so we can hear you?

MR. MURPHY: My name is Brian Murphy of Florida Power & Light. I've spoken to you before. I think -- I just wanted to clarify one thing. I think what Art has said is correct, that FERC has generally not been inclined to look at redispatch. My understanding of what FERC has done in this issue is, they said it's a complex issue. You have to make a very specific showing that these costs are attributable to the generator.

About a year ago they had a case, I believe it was involving AEP, where they said, this is such a complex issue. We don't want to tackle it right now. We'll tackle it in the ANOPR that's supposed to come out today, and we'll give people a chance to make a showing why it's important during their standardization of their procedures in the agreement.

Art is correct that it looks like FERC has generally

not been inclined to take utilities' arguments on this, but there are opportunities for this Commission and for us to clarify our position on it. We have not had to make a specific showing yet. We've just made a general statement in our agreements that we think this redispatch cost should go to the generator. FERC has said, take it out. We'll look at it at the NOPR process. So there are opportunities on this issue to come.

CHAIRMAN JABER: And that NOPR is due today?

MR. MURPHY: Yes. Actually, as we speak they might be talking about it.

CHAIRMAN JABER: Okay. Commissioner.

COMMISSIONER BRADLEY: Yes. Here in the state of Florida our IOUs as per a Florida statue are guaranteed a reasonable rate of return on their investments, the investments that is that they make into their capital investments or into their facilities. When -- let's just talk about this process in terms of solvency and the transmission company. Who is going to guarantee the transmission company a reasonable rate of return on their investment when they take the investment from the -- from when they purchase or receive the facilities upgrade from the -- or upgrades from the generator? Is that the FERC's responsibility?

MR. NORDLINGER: Well, that is, the transmission rates for the transmission provider are approved or accepted by

FERC and these facilities, by the way FERC has ruled, become part of the interconnected transmission system and therefore part of the transmission rate base. So I would guess that then if FERC is the jurisdiction that rules on transmission rates, then these facilities would go into transmission rates.

COMMISSIONER DEASON: But let me ask you -- let me follow up on that question. It becomes part of your transmission investment, and if you were TECO, you have transmission facilities, you have generation facilities as part of your retail rate base, and isn't there an allocation procedure that takes all your transmission costs and allocates it between the wholesale and retail jurisdiction?

MR. NORDLINGER: Absolutely.

COMMISSIONER DEASON: And that if you have to capitalize more costs as a result of FERC policy, it increases your retail rate base, does it not?

MR. NORDLINGER: Yes.

COMMISSIONER DEASON: Okay.

MR. NORDLINGER: So I guess to anticipate what you're asking, is it possible that this Commission could be ultimately asked to be looking at including these facilities that were built for the generator in rate base? Yeah, I think that could happen.

COMMISSIONER BRADLEY: And what I'm thinking about is what protections that there are for the ratepayers who

ultimately, as you said, are going to pay for these facilities. What happens if -- and I'm thinking about a worst case scenario, and I'm thinking about a California type of situation. What happens if the transmission company folds? I mean, how do we deal with divestiture? Who then takes over the facilities? I mean, do they revert back to the generator who initially built them? I mean, the assumption is that these companies are going to be able to effectively and efficiently run a transmission company and remain solvent and provide a high-quality service at a reasonable rate to the ratepayer.

What happens if this company goes belly-up? Has the FERC given any consideration to -- I mean, who eats that? The FERC or the ratepayer? I mean, what has FERC -- have they anticipated --

MR. NORDLINGER: Commissioner, I really don't know. I'm sorry. To my knowledge, you know, I haven't read any FERC rulings that have addressed that in anyway, but -- so I really don't have any knowledge of it. I'll defer to my colleagues if they do.

MR. SCHONECK: I don't know of any either.

MR. MACEY: Nor I as well.

COMMISSIONER PALECKI: These credits, do those -- do they run through your rates or through the fuel clause or one of the cost recovery clauses?

MR. NORDLINGER: Why I'm hesitating is that

short-term transmission service when it's taken, it's my understanding of your rules, short-term transmission service is credited back to the ratepayers through the fuel clause. So I'm not sure. Let me see if I can work through it.

The generators paid some money in for these facilities. They take -- if they take long-term transmission service, then they get this money back and the -- and clearly then these facilities are just part of the transmission system. They're part of the costs of the utility's or the transmission provider's transmission system.

Now, if they take short-term transmission service and there's credits given back, there's another level of complication because short-term transmission service has some implications in the fuel clause, and I'm not sure exactly how that would exactly work. Is it just interchange or is it -- Gary, why don't you go ahead and chime in here? Thank you.

MR. MACEY: The process that's used is that when a customer takes point-to-point service, that is normally credited against the revenue requirements for transmission service, all transmission service, and that, therefore, would be a credit as long as the customer is taking point-to-point service. So, in essence, it reduces the rates for network customers, which would be also retail customers.

COMMISSIONER PALECKI: That's if you receive a credit. What if you have to pay a credit?

MR. MACEY: Well, what I was talking about is, the transmission rates themselves, if it's point-to-point service that we're talking about, let's assume a customer -- the generator gets a credit for the transmission service because of upgrades, then he is going to get that credit when he is charged for transmission service once he takes transmission service. And the credits will go forward against his transmission service, and in essence, he's paid back his money.

But as far as the rates are concerned, what happens with the revenues, once you get beyond the credit process, let's just talk about that for a minute without the credits, those rates -- or the revenues that are collected for point-to-point rates or service are credited against revenue requirements. Therefore, all network customers are receiving this credit and the revenue requirements for network service are reduced, okay, and that would include the retail customer.

COMMISSIONER PALECKI: Thank you.

MR. NORDLINGER: Okay. So what I'd like to do next is, I'd like to give you a little bit of perspective on interconnections that the three companies have received in Florida, or interconnection requests, I should say. To date, well, at least since January '99 when these things started coming in, these requests, the three companies have received 96 requests, and this is just requests from independent power producers.

Now, since that time -- excuse me -- since that time, 42 requests have withdrawn. There are 49 requests that are currently either pending, they're in some point in the process as far as being studied, or their interconnections are being negotiated or whatever point they are in the process, and 5 of the projects are in service.

CHAIRMAN JABER: Forgive my naivete on this issue. I'm going to ask you a series of questions that are probably just not very intelligent, but that's how I learn.

When you say "requests," those are the ones that are in queue?

MR. NORDLINGER: Yes; that is, that have submitted an application and the application has been accepted as complete and they've been given a queue date.

CHAIRMAN JABER: Okay. What incentive -- is it possible, let me just be blunt about it, is it possible that companies will make requests that never really come to fruition but they're held in queue and in the meantime other companies are precluded from making requests?

MR. NORDLINGER: That could happen.

CHAIRMAN JABER: Okay. Is there a maximum --

MR. NORDLINGER: Oh, I'm sorry. Excuse me. I may have misspoken because I may have misunderstood your question. It is possible that somebody could put in a request that is somewhat speculative. Let's characterize it that way.

However, would that preclude anybody else from putting in a request? No. There's at least for the three companies no maximum number of requests that we can take. Now, of course --

CHAIRMAN JABER: There is no maximum?

MR. NORDLINGER: There's no maximum; however, the more you get, the longer it takes. You start to get a backlog of them, or at least there's the potential for that, and therefore, it could delay the process for people who have a later queue date or who come later.

CHAIRMAN JABER: Okay. So is there an evaluation process when you get that original request that has you kicking one back because it's just not a legitimate request or --

MR. NORDLINGER: Okay. There's no evaluation process as far as it's not up to the transmission providers to judge and say, this is a reasonable request, or you're never actually going to build this, so we don't believe you, or anything like that. However, there are some assurances that the transmission providers try to put in place to make sure that the requests that they get are valid. One is site control, and I think that's a big one; that is, the generator actually has to have -- they either own a piece of property, they have some options on a piece of property. So that, I think, goes a long way towards assuring that you only get reasonable requests, and they're not just totally speculative where they don't even know exactly what property they're going to use. It's just, well,

we're going to connect somewhere near over here. So that gives them an idea.

CHAIRMAN JABER: When you get to the next request in queue, do you ever have a situation where that company is not ready, no longer has a need, do you just go to the next one in queue?

MR. NORDLINGER: That is, is possible that somebody might drop out? Absolutely. And as we said, 42 requests have withdrawn, and they withdraw at all different points in the process.

CHAIRMAN JABER: Is it a fair statement to say that -- to make that the requests that are withdrawn are the companies that have bought generation from another company or -- I mean, what makes a company withdraw its request for generation?

MR. NORDLINGER: There could be all kinds of circumstances. It's -- I think one of the biggest ones right now, frankly, is that, in my opinion, it's unfortunate that because of Enron and some other things that have happened in the market, some of the generators are having trouble getting credit right now. So they've had to scale back the number of requests or the number of projects that they're thinking about doing, which means to the transmission providers, withdrawal of requests. I hope that's just a short-term thing, but for right now that's the realities.

There are a variety of other reasons a generator might withdraw, including as they get down the road a ways and they find out that the impact that they thought they had -- were going to make on the transmission system is a lot greater -- or excuse me, the impact that the studies show is a lot greater than the impact that they thought they would have, and therefore they say, well, you know, this probably wasn't the best spot to interconnect, let's find another one. That might be a reason for withdrawal.

CHAIRMAN JABER: And one final question: Is there ever a situation where you would move the order of the requests in the queue based on need, based on a showing that some generation is extremely necessary in some pocket of the world?

MR. NORDLINGER: I can only speak for Tampa Electric in that we don't have any provisions in our procedures to allow for that.

CHAIRMAN JABER: What about Power & Light?

MR. SCHONECK: We don't either as long as they maintain a valid request with the procedures; they have site control; they move forward in the process. Basically, they're able to maintain their space in the queue.

MR. MACEY: Florida Power does not as well.

CHAIRMAN JABER: Thank you.

MR. NORDLINGER: Okay. So this was -- the idea of this slide was to give you a perspective of how many requests

there have been. Okay. Of those, 14 of these have reached the point where they actually had an interconnection agreement, whether it was executed or not, filed at FERC, and the cost of system upgrades for those 14 projects that were filed at FERC is approximately $72 million. So the net effect here is, there's the potential that $72 million in costs to build system upgrades for these generators that at some point in the future the case is that the generator takes transmission service, those costs eventually would become part of the transmission provider's rate base, or at least the cost of their system.

COMMISSIONER DEASON: And for TECO, how much of that will go to retail rate base?

MR. NORDLINGER: TECO is about 95/5 for retail/wholesale, so --

COMMISSIONER DEASON: So of the 72 million --

MR. NORDLINGER: Okay.

COMMISSIONER DEASON: -- just for simplicity, let's assume TECO of the 72.2 million is --

MR. NORDLINGER: TECO is fortunate --

COMMISSIONER DEASON: Go ahead. What is the number?

MR. NORDLINGER: Yeah, let me get it right. I have it here. I had it here. If you will bear with me just a second.

MR. SCHONECK: FPL's is the 66 of the 72 million.

MR. NORDLINGER: Okay. I've got it.

COMMISSIONER BRADLEY: Before you do that, repeat that last statement, please, about whose rate base this enters into.

MR. SCHONECK: I think we were looking, I guess, for the distribution between the three companies of the 72 million, and Florida Power & Light's of the 72 million was 66, and I guess Tampa has their numbers.

MR. NORDLINGER: Right. I can give you the numbers for the three companies that add up to the 72. It's 66.8 for Power & Light, it's 2,400,000 for FPC, and it's just under 3 million for Tampa Electric.

COMMISSIONER DEASON: And your retail percentage is 95 percent?

MR. NORDLINGER: I believe that's correct. My retail rates people are shaking their heads yes. That's good.

COMMISSIONER BRADLEY: Let's deal with rate base and base rate. Who -- FERC is going to -- I mean, who is going to deal with, I mean, with those two issues? I mean, is that something that we would be dealing with?

MR. NORDLINGER: I'm really not sure. That is, I mean, to the extent --

COMMISSIONER BRADLEY: As it relates to the transmission company.

MR. NORDLINGER: To the extent that you have a say so over what goes into retail rates, I guess the answer would have

to be yes.

COMMISSIONER DEASON: You mentioned earlier that point-to-point service gets allocated, those revenues get allocated to the retail jurisdiction. Did I understand that correctly? Or short term -- something about short-term service. What revenue gets credited to retail, and what revenue gets credited to wholesale? How is that done?

MR. MACEY: That's based on a jurisdictional split, and it varies from company to company. But as Art had said, I think it's 95 percent retail for TECO and 75 for Florida Power.

COMMISSIONER DEASON: So it's based upon a jurisdictional separation factor as well; correct?

MR. MACEY: That's correct.

COMMISSIONER DEASON: Now, you mentioned earlier, I think, in answer to a previous question that there was some type of service that the amount gets credited immediately through the fuel adjustment clause. Was this some type of a short-term transaction of --

MR. MACEY: No, it's not credited through the fuel adjustment. What I was referring to was what's called point-to-point service. It gets credited to the revenue requirements for transmission rates. Okay. And obviously, well, not obviously, but that credit, of course, would effectively reduce the rate to network customers, which are the other transmission customers.

COMMISSIONER DEASON: But as far as wholesale and retail, it's based upon an allocation factor.

MR. NORDLINGER: Yes.

COMMISSIONER DEASON: Okay.

CHAIRMAN JABER: Mike, are you all using that overhead right now?

MR. STADEN: No.

CHAIRMAN JABER: Can you move that out of the way, please.

MR. TWOMEY: Yeah, sure can.

CHAIRMAN JABER: Thank you. Go ahead.

MR. NORDLINGER: Okay. The next thing I just wanted to point out is where a generator is located. Now, this doesn't represent all the requests; that is, there are 54 active, either active or in-service requests, the 49 plus the 5. This is only 43 of them, but they tend to cluster. And you can have a look at the map. And then if you turn to the next page, I believe that the generators tend to cluster -- well, to start with, I wouldn't for a second tell you that it's easy to site a generator. It's a very complicated process. And generators have a lot of requirements, utility generators as well as nonutility generators.

Those requirements are fuel which for most of the IPPs is natural gas, water. They obviously have to find a site that they can use and that can be permitted, hopefully that the

local jurisdictions will allow them to site there, and hopefully they can find a piece of land at a reasonable price. However, I would also say that there's a possibility that because of the way FERC is now treating interconnection costs in that the generators, although they do initially have to pay them and that is an expense to them initially, since they get all of that money back with interest in arguably a relatively short period of time, that the incentive for them to locate in a way that minimizes the cost of their interconnection might -- that economic incentive might not be there.

COMMISSIONER DEASON: Let me ask a question, and this may be a really stupid one, but I'm going to ask it anyway. If these are the considerations that a generator looks at, availability of gas, water, ease of siting, and inexpensive land, if I were a generator and that was the criteria I was looking at and I really didn't care where the load was because all I've got to do is get you to connect me to a transmission system and then I get all my credits -- get it back, and if this was the criteria, it looks to me like folks would be flocking to build power plants in North Florida.

You've got a part of a gas transmission line that goes through the Panhandle all the way. Land generally is probably less expensive in North Florida than South Florida. There are probably local communities in North Florida who would welcome the tax base who right now have zero tax -- or very

little tax base so you wouldn't be, not in my backyard type syndrome; in fact, it may be welcomed. So why aren't we seeing clusters of these in North Florida if people really aren't concerned about transmission costs?

MR. NORDLINGER: Because there's still the practicality that whatever the price may be, transmission lines would have to be sited and built to interconnect the generator and move the power to the market, like you said. And, in fact, the ability to build and site long transmission lines is definitely very difficult.

COMMISSIONER DEASON: So there's not adequate transmission infrastructure currently in place in the northern sections of the state to accommodate --

MR. NORDLINGER: To move the power south, that's correct. So that's a reason that if you look at where the generators are clustering, and they understand transmission --

COMMISSIONER DEASON: Well, couldn't they -- I mean, an extreme situation under FERC policy, would it be possible for someone to locate a generator in North Florida and say, I've got plenty of time, build a transmission system capable of getting power from North Florida to Miami, and I'll get it all back in credits once you get it built?

MR. NORDLINGER: Yes.

COMMISSIONER DEASON: I mean, that's really extreme, but under FERC policy, conceivably that can happen?

MR. NORDLINGER: Yes.

COMMISSIONER PALECKI: So under FERC policy, the credits would apply to a full scale transmission line that might run a hundred or more miles?

MR. NORDLINGER: Well, now, that's different because now we're talking about delivery service. That is -- and that's a separate part as far as if a transmission -- or excuse me, if a generator comes to a transmission provider and says, I want to move "X" amount of power from Point A to Point B; the transmission provider says, sorry, there's not adequate capacity on the system to move that power, and they say, nope, I want you to do it anyway, then you run into what we call the "Higher Of" test for the FERC, which is that the transmission provider would be required to build the line and the generator would pay a transmission rate that is either the higher of the total of revenues that they would pay over the course of time that they would be moving power or a rate that's based on the incremental cost of the facilities.

So if they say, I want -- if the facilities cost a billion dollars but they say, you know, that's okay, I'll sign up for 30 years, and if the net present value of 30 years of service is more than a billion dollars, then the transmission provider is going to build those facilities and the generator is going to sign a contract that says, I'll take 30 years of service on that -- on those facilities at your transmission

rate.

But if they say, you know, I want you to build those billion dollars' worth of facilities but I only want to take service -- I only want to commit to five years; you say, okay, what's the net present value of a stream of dollars that would add up to the billion dollars of facilities over five years? And that's how you determine the transmission rate. And they would pay that -- the cost of those facilities. So that's delivery service which is also under the Open Access Transmission Tariff, but it's separate from the interconnection.

COMMISSIONER PALECKI: Where do they draw the line? What if a power plant is located in a phosphate mine in Hardee County 20 miles from the nearest transmission line and they decide to interconnect to the transmission line 20 miles away? Is that --

MR. NORDLINGER: The way it's set up today, the connection from the generator to the transmission provider or to the transmission system are, quotes, interconnection facilities; that is, they fall under what we're talking about today.

Now, the way that FERC has ruled recently, though, that 20-mile line that's looped -- probably looped into the generator substation, or the generator may say, I want you to build a substation where I am, and I want you to loop a 20-mile

line in here, and my point of interconnection is going to be outside of your substation, and FERC would say, I believe, that those are all upgrades to the existing transmission system. Network power, that is, power from other facilities or other plants, could flow down that line and down through that substation and back up around, so that's part of the interconnected transmission system; therefore, that's a system upgrade. And although the generator admittedly might have to front a lot of dollars up front, which, you know, that's not necessarily a small task, they would when they take transmission service get those dollars back against their bills as a credit on their bills with interest until it's all paid back.

So as we were talking about before, typically these things are paid back in a year or two. I suppose if you sited it badly enough, and I don't think most generators do that, but hypothetically, so it could take longer than two years, it could be, you know, any number of years after that, I suppose, if you have to build enough facilities. And again, I wouldn't for a second tell you that generators, you know, try to do that in any way because they do have to front the money.

COMMISSIONER PALECKI: Where does the FERC draw the line, though? Is there a clear line? What if it was a 70-mile line that was required to be built between the generation and the transmission line? Would that be a system upgrade? Is

there a clear line, or is that still not answered?

MR. SCHONECK: I don't think there is a mileage. What FERC has basically, I guess, ruled on in the past that what they have considered a radial connection, and on Page 11 we had two different examples, that getting to the system from a radial was considered the interconnection facilities, and that if it -- as Art had said, if it's a loop type, which was the second example on the page, where power can flow through the station, then it's more handled like a system upgrade. So that's kind of the approach. I don't think there's any type of mileage that FERC has come up with. I know you kept looking, is it 14, is it 70, but there's nothing that I've seen as far as how far away.

CHAIRMAN JABER: Commissioners, for the benefit of the audience and the speakers, let me explain what we were just handed. Apparently FERC did take up their rulemaking today on standardization of generation interconnection agreements and procedures. They voted to release a notice of proposed rulemaking that builds on the ANOPR. Comments are due 45 days after publication in the Federal Register. The rulemaking asked whether the current pricing on interconnection should be retained and seeks alternative proposals.

Go ahead. We're going to wrap this up.

MR. NORDLINGER: I'd like to.

CHAIRMAN JABER: Go ahead.

MR. NORDLINGER: Okay. So we were speaking about siting. I want to talk a little bit about planning and some of the challenges that the transmission providers are finding that they're facing as far as planning. As we said -- or excuse me, we didn't previously say this. Sixty-eight of the 96 proposed projects have significantly changed scope or withdrawn or been significantly delayed; that's 71 percent. The problem here is that when that occurs, it can cause restudies, it can cause delays. It certainly causes uncertainty, and it can increase the costs for other generators who are in the queue.

Let me kind of -- let me explain a little further. Generators that fall farther down in the queue are dependent on the results of studies that happen before them because let's say a generator who is number one in the queue is required to pay for the costs of upgrading certain equipment. Well, all the generators that are past that generator in the queue are going to depend on the fact -- their studies depend on the fact that that equipment is already upgraded. Well, what happens if when it comes to the point of some other point in the process, in any event, that generator drops out, or says, you know, the market is not right, I want to delay three years? So those facilities wouldn't otherwise be upgraded for three years hence or maybe never because that generator dropped out.

Well, now, the next people in line who were dependent on the result of that study now face the uncertainty that they

might have to pay for those upgrades in order for their interconnection to be made. So there's uncertainty here. There's uncertainty for the transmission providers, there's uncertainty for the generators.

Okay. I'd like to really quick -- hopefully quickly go through an example. This is an example just to illustrate the potential conflict between economic incentives for the generator and the transmission provider. Now, at the top we have the cost of the generator, which is the biggest cost in the whole process certainly that the generator pays. This is what it costs them to build the facilities. And some of the radial facilities, as Bob was talking about, might be directly assigned to the generator as far as the interconnection. So that's the second line.

Now, then there additionally might be system upgrades that need to be built. That's the third line. And those, again, the generator would be eligible to get back with credits. And last, like Commissioner Palecki was saying, there might be a transmission line that needs to be built in order to move this power from where the generator decided to locate to where the market is.

Well, as you can see from the example, the generator has the incentive to construct Project C because their costs are only ultimately the cost of the generator and the direct assigned facilities because the rest they get back in credits.

However, from a least-cost planning perspective, you'd select Generator B as being the total least-cost.

COMMISSIONER DEASON: Let me ask you a question. Under the section there, "Additional transmission facilities required for delivery" --

MR. NORDLINGER: Right.

COMMISSIONER DEASON: -- for Generator C, you've got $70 million there. How would -- is that subject to getting a credit back, or as you mentioned earlier, a "Higher Of" test, whatever the rate would be our incremental cost? Would 70 throw it into an incremental rate or -- explain that.

MR. NORDLINGER: It depends on the term of service, generally; that is, what determines the incremental rate is two pieces -- or whether it's incremental or rolled in is two pieces; that is, the total number of dollars that it costs to build the facilities and then the amount of time you agree to take service. So the longer you agree to take service, the more the rolled in rate would accumulate, if you will. So if you agree to take service for long enough, your rolled in rate would be higher than your incremental rate, and that just depends on those two factors, the total cost of facilities and the length of time.

COMMISSIONER DEASON: What period of time do most generators indicate that they're going to take service? And what obligation do they have if they say they're going to take

the service for 20 years? Do they have some guarantee?

MR. NORDLINGER: My experience to date has been that most generators take service or firm service if they have a long-term sales agreement with a customer. So the transmission service is most typically tied to the long-term service or sale to that customer and that's what predicates the length.

COMMISSIONER DEASON: And what type guarantee do they have to provide if they want a long-term commitment that transmission will be available? And if they say they're going to take it, what guarantee do they have to provide?

MR. NORDLINGER: Generally what they provide is -- well, I guess the first part is whether facilities need to be built incrementally, that is, additional transmission facilities need to be built, in order to accommodate their service. Let's, for instance, say that they're not required to be built. Then under the Open Access Transmission Tariff, the transmission provider who's taking long-term service provides typically a letter of credit for one month's worth of service.

If facilities have to be built -- let's say, a transmission line has to be built and it's $10 million. It would be normal for the transmission provider to ask for some type of security, like a letter of credit, that would basically assure that the transmission -- that the generator was going to take at least the amount of service that the "Higher Of" test was based on. So basically if we say -- if the generator says,

I'll take five years of service, and you say, well, you know, if you use our rolled in rates, that's going to be higher than the 10 million that cost to build the line, so no problem, we'll build you a line, but you want to make sure that sometime after you get that line built, that the generator truly does take that service and doesn't back out in some way. So you'd ask for some type of security, typically a letter of credit, that ultimately when that much service is taken, $10 million, or the present value of $10 million, then you'd say, okay, here's your letter of credit back because you satisfied your obligation, you took --

COMMISSIONER DEASON: Is that something you negotiate --

MR. NORDLINGER: -- enough credit.

COMMISSIONER DEASON: -- or is there FERC specifications on that as well?

MR. NORDLINGER: As far as -- I mean, the amount --

COMMISSIONER DEASON: The amount of the letter of credit.

MR. NORDLINGER: I guess it could be negotiated, but I would say from Tampa Electric's perspective that it's typically the cost of the facilities is the amount of the letter of credit, so --

COMMISSIONER DEASON: Thank you.

COMMISSIONER PALECKI: This slide is a hypothetical,

but can you cite to any real world examples where this has occurred or where a generator has poorly sited its plant with regard to transmission expense?

MR. SCHONECK: This is meant to be an illustration, but this does happen in the real world. When you have a system that is somewhat limited in its capability and you basically cross over that threshold to where you have to put a lot of infrastructure in place in order to move power from the receipt point, being the generator, to the load, you have to build additional facilities, where on some other places on the system that you might be able to accommodate that with some existing capability or minimal type upgrades, so, yes, this definitely happens.

This type of situation happens, and it really is just a siting issue of trying to find the places on the system that can accommodate the amount of generation that you're trying to connect. At a certain point, you will reach that threshold, and you do have to add additional facilities.

COMMISSIONER PALECKI: So you're aware of specific examples of this then.

MR. SCHONECK: Yes.

COMMISSIONER PALECKI: Thank you.

MR. NORDLINGER: Okay. Let me try to wrap up quickly. We talked quickly about the FERC ANOPR, which the Chairman was just referring to. It's an advanced notice of

proposed rulemaking which was at least in some ways a little different in that FERC kind of took an extra step in this case to kind of get everybody's ideas on generator interconnections before they actually put out the NOPR, which I understand came out today. And the purpose of this was to standardize interconnection agreements and procedures.

Just a little history real quick. It was initiated October 25th, 2001. There were workshops held last fall. Comments were due and filed February 1st. They were filed by over 100 parties, including most of the folks in this room and this Commission. And as we said, it's on FERC's docket today, and now we know what happened.

Okay. There were some outstanding issues from the ANOPR, and one of them was that pricing and cost responsibility were to be addressed at a later time according to the ANOPR. Well, from what the Chairman read, I guess this is the time, that is, that in the NOPR process it seems that, from what I understood her to read, that pricing and cost responsibility are going to be addressed as part of the NOPR.

Regional differences. This was an issue as far as to what extent regional differences should be allowed in interconnection agreements. And in specific, Florida -- a number of folks in Florida filed and made comments about -- you know, Florida has its own unique reliability situations. We have our own unique reliability standards, and those should be

part of Florida interconnection agreements, and FERC shouldn't have to rule on whether Florida reliability standards are proper. We have our own processes for that. So that was one of the regional differences kind of issues that came up.

Flexibility. As we were talking about, when generators change their parameters, their dates, when they change their projects, that causes some uncertainty. It causes uncertainty for other generators. It causes uncertainty for the transmission providers. So to what extent should a generator be allowed to be flexible, to move their dates to -- and to otherwise change their project without losing their queue position, without basically going back to square one and starting all over again and possibility waiting in line for their first study? That was an issue.

What constitutes interconnection service also was an issue, and we kind of discussed this a little bit; that is, right now interconnection service is what some refer to as extension cord service; that is, it's just the connection from the generator to the transmission system and that's it. There's no transmission rights involved with that. There's no discussion of deliverability. And the issue was, well, should it be? That is, should interconnection service include some considerations for deliverability? And that was certainly one of the issues that was discussed in the ANOPR.

And then last, it's our understanding that FERC is

working with the state commissions to coordinate the development of interconnection policy. That concludes my presentation. We'll certainly address any other questions you might have, and thank you very much for your attention.

CHAIRMAN JABER: Thank you for your presentation.

COMMISSIONER PALECKI: Thank you.

CHAIRMAN JABER: We're going to take a ten-minute break and come back for our next panel.

(Brief recess.)

CHAIRMAN JABER: We're going to go ahead and get started. Commissioner Baez will join us shortly, so we're ready for our next presentation which should be the FMPA, Seminole and others.

Go ahead and identify yourself.

MR. WILLIAMS: Oh, I thought -- it's on. Okay. Okay. My name is Robert Williams. I'm from Florida Municipal Power Agency. I have a few brief comments this morning we'd like to make. Let's see if we can get this -- and --

(Loud noise.)

CHAIRMAN JABER: Do you always have that reaction?

MR. WILLIAMS: I hope not. And Joe Welborn will follow me for Seminole with a few comments of his own. The -- how do I back up here? Okay. All right. FMPA generally favors the FERC policy and where it's going on generator interconnections for several reasons. We think it promotes

comparable treatment, and that's an issue that was not discussed in the previous thing, is that how the investor-owns treat their generation, they need to treat everybody else the same way.

We also have a transition problem going from the way things were done in the past and how we're going to do it in the future, and there is some serious inequities that have been done in the past. We can't rectify them all, but we're hoping we can work that out and make this go forward.

We believe a standard interconnection policy will promote wholesale competition, and we also believe the general way that FERC is heading reflects the broadest shared benefits of upgrades to the AC transmission grid. As a discussion, they talked about queuing and this guy gets a benefit if he comes first or second. It just shows how complex and how cross-benefits are between who comes first or second. And both parties benefit from the other's contribution or additions often. And that really argues that, well, if I come first and pay all the money and somebody uses the transmission that I put in there, shouldn't I get repaid when they get benefits of what I paid for? And I think that's why FERC's policy is developing as it is, as we think they should.

We even have a recent example we'd like to use here, and that is, FMPA with KUA owns some power plants at the Cane Island plant down south of Orlando. And when we put the last

unit in, it's not the first unit, this last unit in, we had to put in another piece of transmission line, and it happened to go over and connect to Intercession City to reinforce our generating plant to be able to get the power out into the grid. We were already connected to the grid, had to get it out, spent several million dollars to do that.

Florida Power Corporation added generation in that Intercession City plant on the other end of that transmission line, and they had to add more transmission line from there to Lake Bryan and maybe more because of the increased generation and getting it out in the area. Same problems we had. Their transmission cost rolled into their transmission rates for wholesale and retail customers, whereas our costs were not rolled in. In the future, it seems obvious to us that that transmission expense we made should have been a grid facility improvement, and we will argue as we go forward in the RTO that eventually we ought to get credits for that as well.

This example -- there's a couple of solutions, I think, that people are maybe considering. If the upgrades are not rolled in, and everybody seems to be fearful of that, I don't think these upgrades are that big of an expense, but if they're not rolled in, then to be truly comparable for all generators, the existing transmission for existing generators should be removed from the grid price and not charged -- and only charged to the retail customers that are taking that

service.

So in other words, if a third of the transmission costs were removed from wholesale cost, it would be left with the retail customers, but then we wouldn't add our cost on to the retail customers. So there's no free lunch.

COMMISSIONER PALECKI: Why only retail customers? I'm not sure I understand.

MR. WILLIAMS: Well, it would actually -- if you don't roll it in, then you're saying that the generator interconnection cost for Turkey Point ought to go to Florida Power & Light's customers, not to everybody. I pay for those interconnection costs that were built at Turkey Point, and they may be depreciated now, but I could chose a newer plant, but everybody pays for the interconnection cost for Turkey Point.

When Calpine wants to come put one and Calpine has to pay that, it's not fair that Turkey Point's interconnection costs are charged to everybody. If you don't roll them in, then you have to allocate them to all the retail customers they service or the generation they serve. So if you don't roll them in, you would take the Turkey Point, and that would be only for FPL, not for everybody that uses the grid. We would separate the grid now. This is a functional unbundling. It's not easy. I'm not saying I want this. I'm not saying we could easily do this, but to be fair, if you're going to not roll in, then you have to functionally unbundle. You have to go

separate everybody's transmission and treat everybody the same. It would be the fair thing to do, in my opinion. The alternative to that is a --

COMMISSIONER DEASON: Excuse me. The entire transmission system or just the interconnection --

MR. WILLIAMS: Just the interconnections for the generation. I mean, you can get into more problems as well, but I'm just saying right now just the interconnections. You ought to -- if you're going to not roll it in, then you ought to separate out each generator's interconnection cost and not roll any of them in. If you can't roll one in, you don't roll any in.

CHAIRMAN JABER: Well, how do you isolate -- if you were going to charge only to the retail customers taking the generation service, how do you isolate those costs to just the retail customers taking the service?

MR. WILLIAMS: I didn't say it would be easy. And we've tried -- we've made this argument before at FERC, and we've tried to get certain investor-owns to separate out what those are. And they've been -- indicated it would be very difficult, and I believe they're telling the truth. It would be very difficult from their records because they were not kept in that fashion.

CHAIRMAN JABER: And wouldn't that add to the cost, though, of the system and therefore increase rates even more?

MR. WILLIAMS: No, no. What I'm saying is that, if -- let's take the Turkey Point, for instance. If there was a Turkey Point charge for interconnection -- this is not for transmission now. We're isolating what the grid is, and the grid is going to be a new definition away from the generators, and the interconnections to the grid are going to be pulled out and charged only to those generators. So FPL's Turkey Point generators would carry with them the transmission for the Turkey Point interconnection, and my Cane Island plant would carry with it to my customers the Cane Island interconnection cost. But if I have to pay for Turkey Point's interconnection cost, then everybody ought -- if everybody has to pay for Turkey Point's interconnection cost, then everybody ought to pay for my Cane Island interconnection cost as well.

When I say "interconnection cost," to the extent FERC has defined that bright line. I think the first graph they showed you with the two examples, the breaker in the single line connection would have been socialized. The transmission line from that to the generator itself would probably not be socialized. So all of the costs were not socialized. Granted, a very large part would be socialized, but not all of it. And I think we will be debating those costs -- those allocations for a while to come.

If we try not to roll in some of this, we're going to have bigger fights is my opinion. The path we're on is

probably going to -- when we get used to it, it will probably work out, and we'll all know what the rules are, and we'll live by them and go on about our business.

The -- so the alternative to not -- if you don't roll in, you've got to consider functionally separating all interconnection costs. On the other hand, a bright line definition, very much like what GridFlorida has proposed, if that stays, that looks to me like that can work. And we've said this consistently. That bright line definition they have for what is in the grid and what is not in the grid and taking that with FERC's -- what's in the interconnection -- what's an interconnected cost and what is a system cost, I think we're getting close to something that will work. And we support that effort.

So this standard that we're going to start working on in earnest here, apparently, we believe will -- consumers will benefit because of more timely access to competitive generation. Generators will benefit because the standardized interconnection policy removes various entry. Hopefully more of it they will know where to go, and utilities, we think, will benefit through increased reliability.

A couple of points on Art's presentation. The upgrade costs are substantial, 72 million he's talking about there, but without considering load growth, without considering whether this is replacing old generation or it's new generation

or whatever. The cost per customer per month is about seven cents. It is not as significant as it looks. And I think a bigger cost that they did not talk about is the fact that locating in North Florida is going to -- not going to be very valuable when you try to sell your generation as it is going to be when you sell your generation as close as you can get to South Florida. And if you look at where all the generation interconnection activity is, it's not in North Florida. These people know where to go. They're trying to find the best place to put their generation where it meets all the criteria, including getting the generation closer to where the load is to where they'll have more value in their generation, they can make more profit.

And the cost of interconnection, while there's not a direct incentive for them to choose the cheapest interconnection, there is an incentive to get it least-cost and most value to the customers of Florida, and that means moving it as far south as you can without the environmental limitations you have and all that. And so I think we have going forward what's going to drive location of generation. I think it will solve most of the problems that are brought up there, and that if we have proper market design, which is something I don't think we have yet but we're working on it, that will be critical to giving the incentives of where to locate generation.

And once you know where generation is going, I think we would like to engage this Commission on the second item, and that is to make sure we have an open inclusive regional planning process to expand the grid in an efficient and timely manner to meet everybody's needs. And I think there's a lot of room for how we go about that through the RTO and all of the players in Florida and the Commission to plan how we do that.

And I think some of the problems that were mentioned in Art's presentation, I think the Commission can have an opportunity to comment on that before it goes to FERC for final approval and rates and all of that. And we would welcome the Commission's assistance and input into the planning process and would like to encourage that.

CHAIRMAN JABER: Do you think we currently have the ability to participate in the FERC process on planning? Set aside the RTO procedures, that's not what I'm talking about, but --

MR. WILLIAMS: On the regional planning?

CHAIRMAN JABER: Yes.

MR. WILLIAMS: I don't have my lawyer with me today, but I think so.

CHAIRMAN JABER: And what vehicle would we have? I mean, and we would file some sort of pleading?

MR. WILLIAMS: I mean, I'll go way back. We've had generation planning in the past. I don't know why we couldn't

have transmission planning with the Commission and all the affected parties. I think we have the Grid Bill. I mean, I would think you could use that as your vehicle. I didn't research the legal part of that, but anyway --

CHAIRMAN JABER: Thank you.

COMMISSIONER PALECKI: When you talk about rolling in network upgrades, are you including the credits that are then paid by the investor-owned or by the transmission owners as part of the rolling in process? I guess I'm not sure of what you mean when you say "roll in."

MR. WILLIAMS: Well, "roll in" means that the -- Art was right in that the effect is whether you -- if they pay up front and get credits back, you're essentially rolling in those transmission costs to everybody. Now, that customer that is asking for the service is going to pay a substantial amount of money after the roll in is paid for. So he's going to be contributing money to the grid to pay for part of the grid as well.

COMMISSIONER PALECKI: In an ideal world, wouldn't it be the customers that benefit from the generation that should pay for the network upgrades?

MR. WILLIAMS: Well, that goes back to my argument, is that's fine. If you want to do that, I think it's a much more difficult task than where we're going right now.

COMMISSIONER PALECKI: So you're saying

administratively that that's very difficult.

MR. WILLIAMS: Extremely difficult because when you put in one transmission line, you don't put it in for 2 megawatts or 50 megawatts, you put it in for whatever it requires to take, which may be several times that. And so somebody else gets benefits of that. So should I pay for all of that?

COMMISSIONER PALECKI: Well, let's say in the state of Florida we have a plant built by a generator in Florida Power & Light's transmission area, but all of the power is being sold in Florida Power Corporation's territory. None of Florida Power & Light's customers will benefit at all from that power plant. Is it fair to require Florida Power & Light's customers to pay for those transmission upgrades?

MR. WILLIAMS: Well, my opinion is, I guess you're talking about an interim stage that we're not at yet, and that interim stage would be the initial GridFlorida stage. Long term I see one state, one rate and we all pay, and these areas don't matter.

COMMISSIONER PALECKI: You're talking about after we create our regional transmission system --

MR. WILLIAMS: Yes.

COMMISSIONER PALECKI: -- with an independent system operator.

MR. WILLIAMS: Yes, sir. Long term I think that

issue will go away. Today, I guess it goes maybe the other way around, but Light can sell to load in Corp's territory, and somebody pays for the transmission over Light's system and somebody pays for the transmission over Corp's system. So there's two payments for both things.

As we go into the initial GridFlorida, I think what would happen is the load would pay for the Corp transmission, and they would not pay for the Light transmission over the existing facilities, but as you add new facilities in the state that get averaged over everybody, eventually you move to one rate for everybody and it --

COMMISSIONER PALECKI: And everything evens out over --

MR. WILLIAMS: Over time, everything will --

COMMISSIONER PALECKI: It might not be absolutely perfect, but it's going to be pretty fair.

MR. WILLIAMS: Yes, I think it will be. The sooner the better as far as I'm concerned, but --

COMMISSIONER PALECKI: Thank you.

MR. WILLIAMS: Thank you.

CHAIRMAN JABER: Seminole.

That presentation was complete; right?

MR. WILLIAMS: Yes.

CHAIRMAN JABER: Seminole.

MR. WELBORN: I'm Joe Welborn. I'm vice president of

energy delivery for Seminole Electric. I'd like to go through and just address some of the issues that were brought up today by -- in the previous presentations. One of the things that had been discussed, and it was discussed by Bob, is to how credits would be paid and how the initial costs would be rolled in on the generator interconnections.

One of the things that I'd like to point out is that, first off, when the credits are reimbursed back to the generator and he has received all of the credits for his initial capital investment, he continues to invest into the transmission system by purchasing services that ultimately provide revenues that are rolled in to the transmission rates over a long period of time. So even though the facilities may be -- the transmission facility upgrades may be paid off in a three-year period, that new generator as a transmission customer will continue to pay for services into the transmission system for the life of his facility.

In addition to that, one of the things that was shown in the presentation earlier was that there were 7,000 megawatts of generation added into this state. One of the things I'd like to point out also is that that generation, I won't say 100 percent of it, but some of that generation served network load in this state. And, for example, contracts with Seminole were served by part of that generation.

Now, what does that mean? That means that in lieu of

Seminole building facilities where we would have incurred interconnection costs that would have ultimately been transferred to our consumers through our rates, it's paid through the transmission rates, and it displaces generation that we would have built in this state. So I don't think it's fair to characterize the fact that all the generation was merchant facilities in this state and all the network upgrades were not a benefit to the overall transmission system.

I'm sure that also some of these facilities are used to serve load within the FP&L and FPC area, that it's not just Seminole load that's being served by these facilities. In addition to that, I think that the thing that is not being addressed is the future benefit that these facilities will have to the state. When other generators come in and interconnect with the transmission system, obviously since these upgrades have improved the overall transmission system and made it more robust today, when those interconnection -- those new generators come in and interconnect with the system, that there's a likelihood that additional system upgrades will not be required. And those are just things to -- some things to be taken into consideration when you're looking at the crediting back to the generators that are interconnecting, that it's not -- there are some other benefits besides just the transference of cost to the ratepayers or --

CHAIRMAN JABER: But help me under your position. So

all of that being said, is it that you would want to receive your credit earlier or do you dispute that the --

MR. WELBORN: No. We're in agreement with the fact that credits -- that the generators that are interconnecting should pay the initial cost for the transmission upgrades, and that they should be reimbursed as they use the transmission facilities through their transmission rates. My point is that after those rates are paid, that that facility still serves and pays for transmission use and the use of the transmission system for the whole life of the facility and not just during the time period that it's getting credits. And like I said --

CHAIRMAN JABER: Well, the transmission providers don't disagree with that, do they?

MR. WELBORN: I don't think that they disagree with it, I just think that it wasn't pointed out in their presentation. And part of the discussions this morning were how these credits would affect the retail rates, and my point being is that all interconnection facilities with generators that go into this state are treated exactly the same way.

When Florida Power & Light or Florida Power Corp interconnects a facility in this state, they have redispatched cost, they have interconnection cost, and if there is redispatch associated with the generation, they incur those costs, and they pass those costs on to their ratepayers. And our position is, is that any new generation into the state is

beneficial to the state, that it adds to the wholesale market and the competition within the wholesale market, and in turn adds to the overall state reserves.

COMMISSIONER DEASON: But do you see any distinction that -- you gave an example of Florida Power & Light. An investor-owned utility builds generation. They incur costs, interconnect costs, and they incur redispatch costs. Do you see any distinction that that generation has been approved by the state of Florida as least-cost and it's needed and that it becomes part of their rate base and that it is there to serve retail customers, and to the extent that they make wholesale sales, that part of those benefits are shared with retail customers and that someone else that comes in and builds a plant, that there's no obligation to serve those retail customers of Florida Power & Light, they can sell to whomever they wish at the highest price that the market will bear? Is there any -- do you see any distinction there?

MR. WELBORN: Well, I think, like I said, two things. I think that it benefits the overall state from the fact that it adds to competition at the wholesale level within the state. I also believe that new generation that's added to the state when they use the transmission system after they have received the credits are paying for the transmission service, so therefore, that that benefits the overall revenues for the transmission system. And like I said, I don't believe that the

upgrades that are made to the transmission system are solely for the benefit of the one generator that's interconnecting, that it provides a benefit to the overall robustness of the transmission system.

Just to continue on, we also agreed with how the queue priority was established by using the chronological sequence of a valid request. We think that by using a single date to establish the queuing eliminates the possibility of getting into disputes over, let's say, for example, if you had multiple criteria, as to how those criteria would be applied and how the queue would be established.

We do realize that there has been a large number of applications made to the investor-owned utilities for interconnection. One of the ways that they have handled this previously is to go through joint studies. They did this, for example, looking at several generation requests, and I don't know the exact number of the '96 interconnection requests that they had that they did address in the joint study, but that is another way that they could handle the fact that there are a large number of interconnecting -- or interconnection requests into the system.

Some of the concerns that we had in the documents that were provided to the Commission was, first off, that we didn't feel that the direct assignment costs that were defined in the documents were very explicit. We don't know, for

example, what was represented today as -- that a radial line would or would not be a direct assignment cost to an interconnecting generator. I realize that in the presentation today that was presented as a position.

Seminole is of the opinion that any facility that is a 69 kV facility or above should be considered transmission facilities, and that those facilities should be included as part of the network upgrades, that direct assignment costs should be limited to the actual interconnection to the transmission grid. We don't believe that this is any different than how the investor-owned utilities treat their current transmission facilities today, and we believe that that should be continued in the future.

Adding to that, one of the things that we think is a deficiency and what is not being addressed in any of the procedures is that we honestly believe that there has to be some sort of a strong signal pricing that is provided to the generators for location in the state. We think that by providing them either zones or some sort of a pricing signal to tell them where to locate in the state, it will reduce the potential of impacts on the grid because of a poorly located generator trying to serve load in an area that will require additional network upgrades.

One of the -- the fallacies that we see in the current system is that the generator doesn't get a pricing

signal for interconnection services until the studies are complete, and this is after he has located his site and after he has finalized an application to whoever he is interconnecting with. And what the difficulty is with that is that the pricing signal is given too late to the interconnecting generator, and we think those pricing signals need to be given much earlier so that they know where to locate within the state to best suit not only the load but the grid.

COMMISSIONER PALECKI: Would you then agree with the investor-owned utilities that under current pricing policy there is little incentive for generators to site their plants to minimize the cost of interconnection?

MR. WELBORN: I would say that right now -- the answer is yes, and right now I believe that there's not good pricing signals to indicate where a generator should interconnect initially, and it really should be done much earlier in the process.

COMMISSIONER PALECKI: Is this something that you're working with the investor-owned utilities to work out some sort of procedures that could be put it place?

MR. WELBORN: We have not really directly -- we have worked with them through the RTO workshops, and this has been an issue that's been brought up previously in the workshops.

COMMISSIONER PALECKI: Because this seems to be a very important issue and one that needs to be resolved as we

move forward on the RTO. Thank you.

MR. WELBORN: That concludes my presentation.

CHAIRMAN JABER: Thank you. Let me get a feeling from the independent generators, how long they'll need for their presentation. And that's not to rush you. I just need an estimate.

MR. MECHLER: A half hour.

CHAIRMAN JABER: Commissioners, we have that presentation which is supposed to last half an hour. Our Staff has allowed at the very end an open discussion -- time for an open discussion, and obviously I don't think we can gauge how long that will take. What's your preference? We can take a very short lunch break here and come back.

COMMISSIONER DEASON: (Nodding head affirmatively.)

CHAIRMAN JABER: Okay. Let's do that. We'll come back at ten till.

(Lunch recess.)

CHAIRMAN JABER: Let's go ahead and get started. The next presentations are supposed to be by representatives of independent generators.

How are you?

MR. MECHLER: Hi.

CHAIRMAN JABER: Do you have handouts?

MR. MECHLER: Yes, there was a handout.

CHAIRMAN JABER: We don't have it.

Go ahead.

MR. MECHLER: Good afternoon. My name is Robert Mechler. I'm the manager of transmission policy for Reliant Energy. I've been asked to come today and speak on behalf and in general for the Florida PACE group. Florida PACE is an association -- loose association of six energy companies. It includes Calpine, Competition Energy (sic) Venture, Constellation, Duke Energy North America, PG&E National Energy Group and ourselves.

And somehow, I'd like to just briefly go over some of the things that we heard again this morning and maybe expand on a few ideas and maybe provide some clarification on some of these issues. My outline is just to quickly go over the process and talk about something where FERC has been, and obviously we heard today that FERC has moved forward with the NOPR, and then a brief discussion of some of the benefits we see with the interconnection of new generation into the grid here in Florida.

As was mentioned this morning, there is a current process that handles interconnections for new generators as well as the transmission service and is frequently referred to as the IA or IOA process and the TSA process. In both of these cases, generally following some series of computer studies, it's at that time that there's a determination of a need for some upgrades in those processes.

And if -- I think Art did a good job this morning. I'll just use this slide very briefly. This is a generic outline of the generation interconnection process as it occurs in many utilities but not all. And it moves from left to right on this screen. And during the process, the IPP is obviously working with the local utility through the series of studies and is making deposits for those studies along the way and is making decision points, like Art pointed out, as to whether he should continue or not. And it's through this process, then, eventually the generator and the utility get down to finally negotiating and signing an interconnection agreement which is filed at FERC.

I don't know if there's any more questions from this process. I think they were pretty well answered this morning, but I can answer any questions now if you'd like. But the key to take away from here is that there are certain milestones that the IPP must maintain to be maintained in the queue, and that through the process he is paying for the studies that are being performed by the utility that that's not -- that is part of the cost of interconnection.

CHAIRMAN JABER: I've heard allegations from time to time from the IPPs, no one is to be named, but from the IPPs about the ability to tie up access to transmission by applying for generation, you know, sort of flooding the queue list and therefore restricting access. Can you walk me through that?

MR. MECHLER: Sure.

CHAIRMAN JABER: Have you heard that before?

MR. MECHLER: Yes, we have. Let me -- let's keep the two queues separate because there are two separate queues. And on this slide we're talking about the generation queue, and I'll answer my question relative to the generation queue. There have been accusations or at least suggestions that there are some projects that may not be as viable as others. This may occur. Keep in mind that when a generator, a developer looks out for a new site, they may start in-house with 20 or 30 potential sites, and they begin to widdle that list down and maybe they get down to 10 that might be viable, and they internally begin to do more and more studies.

Some developers are more sophisticated than other developers. Reliant, for example, has a fairly extensive staff of employees who do a combination of economic studies, transmission studies, and other evaluations to determine what should go forward. And eventually we may get down to two or three sites that we think might be viable. And it's at this time that we have to decide whether we want to go forward or not. And if we do submit a request in to a utility, it's not without some cost because there's an application fee of generally around $10,000 or more. And so for a developer just to flood a queue with a bunch of bogus requests, he's out some money, and he would -- that, I think, would be foolish if he's

not -- doesn't have some level of expectation to take those projects forward.

However, currently there is not as much flexibility when a generator submits those requests. And a good example is this: If the generator sees a site that he likes that's next door or adjacent to a, say, a 500 kV line and a 230 kV line, under some queues or some procedures if he's not sure what might be the best connection into that system, he might be forced to submit three requests, one to tie to the 500, one to tie to the 230, and one to tie to both. This is not just what happens in Florida, but in some cases, some utilities would require three requests, and they would study each request differently. Other utilities would say, no, no, no, give us one request, we'll work together to find the best solution to connect your generator into the system. So that's part of the variation that occurs today with today's nonstandardized interconnection process.

It was suggested in the ANOPR filings that this kind of flexibility, this kind of interaction, cooperation between the generator and the owners of the transmission system would probably benefit the queue process and provide a much smarter process in the long term. Did that answer your question?

CHAIRMAN JABER: Yes.

MR. MECHLER: Okay. Moving on to the next slide. Just in comparison, this slide seems kind of busy, but it was

my attempt to try to show that there is a somewhat similar process when a transmission customer wants to take transmission service. There's a request made generally through OASIS; there's some evaluation. And at that evaluation, it finds that it may require more computer studies, called a system impact study, that also can -- may lead to eventual contracts, or it may require system upgrades eventually. Both processes go through a fairly rigorous process of studies and a fairly structured format, in most cases.

What this gets to is that FERC does have some fairly structured or at least some direction on the current policies on cost responsibility and pricing. And the three areas I want to talk on briefly are: OR pricing, the credits again for system upgrades, and the interest for an up-front cost for these system upgrades.

OR pricing was mentioned this morning a few times, and as the slide shows, it's a fairly lengthy definition of what OR pricing is. And rather than read through this, I'll -- I think it might be beneficial to talk about an example. But OR pricing really goes to the transmission service part of interconnection and not so much the interconnection part, and you'll see why that is in a minute. But I think Art and some others defined this pretty well this morning, and I won't go through that again unless there's a question on OR pricing. I think the example will show exactly how it falls out of the

mathematics.

So on the example on Slide 9, I've assumed that there's been a new request for 500 megawatts of transmission service. And through the computer modeling and studies and the facility studies, they've determined it will take $35 million of upgrades to accommodate this service. The question is, how will it be paid for under the OR pricing? And this is for transmission service, not interconnection.

Well, in the first part, let's make sure we understand where we got our existing wholesale tariff. I have simplified this greatly from where -- many of you may know, it's more complicated than this, but I've tried to get it simplified. Basically the existing wholesale tariff is just the transmission revenue requirement, annual revenue requirement, divided by the peak transmission usage. And in my example, I've assumed $100 million per year transmission revenue requirement divided by a system transmission uses of around 8,000 megawatts.

And if you do the math out, you can get down to a rate, and you can pick your rate there. It's either around 12,000 megawatts -- or $12,000 per megawatt year or a thousand dollars per megawatt month or if you get them to get down to $1.04 per kW month. And that's how that service is sold, and that's what's published and approved by FERC as it appears in the -- in their tariff, their pro forma tariff.

So a good rule of thumb is, most transmission runs about a thousand dollars per megawatt month, and that's how we kind of think about it. In this OR pricing, we have to decide if this $30 million is going to have an impact or not to the rate if it got rolled in or if it should be a separate rate for the customer. So in the -- and we're moving to the right then for the rolled in rate. We have to take the existing revenue requirement and add the new project revenue requirement, which is a calculated value, which is a project cost times some adjustment factor. And that adjustment factor varies from utility to utility for their return on equity, depreciation, taxes and other costs.

I've assumed here about .17, and then that's again divide by the existing 8,000 megawatts plus the new 5,000-megawatt usage of the system. And in this case, we see that the rate actually will go down. If the utility would invest the $30 million to handle this new service, then under ideal ratemaking, he would go ahead and invest that $30 million, adjust his rates, and all customers would then see a reduced rate, all customers.

But the question comes in, well, gee, what if the upgrades were worth $50 million? We'll do the same mathematics. Below we can see in that case a $50 million cost for the same amount of additional usage would actually drive the rate up by a little bit. And under this case, for this

service the utility would have the ability and the right to charge the higher cost directly on to the transmission user who asked for the service, and that would be calculated, as Art suggested, over the term of the contract.

It's interesting to note using the numbers from this morning's presentation by the utilities, I made a quick calculation, it looks like most of the upgrade costs on average for each of the projects they listed for 14 projects for 72.2 million, the average price for the upgrades were running about 5 million per project based on the megawatts.

COMMISSIONER PALECKI: Now, under the second example where the upgrades cost 50 million, the generator would then receive the $50 million in credits?

MR. MECHLER: No, sir. This is somewhat confusing. This is for a transmission service request. This is the OR pricing scenario. The $50 million here, the utility would invest that if the transmission customer agreed to pay over the term of the life of their contract for the service, then the utility would be obliged to build the $50 million and invest the $50 million. And then the customer over the term of their contract will pay for the service which recovers those dollars for that utility. At the end of the contract, essentially that facility is paid for and is used and useful for the rest of the system. But there's been no impact to any other ratepayer.

COMMISSIONER PALECKI: Where do we draw the line

between the transmission service part and the interconnection upgrade part? That's what I don't understand.

MR. MECHLER: Okay. I will try to -- this is also the big question that has come out of the ANOPR. In the generator interconnection process, there may be system upgrades that are required. And if there are, then in that case the generator will pay for those and he gets credits. But the same time, he may also ask for transmission service separately, separate queue process, and they may also suggest system upgrades. And in those cases, it's handled under the OR pricing process, similar processes but handled slightly different.

COMMISSIONER DEASON: In your $50 million hypothetical, what rate does the generator pay?

MR. MECHLER: I didn't calculate it because I didn't assume a term here, but you would take the $50 million investment by the utility. They would have to look at their rate of return and the other factors that go into their operational costs, do, like Art suggested this morning, a net present value over the term and generate a rate that would be charged to that customer alone, a special rate.

I didn't do the math here, but I would imagine it's probably something higher than -- it would be higher than the $1.04 per kW month, but I did not calculate that. I didn't include the term in these calculations.

COMMISSIONER DEASON: But it would certainly be dependent upon the term.

MR. MECHLER: Yes, yes.

COMMISSIONER DEASON: Similar to amortizing a mortgage.

MR. MECHLER: Pardon?

COMMISSIONER DEASON: Similar to amortizing a mortgage.

MR. MECHLER: Yes, right. And the transmission customer, you know, has agreed to this through his contract he signed, the transmission service agreement contract. He says, I'm taking service, firm service for 10, 15 years, or whatever it might be, 5 years, and that is recovered there.

COMMISSIONER DEASON: But it would have to be something in excess of the $1.06 per kilowatt per month; correct?

MR. MECHLER: I'm sorry?

CHAIRMAN JABER: He didn't hear you.

COMMISSIONER DEASON: I'm sorry. It would have to be something in excess of the $1.06 per kilowatt per month; correct?

MR. MECHLER: I think so, yes.

COMMISSIONER PALECKI: Is there anything that provides an incentive for a generator to site plants to minimize the cost of transmission upgrades and/or

interconnections? And if you could, refer to your $50 million example.

MR. MECHLER: Yes. I'm going to cover that in more detail later, maybe, but let me answer it now. Let me see if I can go forward here real quick on my slides. There are incentives, we think, for generators to site efficiently and reduce their cost. And these factors really are a combination of the interconnection costs, upgrade costs, water availability, fuel deliverability, and certainly environmental concerns, land use, permitting. The developer has to put all these together to find a best location.

Certainly if -- in answer to your question, if I'm facing a scenario where the upgrade costs are 50 million and we have to go out and get that money up front because we have to pay those up front, I have to go to the banker and say, well, rather than the 300 million I need for the plant, I also need another 50 million. So I have to borrow 350 rather than 300 million. There's certainly some economics there in borrowing that money. Even if we get interest back, which we're supposed to now under FERC rules, the interest we're getting back over the period of time the money is out the door will probably be less than the interest we're getting -- we're having to pay for that money at the bank.

Could there be better incentives? We think probably so, as was mentioned this morning through some of the

presentations, but there are certainly incentives today to site correctly.

There was some suggestion this morning about least-cost planning. I would doubt that if a utility was trying to do a least-cost plan for Florida, that they would site a plant outside their own service territory. Whereas, an IPP has no boundaries and will site anywhere where all the factors make sense. And those factors make sense because we can build it for less in total cost; therefore, our product is cheaper. Now, if we can sell a cheaper product, it benefits all consumers.

COMMISSIONER PALECKI: Let me make sure I understand. For the interconnection part, the generator has to come up with the dollars up front.

MR. MECHLER: That's right.

COMMISSIONER PALECKI: And the fact that they need to come up with those dollars and invest them do provide an incentive to minimize the cost of interconnection in siting the plant.

MR. MECHLER: Certainly, certainly.

COMMISSIONER PALECKI: With regard to the transmission service part, if we have a large upgrade required, then we have a large enough increase that the transmission service provider may charge a higher incremental rate which would then need to be paid by the generator in order to

transport the power to the customer.

MR. MECHLER: That's right, and that cost would be passed on to those ultimate consumers. So our product --

COMMISSIONER PALECKI: And if that product was too high, it would make it so your plant was not profitable.

MR. MECHLER: Not profitable. And so that would be a disincentive to take on too many costs.

COMMISSIONER PALECKI: So for both the transmission service part as well as the interconnection part, there are incentives.

MR. MECHLER: We think there are. And the more sophisticated developers know these up front or at least try to know these up front as best they can. We recognize there may be some developers who aren't quite as sophisticated who may make some mistakes, and that's in any business. People make mistakes in their business models.

COMMISSIONER PALECKI: On the transmission service part, can that increase in the higher incremental rate that can be charged by the transmission provider, can it be significant enough to affect the cost of the end product? Could it be a significant hit?

MR. MECHLER: We think it could, yes.

COMMISSIONER PALECKI: Thank you.

COMMISSIONER BRADLEY: Go ahead. Sorry.

CHAIRMAN JABER: Were you done, Commissioner Palecki?

COMMISSIONER PALECKI: Yes.

CHAIRMAN JABER: Commissioner Bradley.

COMMISSIONER BRADLEY: As it relates to the system upgrades and the generator funding or capitalizing those system upgrades, what type of incentives are there that are out there to serve as an impetus for the generator to capitalize the upgrades? You know, what -- suppose a generator says, well, I don't want to get involved in this as a business transaction and capitalize your upgrades. Are the IPPs in a position then to, if that's the case, to come in and to put their own capital up front to invest in the capital improvements or the infrastructure that's necessary in order to do the system upgrades?

MR. MECHLER: The generators now for generation interconnection process and for any upgrades required for the interconnection, the generator puts the money up and pays the utility to get the work done.

COMMISSIONER BRADLEY: Okay. But that's my question.

MR. MECHLER: Oh, sorry.

COMMISSIONER BRADLEY: What is there that's involved in this process that guarantees that the generator will be willing to --

MR. MECHLER: If he doesn't want to pay, then he doesn't want --

COMMISSIONER BRADLEY: -- do that?

MR. MECHLER: -- interconnected. I mean, it's pretty clear. If I'm not willing to pay the $5 million for the upgrades, I probably -- I won't -- I fail the process and the interconnection stops.

COMMISSIONER BRADLEY: Okay. But I'm getting confused now because --

MR. MECHLER: Okay. I'm sorry.

COMMISSIONER BRADLEY: My understanding is that the IOU -- well, let's use the IOU as an example, as the generator, and maybe I'm wrong, and maybe you need to correct me. But the way that I understand this is that the generator agrees with the transmission company's concern to do the upgrades, and they in turn will sell the upgrades to the transmission company or turn them over to them, and the transmission company through the business process will in turn pay the generator back for having invested in the upgrades and then turning them over to them. Is that -- am I wrong?

MR. MECHLER: That's fairly correct. That's what happens. We pay up front. They're owned by the utility. The utility gives us back credits which can be consumed in sometimes even months if we take service, transmission service, and they are then part of the transmission system for the utility, and they own and operate those facilities for the good of all.

MR. REGNERY: Actually, the easiest way to think

about it -- Joe Regnery, by the way, from Calpine Corporation. The easiest way to think about it is the context of the -- what you're asking the generator to do is make a loan to the transmission provider. The transmission provider --

COMMISSIONER BRADLEY: Okay. Help me out with this in plain old simple terms. Identify who may be -- a prospective generator might be.

MR. REGNERY: A generator would be, for instance, Calpine Corporation, or Reliant, or it could be an IOU generator also. It can be anyone that is building the power plant itself.

COMMISSIONER BRADLEY: Right.

MR. REGNERY: They're building the electrical generation facility.

COMMISSIONER BRADLEY: Okay.

MR. REGNERY: They then -- if you treat it like a loan, just from that perspective, what you're asking the generator to do is say, okay, I'm going to locate my generator at this site, and it's going to cost -- there is going to be impacts on the overall grid of "X."

COMMISSIONER BRADLEY: Okay.

MR. REGNERY: I will loan you, Transmission Provider, "X" amount of money to make those "X" upgrades, the amount to cover the "X" upgrades. You will then pay that back to me with interest at a time in the future when I utilize that system.

COMMISSIONER BRADLEY: Okay. Stop right there.

MR. REGNERY: And that's essentially what we're --

COMMISSIONER BRADLEY: Okay. What is the incentive to ensure that the IPP or the IOUs would be willing to make that loan?

MR. REGNERY: The fundamental incentive is, if you don't do it, you won't get interconnected. You won't be able to build your power plant. That's the incentive. You're just not participating in the business if you're not willing to do it.

MR. MECHLER: That's how it works. I mean, that's the deal between us and the IOUs, is that if we want to interconnect, then we have to pay up front for all the facilities that need to be built for us to tie into their system and operate. And that's the rules of the game today. And that's -- although -- and my next slide shows, you know, as mentioned this morning, FERC has greatly expanded how they characterize these upgrades. That's the rules of the game today.

FERC has been very -- in the last, say, year or so, they have changed these definitions quite a bit on system upgrades, what they are. And they have allowed for these interests to be paid for those upgrades, as Joe has mentioned, kind of like a bank loan.

Just to help with that definition of what is in what

bucket, there's really two buckets. There's the direct assignment bucket, and there's the system upgrade bucket. And this is for the generator interconnection process. The generator pays for those facilities that are deemed to be direct assignment. A lot of times, as mentioned this morning I think by Mr. Schoneck, a lot of times that refers to maybe the extension cord tying the generator back into the grid. And that's kind of a broad definition of what that really means, and I don't want to get too detailed there.

And the system upgrades pretty much or everything else we can think of at this point is currently defined, although there's probably some dispute as to some specific item, but in general it's the construction, or upgraded substation, transmission lines, and all the breakers and relay systems that go along with that. That's all considered part of this system, and any kind of betterment of that system or improvement of any kind, construction, rebuilding, is considered to be a benefit to all who use the system. And that's how FERC has ruled pretty consistently over the last year.

So, finally, then kind of in summary of this section, on the interconnection service, the customer pays the up-front costs and receives credit with interest for those system upgrades, not the direct assignment, but just system upgrades, and then that credit is for transmission service when taken.

Certainly there's some transmission service involved, and the customer will pay the higher of either the rolled in rate or some kind of incremental rate over the term of the service. So that's kind of my summary slide.

COMMISSIONER PALECKI: If in the state of Florida enough generators sited here so that we far exceeded the needs of the state of Florida and those generators wanted to sell their product out of state and significant transmission upgrades as well as interconnection costs were incurred, the entire output of this generator or generators is contracted outside of the state of Florida, does the Florida ratepayer bear the burden of paying for that transmission and interconnection for power that does not benefit the state of Florida in any way?

MR. MECHLER: I would say no. The transmission customer is paying for that transmission service, and the transmission provider is getting recovery of that facility that he built to deliver that service wherever it may go. And, if anything, the rate may drop because of that additional usage of the system. As shown in my example, the rate can go down with higher usage. And we'd be like any other -- we'd be like any -- if the IOU was selling power, say, to Georgia. If they're selling one of their generators out of state, you know, it's over the same lines.

COMMISSIONER PALECKI: I guess I understand that that

holds true with regard to the transmission service part, but what about with regard to the interconnection part? Wouldn't the Florida ratepayers end up paying those credits?

MR. MECHLER: I don't believe so, no.

COMMISSIONER PALECKI: And why not?

MR. MECHLER: The same reason. As those credits get -- or and that facilities get rolled in ultimately, and the usage is -- the system is taken, the rate will tend to come down or stay the same, and the utility is recovering that facility through the customer. So there is no impact to the retail server -- retail customer.

COMMISSIONER BRADLEY: That sort of ties into -- it segues into what my question basically was about. It would seem to be a more prudent idea to me if those who are interested in entering in the market would make the up-front investment and take sole responsibility for the success of the project. It's still kind of unclear to me as to why that would not be a best case scenario as opposed to maybe having the Florida ratepayers pay for the capital improvements or the infrastructure upgrades.

MR. MECHLER: I don't see where the retail consumers at any point get involved for paying for any of this. The new users pay for their use. Ratepayers today pay for their use of the system. It is a network system. There is benefit for all parties to be on the system. Even if that power is being sold

out of state, there is a benefit for having that generation in state because it helps develop a more robust, reliable system.

COMMISSIONER BRADLEY: What advantage then is it to the state of Florida, other than the economic development, to have generation being sold outside of the state and being produced and generated in the state of Florida?

MR. REGNERY: Actually, I was going to say, this is a fundamental misconception, and there is physics that go to the limitations of being able to sell power off-system. You as an IPP, if you wanted to sell power in Alabama, would not be smart to build a power plant in Florida with the intentions of selling it in Alabama. If you were smart, you would build it in Alabama. You always want to locate your generation as close to the load center that you're going to serve as possible.

The only time you have off-system sales that actually flow in that context is when it is -- when there's no demand in the local area. Okay. So there's -- and this applies to Florida Power & Light. It applies to TECO. It applies to Calpine. It applies to Reliant. It applies to Florida Power Corp. If there is load in the area that is going to be accepting generation, the generation in the local area will be providing it. It's when the load drops off and there's no load in the area and you have excess generation that you have off-system sales.

And so when you think in that context, you have --

what benefit does it go to Florida, it creates the competitive wholesale market for when the demand exists to keep prices down. And Bob's going to go into the next series of slides that will show you how that actually effectuates a lower price in the state of Florida.

MR. MECHLER: Before I do that, let me point out one quick example. I probably should have added some math here, but back to that example where I had a 500-megawatt net new use in the system. If you think about what kind of revenues that generate for the transmission owner at a thousand dollars per megawatt month, it generates half a million dollars every month or about $6 million a year of revenue. If the upgrade was a $5 million upgrade, essentially after 10 months, the credits are consumed, and from then on, the transmission owner is receiving those cash revenues every month. Just kind of a neat little mathematical -- I think this was mentioned this morning, and I just want to hit it briefly.

COMMISSIONER DEASON: Excuse me. Before you change --

MR. MECHLER: Yeah, I'm sorry.

COMMISSIONER DEASON: -- subject matter here, you do agree that when the interconnection is made and the credits are repaid, that those costs become part of the transmission owner's rate base; correct?

MR. MECHLER: I believe that's how it's accounted

for. You know, I'm told that's correct.

COMMISSIONER DEASON: Okay. And that that rate base is allocated between wholesale and retail jurisdiction, and we've -- for example, 95 percent for TECO. So 95 percent of those dollars will become part of the retail rate base. The rates that you pay as a generator to the transmission company, do they somehow get allocated to the retail jurisdiction to help cover the 95 percent of those costs which are now part of the retail rate base, or they stay with the wholesale jurisdiction?

MR. REGNERY: I would say from an accounting side we are making payments of our transmission rate to take the power to the load-serving entity, or for example, as Seminole and FMPA represented, they would actually be paying the cost, and it would be coming from us in their transmission customer costs. So that rate then -- that amount of money goes in to effectuate a lower rate from a cost buildup perspective with regard to what goes to the retail customer.

COMMISSIONER DEASON: So is the --

MR. REGNERY: There is more revenue coming in as a result of that generation going out.

COMMISSIONER DEASON: The retail-consuming entity pays for the transmission; correct?

MR. REGNERY: That's correct.

COMMISSIONER DEASON: And so when the entity

evaluates whether they're going to buy from as an independent generator, they need to calculate in what the retail -- what the transmission costs are going to be as to whether that's an economic transaction or not?

MR. REGNERY: Yes, sir. And that goes into their RFP evaluation of whether or not I'm competitive versus whether or not they should self-generate, whether or not they should buy from someone else.

COMMISSIONER DEASON: Now, to the extent that these costs are borne, the interconnection costs are borne, and even though you may be a sophisticated generator and you believe that you're going to be able to sell your generation and make lots of money, that's not always the case. And if you do not generate enough to sell, you may go out of business, or otherwise you may just be marginally profitable, and you may not really through put very much energy, but the costs are still in the retail jurisdiction; correct?

MR. REGNERY: No, that's actually not the case, because if you remember how the offset works, until such time as I actually make a generation sale and transmission occurs, it does not go into the transmission provider's rate base. He doesn't give me credits until that transmission service occurs.

COMMISSIONER DEASON: All right.

MR. REGNERY: So if I build a really uneconomical power plant like was suggested this morning with a very long

network interconnection of a billion dollars, I've got that billion dollars in my up-front cost, I've got to sell that power plant from a power purchase agreement standpoint, my price is going to reflect those costs in it. If I don't -- and no one buys from me, I'm sitting there with a billion dollar expenditure, and there's no way --

COMMISSIONER DEASON: No, I agree totally. What happens if you generate enough electricity that over three years you recoup all your credits, and then for some -- you know, then you're no longer -- for some reason, you're no longer competitive, somebody else comes into the market and is more competitive, isn't the fact that those credits have been repaid to you, that investment is sitting in retail rate base, and if you don't generate, you're not paying the revenue requirement on those costs?

MR. REGNERY: That's correct. And the new generator who comes on, the total transmission capacity on the system will have gone up by the amount that I have contributed and paid to it.

COMMISSIONER DEASON: No, I'm talking about -- I'm talking about interconnect, your interconnect cost of your unit.

MR. REGNERY: Correct. And for the context of system upgrades that are on the system, remember, when you make a system upgrade, it improves the capacity on the entire grid.

That's the nature of why it's a system upgrade, because it effectuates something on the grid and by having that increases increasement on the grid that would be available to the next person that generates. So to the extent I'm not generating, they're filling my shoes, and it functionally rotates through that.

CHAIRMAN JABER: Commissioner Deason, I'm trying to understand your question. If the interconnection costs you've referred to, and perhaps this is a question for the IPP representatives, aren't those paid theoretically by the credit, by the amount the generator gives, and then the credit --

MR. REGNERY: Yes, it's a refundable loan, but it doesn't get refunded until such time as there is transmission service taken. So if I never generate and I never produce power that somebody in the system consumes, no transmission is ever taken from my power plant. With that being the case, you would not pay me a refund under my transmission credits, so the utilities -- utility doesn't have to pay any money back to the generator. Since it's not paying any money back to the generator, it's not rolling that into its rate base until such time that it actually does that.

Once it actually does that, then it rolls into the rate base, and acting like a loan on the system, the system has been improved by the nature of those system upgrades, it's paid back the bank, the generator, for the value that it lent it to

upgrade the system. And now there's that capacity that exists on the system that can be utilized by the load-serving entities who are going to be customers on the transmission system itself.

CHAIRMAN JABER: Commissioner Deason, now say your question again.

COMMISSIONER DEASON: Well, I believe I understand the point that's being made. I guess I need to follow up, though, that are you making the assumption that if a new generator comes in, displaces your generator, that that generator then doesn't have any interconnection costs?

MR. REGNERY: No, but it will have significantly less.

COMMISSIONER DEASON: Because you have made system upgrades.

MR. REGNERY: That's right. There are system upgrades on the system that have now improved the system.

CHAIRMAN JABER: But they may have their own interconnection costs. That's a whole different issue.

MR. REGNERY: There will be interconnection costs. They will be less because they will be riding on the coattails of the people that came before them.

CHAIRMAN JABER: The incremental difference to upgrade the system to meet their needs.

MR. REGNERY: Correct.

COMMISSIONER DEASON: Now, is there any debate as to whether what -- what you referred to as system upgrades are in fact system upgrades and not just costs directly attributable to your project?

MR. MECHLER: I think we're fairly pleased the direction FERC has taken.

COMMISSIONER DEASON: Okay. Do the IOUs agree with that position?

MR. MECHLER: Pardon?

COMMISSIONER DEASON: Do the IOUs agree with that position?

MR. MECHLER: I think based on many of their filings against us, I would say many of them don't agree with the way -- direction FERC has taken, and based on the --

COMMISSIONER DEASON: All right. Thanks.

MR. MECHLER: I think that's where it stands. Moving forward then. How are queues managed today? Well, differently among different providers, perhaps. Different studies are required. Some are doing some clustering of projects, some aren't. Different criteria for entering the queue. The issue here is that every independent generator has to kind of learn what the local utility is doing and get into their system, and backlogs are common, as was mentioned this morning. As the queues kind of fill up, it takes longer and longer. And recently FERC has been very unhappy with the backlog of these

and has told several utilities to do what it needs to be done to get the queues down. They're being paid for to do these studies by the generators, and there should be sufficient funds there for them to either hire more staff or to hire consultants to get the work done.

Well, this slide seems to be out of date already, but we'll try to cover it quickly. As Art said this morning, Phase I was last fall with the ANOPR. Quite a -- weeks and weeks of meetings between owners and generators. Three key things came out of those meetings that were in the filing, and 116-plus groups commented on those filings, and we'll go through those momentarily.

And I guess now we know where Phase II is headed with the announcement today of the NOPR, but in the three key areas, a product of an interconnection, this is kind of where the ANOPR left it, was there may be at least two different products for interconnection. One called a network resource, and may be an energy-only resource. Most of the IPPs feel this approach provides comparable treatment for our generation with native load -- or native integrated utility generation. And that would be a benefit to all parties. And certainly studying new generation this way provides much more information as to the full cost of interconnection and integration into the local system, and that would give us a much enhanced price signal on siting.

As far as the procedures went, there was a fairly lengthy discussion on these in D.C. over those months, and a few of the -- some of the things that came out of that was, there was fairly good agreement on what was required for studies to take care of a new generator, a discussion of optionality as to how the generator and the transmission owner can work together to find a best fit, a best solution. Certainly there was some discussion on milestones that the generator should maintain to maintain his position in the queue.

We discussed at length if there is some sequencing issues during construction, how that should be handled between the generator and the transmission owners. And then there was certain flexibility for clustering or doing individual studies as well. And there was many other items, but those are some of the key items that came out of the procedures as currently contemplated in some of the ANOPR filings.

Also, coming out of the ANOPR filings was a standard IOA, a standard contract, if you will. It certainly standardized definitions, general contract terms and conditions, and a general standardized format and structure. We feel this is very important because those of us who go through these with different utilities, every time we walk into a utility, we're having to renegotiate the same basic contract over the same basic items. And this would certainly speed up

that process and make it simpler for all parties to know what's allowed.

Finally, my last part of my presentation, I want to move forward and think about what -- in a broader context, you know, what -- is this a good thing, all this generation? And how does it compare to the whole issue of transmission costs? Certainly we think that more generation on the system provides a more reliable and robust system, and certainly more generation facilitates competitive markets.

I pulled some numbers out of a presentation that was presented to the Florida Public Service Commission back in 1999. The ITA group, which I believe was Seminole -- at that time, Seminole, FMPA, and TECO, I believe, if I'm not -- and these are some numbers that they had shown. And I asked FERC's staff last week if these were still reasonable numbers as far as a cost breakdown of a 6.8 cents power. And they said, sure, those are pretty reasonable. And the thing you note right off the bat is, generation costs are substantially higher in total -- in percentage-wise than transmission costs by a factor of more than 10 to 1.

So I asked myself a question. What if transmission costs went up by some value, say, 5 percent because of some action by parties? So that would -- if transmission costs went by 5 percent, the overall cost really only goes up .22 percent. Not a very big increase for, I think, a fairly healthy increase

in transmission costs. Well, then I asked the question: Can that be offset? And if so, if generation costs were lower, how much lower would generation have to go to compensate for that increase? So I had to decrease generation costs by the same amount I increased transmission, and come to find out that that only requires a decrease of .28 percent in generation costs. So I thought this was a good thing, that because of the relative size of these two factors, transmission and generation, that there's a lot of room to play with here if there's a more robust wholesale market for generation. And we think there is.

Based on the current fleet in Florida, it's an 18 fleet, I note here from one of the reports from FRCC that over 25 percent of the installed capacity in Florida is shown to be 30 years old or older. That means you're getting -- older plants are maybe reaching the end of their life and may be not as efficient as the newer plants. The new plants that are being built by us and utilities as well are cheaper to build and operate at better performance and lower emissions and are generally just an overall better deal.

And then we think Florida is a growing state, and given that the FRCC is showing a 2 to 3 percent growth rate, it looks like there's a need for generation to continue to come to Florida. Even at a 2 percent growth rate on a 40,000-megawatt peak, that's about 800 megawatts every year that needs to be

added; that's the size of a modern power plant. So you're facing, we think, some growth in the state and more generation is needed and we're here to help.

CHAIRMAN JABER: Thank for your presentation.

Commissioners, do you have any questions of this group before we let them go?

Okay. Next on my agenda I've got, Ms. Brubaker, I've got that there might be other presentations. So at this time if you want to make a presentation, let me know. All right. We've heard a lot this morning and this afternoon. If there are companies that want to respond to each other, I'll ask that we go ahead and take that up too.

MR. REGNERY: Ma'am, I was going to make one comment.

CHAIRMAN JABER: Go ahead.

MR. REGNERY: There was an excellent slide that was put out this morning by Art Nordlinger about price signals, and there's been a serious of discussions about price signals. And --

CHAIRMAN JABER: Can you tell us which slide you're referring to? Do you have it in front of you?

MR. REGNERY: It's Slide 27 of Art's presentation.

CHAIRMAN JABER: Okay. Least-cost planning example?

MR. REGNERY: Right. And what that's reflecting is that, if you see the top line showing the generator cost, that's the cost of his power plant.

COMMISSIONER BRADLEY: Which presentation is it?

CHAIRMAN JABER: The FP&L, FPC, and TECO presentation this morning, Slide 27.

MR. REGNERY: Yes, ma'am. The first -- I should say the first line where it says, "Generator, all the same size," that's basically reflecting the nature of the power plant itself. Then it goes into generator interconnection service, direct assignment versus system upgrades. What that line is reflecting are the costs, the cumulative costs, using what's called today the extension cord interconnection process.

Okay. So what it's talking about is the radial line that goes into, as was shown on a previous slide by Art, going into the substation, that would be the direct assignment, that radial line, and then the system upgrades, the changes on the system, at either the substation or elsewhere on the system. But those combined things represent simply an on-ramp onto the system, meaning when the plant gets interconnected, it doesn't have an ability to serve. It has an ability to generate and go across that on-ramp, but it can't get onto the highway. Okay. That's all the service interconnection service gives you.

If you want to get onto the highway, you have to arrange for transmission service, or someone has to come and get it from you at that point of interconnection. That's like a power contract to a network customer like Seminole or Florida Power & Light or somebody who's a transmission customer

load-serving entity on the system.

You will not know that line until you make that transmission request. And so what that third line is showing is the costs that are going to be identified once you have the transmission request process. Okay. Well, the problem is that being that you're the generator up front looking at siting your power plant, you only know lines one and two. So you miscalculate at times. Now, of course, we try our best not to do that. We look at all of our price signals that we can and make projections based upon where we plan to sell the power, but there are inaccuracies in those projections. So what was represented and discussed in the context of the Commission, the Federal Energy Regulatory Commission, workshops was how do we create a system that captures all three of those lines early on in the process so that we get the best siting that we can, the best price signals?

And we as generators, we proposed that by creating a new type of interconnection service called network service, you capture the third line. Now, what --

COMMISSIONER DEASON: Which line do you say is the third line?

MR. REGNERY: "Additional transmission facilities required for delivery." If you label them -- label Generator 1, "Generator, all same size," 1. Label the next line below it, "Generator interconnection service," 2. And label

"Additional transmission facilities required for delivery" for 3.

Today, being just -- having just information associated with the extension cord, all we capture is 1 and 2. You capture 3 when you go through your transmission service queue process. This creates the problems associated with siting. Now, we proposed how to relieve that. We said, you can relieve that by creating a thing called network interconnection service, and the Federal Energy Regulatory Commission agreed with that principle and said, yes, you can.

And they agreed on the following basis: If everyone is interconnected, every generation point is interconnected so that every load-serving entity on the system can get access to that generation no matter where their location is on the system, you create the supply effect on the wholesale competitive market, and you also provide the price signal to the entity that's planning on building his new generation where it's going to be.

So when you -- when I or Reliant or FPL wants to site a plant and they say, okay, we want to build this power plant here, and they say, what would be our interconnection costs from a network basis? What the transmission provider at that point would do would be look at the entire grid system and all the load serving entities on that system and look at all of the sources of generation on that system and model them and turn

down each individual power plant that all exists on that system using a computer model so that they identify which specific project -- or what would be the network upgrades on the entire system so that every wholesale customer on the system could get access to that one generation point. And then those upgrades would be made at that time.

By making them at that time, you immediately affect the supply curve from a competitive wholesale standpoint so that everyone that is a network customer on the system could get access to your power plant. I use the analogy of a Chinese restaurant. That's the analogy I used when we were talking about this at the Federal Energy Regulatory Commission. I said, what we're talking about is, we're building a whole bunch of Chinese restaurants throughout the state, and all we're talking about is having access so that every consumer on the system can get access to any one of those Chinese restaurants rather than only some Chinese restaurants. You create access to the entire system so that they can all as load-serving entities select which Chinese restaurant they want to draw and negotiate with.

It effectuates you in the forward market so that a load-serving entity can go out and negotiate competitively going forward, because when it looks at the RFP responses that come in, it looks at it as everybody is the same. I have equal access to this new generation the same way I have access to

this old generation. I have equal access to this Chinese restaurant just like I have to that Chinese restaurant, and we can go and pick it up from their restaurant at their bus bar.

So you have more competitive nature in the forward-looking market. At the same time in the spot market today when -- if you're just interconnected on an extension cord basis and you put in an inc or dec to bid to someone that wants to buy from you, they look at, can I buy from them? And they say, well, they're generation on the point but they don't have transmission deliverability to me, and I don't have access to them. So I effectively can't buy from them, so I have to buy from this other utility that -- I have to buy from the generation that's IOU generation because they have accessibility to me. And so by that nature, you've reduced competition, affected supply, and in the spot market, you've caused an artificial inflation of the rate -- or of the competitive wholesale price, I should say.

And so by creating the network service where when everybody gets interconnected, the improvements that are necessary for full accessibility to every load-serving entity on the system, you allow for alleviating the price signal error that exists with not having that 3 identified to the generator. Because at the time, the studies go out and they say, okay, we're going to have to build these local area system upgrades, but we're also going to have to build these transmission system

upgrades. And the question that Commissioner Palecki asked this morning was, in that case, you know, what would prevent you from building that hundred -- that $1 billion, hundred-mile line? Well, if you had network service, network interconnection service, that hundred billion dollar line would get reflected in the cost on the interconnection side because it would be part of that study because you're interconnecting on a network basis, so that would be provided to you as a generator and you'd go, a hundred million -- or a hundred mile line a billion dollars? I've got to raise a billion dollars of capital to build this plant? Perhaps we can find a better site, Mr. Developer. And it provides you that added incentive of a better price signal so at the same time effecting a better competitive wholesale supply side reaction to the cost of power.

CHAIRMAN JABER: Help me understand what the status of your proposal to FERC to implement a network interconnection service. You said FERC agreed with the principle.

MR. REGNERY: Yes.

CHAIRMAN JABER: And where is it now?

MR. REGNERY: It is -- actually, you will see it in the draft filing that was presented by the three -- by the generators, the IOUs, the state commission representatives, the consumers, and the small generators. We got together and had a drafting committee. We drafted up a document that included the

nature of those two services so that there would be both network and extension cord service on an interconnection basis. And that was presented forth by the drafting committee to the Federal Energy Regulatory Commission.

CHAIRMAN JABER: Okay.

MR. REGNERY: That's what was the document, the strawman, that then people commented to. And so the NOPR will reflect what the drafting committee put in, what the comments were, and what FERC feels. And that's what we're hoping will come out this afternoon, is how FERC has come down on the nature of these -- of there being both extension cord service and network service.

CHAIRMAN JABER: Okay. Hang on, Mr. Ramon. I am going to let you address that, but with regard to your point on the network interconnection service allows the price signal -- allows for a price signal, help me understand why the additional transmission facilities require to deliver a cost can't be identified.

I don't -- what's the difference between your proposal to have one cost identified through the network interconnection service versus why that separate cost can't be identified now? Are there factors that do not allow a company to identify the cost?

MR. REGNERY: Well, the reason is because today if you're a generator and if you're not a utility-based generator,

you do not know at the time that you're building your power plant who you're going to sell to. You're competing in RFPs. You're selling into the spot market, or you're planning on selling into the spot market. You're projecting forward, but you don't know exactly who you're selling your power to. And so if you were to go and buy transmission service at the same time you put in your interconnection service, you'd be making a guess. It's an absolute guess. You do not know if that's going to be the case. And so a lot of times we do, and Calpine has done this.

We've put in point-to-point requests assuming a certain project model of a power sale and that turns out to be totally wrong. We were not able to sell that power to that customer. Not to mention, if you're in an RFP process, the network customer that's buying from you, he will not put in his transmission service request until such time as he decides to buy from you. And so more often, you get the interconnection results, and then once you've got interconnection results and your plant is real and you're going forward, then the forward market looks to buy at buying power from you, and then at that point, the transmission service request goes in. So there's a lag with respect to that price signal. And it's only logical that a power customer isn't going to buy power from a burnt out orange field. They're only going to buy power from you until you can prove that you've got a legitimate project. And having

interconnection is one of the steps in demonstrating that you have a legitimate project. And so that's where the lapse in time is created.

CHAIRMAN JABER: It was just a matter of time, but we've gotten people to respond. Mr. Ramon, we'll start with you.

MR. RAMON: Commissioner Jaber, I just wanted to make a couple of comments on the price signals and on the new tariff that's coming out of FERC. The transmission products that were a part of the ANOPR, I think, Joe, have evolved to this concept that the FERC had in the options paper that they just put out to go to a single tariff. I think they're calling it network access. And Tampa Electric, for that matter, TECO Energy, supports the concept of that single tariff and network access service, but like most things at FERC, the devil is in the detail. And if you read the options paper, there's at least three options that they're seeking comment on.

The first option is that in terms of that product, that all who use the system would pay. That may have some merit in terms of price signals. The other option, and I can't remember all three, but the other option is that load pays. So -- and that gives me some concern about price signals because no matter where you would put the generator, the load is going to pay in the end, have we really solved the problem?

It's good that we're moving to a single tariff and

that generators can get access on a comparable basis, but the pricing and the cost allocation is still not a settled issue.

I thought there was some really good presentations this morning, and at least Tampa Electric agrees with a number of comments. Joe Welborn talked about some ideas of price signals about maybe impact fees, carving out Florida in terms of zones in terms of the better places where generators could locate, the transmission provider could actually post sites, better ones than others for optimal locations.

The other -- I know you cautioned us this morning about focusing on generation interconnection in this workshop, but the whole subject of price signals really gets at where FERC is headed in terms of their initiatives, and as the update that you gave us this morning says, that this very issue of pricing that we've talked about all morning has now been moved into the FERC standard market design, the single tariff, so it's an issue that needs to be vetted by all of us, you know, in that NOPR and eventual rulemaking.

But in addition to these potential solutions for properly locating generators, and particularly in competitive markets, that the potential siting solutions have to be coupled with real-time information on the value congestion associated with transmission constraints. In real-time we're going to have to know what the costs and location of congestion is and its value. And that needs to be publicly available to the

market to ensure price transparency and making that information available, as Bob Williams talked about, in the planning process. You need that pricing information coupled with a planning and expansion process efficiently to be able to properly make investment not only in generation but in transmission, and demand side, as you know, is getting a lot of attention.

CHAIRMAN JABER: Has anyone thought about asking FERC to expedite that part of their process?

You're smiling, I guess you've done that several times.

MR. MECHLER: We've asked FERC to explain many things, and it is what it is, I guess. Although there were times during the discussions we had with the transmission owners during the fall that we actually asked for more time because we thought we were making progress in a lot of negotiations and consensus building on working through this ANOPR process. And they gave us some extra time to finish up and try to get as far as we could before we filed. We would all love to see this wrapped up as soon as possible.

CHAIRMAN JABER: It just seems to me -- you know, obviously there's a lot I don't understand about the entire FERC process, but it just seems to me that that's, if not the most critical, a very critical piece of their new transmission policy. I don't know how -- well, let me not go there.

Were you done, Mr. Ramon?

MR. RAMON: Yes.

MR. WILLIAMS: Bob Williams again. I just was going to really quickly just raise a couple of little points. I think this -- a lot of your focus -- two things I've noticed from the Commission, you tell me if I'm wrong, is the cost transference here for -- two big issues were redispatch and the upgrade cost. Redispatch, I think, is a really small quantity. Every time you change anything in the transmission system, you have risk of redispatch cost and that happens, and there's just nothing we can do about it. And I think that's what's FERC's problem is, that it's not a big issue, and it's not easy to define. The upgrade costs, I think, are also one of the things that was left out of all the discussions so far, I think.

And back to the least-cost planning example, is the system upgrades have value to the whole state, and there's no way to easily evaluate how much value there is in those upgrades. The most expensive system upgrade for generation location may have serious benefits for other people to do other things later on, but you can't see that in the numbers. You can't know that ahead of time. So that's an issue that I don't think anybody has mentioned here, is that there is a cost, but then what's the value of it? What's the benefit of it? And you just have to look at it on a case-by-case basis, I'm afraid, to understand what those are. You can't easily do

those. I guess that's all my comments.

CHAIRMAN JABER: Okay. Thank you.

MR. WOLFINGER: Commissioners, my name is Rick Wolfinger. I'm with Constellation Power out of Baltimore, Maryland, and we're also the developer of the Oleander Power Project, a 680-megawatt peaking project over in Cocoa, Florida, that is beginning commercial operations this summer. I had a couple of points I'd like to make. One is on Art Nordlinger's presentation on Page 24, which is the map that he showed about active interconnection requests.

There's been a lot of talk about whether the right price signals are out or whether the independents have the right place to put plants, and believe me, we spent a lot of time looking at the transmission system to determine where is a good place to insert the power to be loaded. If you take a look at where these load centers are where the interconnection requests are and then you think about the two projects that Florida Power & Light has asked you for a need determination, I realize that's been put off for a little bit, but the Manatee and Martin plants are in two of those load centers, which are the next two plants that Florida Power & Light was looking at building. Right now, Florida Power Corp is out for the Hines 3 project through an RFP process. That's also in one of those load centers. And TECO has announced the repowering of the Gannon station and is also looking at the Polk County station.

They're also in those load centers.

So if you take a look at where the IOUs are talking about where their next load center -- plants are, they're in the same places that the IOUs have asked for interconnection requests. So I postulate that I think that the IPPs have got a pretty good understanding of where the system is and what needs to be done. And this whole idea of load -- excuse me, of price signals I think is a red herring. It just doesn't exist. We know where it is. We know what we're going to get with costs, and we're not foolish in what we do because it costs a lot of money to develop these plants.

My second point is, is that on Page 21, the treatment of interconnection costs, we tend to use this word of socialization as if it's some sort of a negative term. And when we began the Oleander Power Project back in 1996 and then started our permitting in 1998, we looked at load flow studies. And we've paid Florida Power & Light $7 million for the interconnection of which about half of that was the interconnection cost and the other half was system upgrades. Because when I signed my contract, some of my system upgrades -- some of my interconnection costs, my direct cost now would be system upgrades, I get money back, but I don't now, and I don't get interest, but nonetheless, I would say that the point in time I was asked --

COMMISSIONER DEASON: I'm sorry. You don't

because --

MR. WOLFINGER: I'm not getting it back, right, because I came in too early.

COMMISSIONER DEASON: You signed your contract too early.

MR. WOLFINGER: I signed a contract before all these rules were made. Now, maybe I can go get it back at a later date, I don't know, but right now I'm not getting it back.

UNIDENTIFIED SPEAKER: Don't give up, Rick.

MR. WOLFINGER: I haven't yet, but I haven't gotten back yet.

UNIDENTIFIED SPEAKER: (Inaudible.)

MR. WOLFINGER: All right. That's irrespective of my comment that I wanted to make. The comment is, though, is at the point in time was made earlier by Calpine, I didn't know who must customers were going to be. The output of that plant has been fully sold to Seminole Electric and to Florida Power & Light. That plant now has got customers for it. They're in the state of Florida. And I really -- I mean, and the point of it is where I'm at is that, is that positive or negative? I postulate that, in fact, the interconnection costs are relatively low for 680 megawatts, and in fact, if you want to call it socialization, I think sometimes there's very positive effects of socialization. Not every example is a negative example by any means. And so I think that, in fact, there's an

example where it's perfectly right. We're serving the loads of existing ratepayers.

But then there was a further comment made on Page 19 where we talk about -- oh, they're talking about sometimes redispatch because of construction facilities which I think we've talked about very small. Well, it turns out where I'm connected in the Florida Power & Light system, the Brevard substation, there is a thousand megawatts, a thousand MVA of 230 to 138 kV transmission step down to serve the load in central Brevard County. Now, probably one of those -- half of that is probably redundancy, so maybe there's 500 megawatts a load going through there. All the generation that was provided to that substation was coming from -- away from that substation. There were losses. There were lines coming in, and the load was being done.

When I'm up and operating now, that load -- those losses will be gone. There will be fewer losses on the system when I'm up and operating. Sure, there might be a redispatch cost for five days while the transmission system is, but I'm not going to be getting -- also, I'm not being paid for 30 years of lower losses into the Brevard substation when I'm running. So again, there's a lot of these mitigating circumstances where you take a look at it and say, is it best for the overall system or not? And I present to you that there's always two sides of a coin, if there aren't many sides

to a coin. And I think overall the benefit of a robust wholesale market that allows generators into this state in a manner that we're able to know what we're doing, be able to come in on a set of guidelines and have open access to all the load centers will benefit the ratepayers and the citizens and economic development of this state to a very high degree compared to maybe some little bit of incidental transmission costs that may occur. Thank you.

CHAIRMAN JABER: Mr. Wolfinger?

MR. WOLFINGER: Yes.

CHAIRMAN JABER: Let me make sure I understood your position versus the Calpine representative. You said there were adequate price signals that you could take a look at the map and understand where the IOUs were projecting their needs and know what the price signals -- so if I understood that comment correctly, you disagree with Calpine on that position?

MR. WOLFINGER: No. I'm saying that the IPPs have picked the same locations the IOUs have picked to put in plants. So I'm saying the IPPs are not locating plants that would give a high cost of transmission unless you could say the IOUs are picking spots that are going to have high costs of transmission. I mean, we're picking the same spots that the IOUs are.

CHAIRMAN JABER: Okay. So then as it relates to the price signals, you agree with the network interconnection

service proposal?

MR. WOLFINGER: Well, I think that is -- Calpine, Reliant, myself, almost anybody that's a relatively sophisticated IPP, and quite frankly, you have to almost always be because it's costing you too much not to be, we all do load flow studies before we can pick sites. And so we do, in essence, a network system to figure out -- a network analysis to figure out where to put our plants, and we do pick the right spots. Ultimately, though, that's not what will occur -- what costs you'll have until actually the transmission owner does those studies. So I agree with Calpine. And quite frankly, if early on you can get those price signals, it would even be better. We do them as a general course anyway right now, but they aren't official by any means.

Also, timing changes, things change, it does, but we all tend to do those studies when we're looking at it. And that's why you go from 30 sites to 10 sites that Reliant was saying and down to 2 or 3 you really look at. But we do those studies internally as it is, but it would be nice to have a more reliable, robust analysis by the transmission owners.

CHAIRMAN JABER: Okay. Thank you.

MR. SCHONECK: I guess I'd like to go back and make a clarification on, I guess, the issue, a generator that had some upgrade costs. And the issue was that what would happen if basically they went up belly-up with, let's say, the switch

yard cost, and that switch yard is specific to that generator? And I think it was represented that on the system upgrades, that the guy that was downstream from that could use that. That may be true if he's in the general vicinity for the upgrades that are part of the existing transmission system, but for those switch yard costs, they're site-specific. And if he had already got his credits back, unless somebody came in and bought that plant and basically was operating out of that plant, I don't see the benefits to the rest of the ratepayers out of that. So I wanted to make that clarification. Additionally --

COMMISSIONER DEASON: Let me ask you a question on that. How significant are those costs used in your switch yard example? How significant are those costs, and if there truly are costs as you just described, why are they considered system upgrades if they're specific to that plant?

MR. SCHONECK: Because what FERC has come out with since -- remember, I think it was Page 11 when we talked about the two different types of interconnections. To the extent you took an existing line, you broke it, and you looped it through that switch yard, power flows through that. And part of FERC's definition was, if power flows through, it's part of the transmission system.

COMMISSIONER DEASON: So it's a definitional situation that considers it part of the overall system.

MR. SCHONECK: Right.

COMMISSIONER DEASON: How significant are those costs?

MR. SCHONECK: Excuse me?

COMMISSIONER DEASON: How significant are those costs?

MR. SCHONECK: They can be a good part of the system upgrade costs. I would say --

COMMISSIONER DEASON: For a 500-megawatt plant? What are you talking about?

MR. SCHONECK: They can be $3 to $10 million, I guess. Another thing, and I'd like to comment on Calpine, was in the ANOPR process, I think he was correct in stating, I guess, that there was a need for this network service. And I know Florida Power & Light has worked with many of the developers on trying to assess the system from the standpoint of deliverability -- this is the transmission piece -- even though they may not have a customer at that time. And we've encouraged in every study agreement that we have, we encouraged them to please look further beyond the interconnection. And you can probably count -- I mean, you saw the number of requests. You can probably count on one hand the ones that actually come in and want that type of an assessment.

Now, I think the point was made, there was no way for them to ask for this network, so what we would do is try to

accommodate them by saying, well, where do you think your markets will be? And we will try to do the assessment the best way we know how to give you an answer back of what you might see. And we've done that on occasion with several developers that want to go that far to get that assessment.

But the purpose of this slide was -- and if we are on the same goal, I guess is to find the least-cost plan, which is to say that, you know, where are you getting those siting signals for, you may have to spend a lot in transmission investment in order to deliver the power.

And I think, I guess, to comment as far as the sites that we talked about, they're only good for so many megawatts, yes, but if you look here around the West Palm/Midway/Martin area, you can see on the graph that there is approximately 7,000 megawatts in that vicinity. You know, that vicinity may be good for, let's say, 1,000 megawatts or 1,200 megawatts or whatever the number may be, but after that, you're going to have to put a tremendous amount of infrastructure in place in order to move that power.

So the answer is yes. It's good for so much, but then you have to put a lot more investment in place, to answer that question. And I think if you go around and you look at these pockets, what you have is, you have various places on the system where there's existing room, or there's room where you can make marginally upgrades and be able to accommodate it, and

there's other places where you have to make a tremendous investment in the system.

CHAIRMAN JABER: But are you making the investment, or is it the generator that's straining the system?

MR. SCHONECK: On transmission service, it goes to the OR policy.

CHAIRMAN JABER: Okay.

MR. SCHONECK: Okay. And that was the -- on the least-cost plan, we were trying to point out, you're not looking at the entire picture. And Calpine agreed with that. They're not looking at the entire picture because they're looking at only the cost of the generator, which includes the siting, environmental, fuel, all those types of things, and the direct assignment cost and potentially some upgrade costs that we talked about for interconnecting, but they're not seeing that signal.

CHAIRMAN JABER: Okay. And that transmission investment, though, related to the infrastructure, the major infrastructure, you collect through transmission rates?

MR. SCHONECK: Correct.

CHAIRMAN JABER: Okay. So you're recovering it, it just takes major capital up front.

MR. SCHONECK: The purpose of this slide was to demonstrate that depending on where the location was, when you're looking at least-cost planning, it can be a large

difference. You're not kind of optimizing, if you will, and that signal -- I mean, there's various ways to get there, but that signal they're not seeing today. They're only seeing part of the picture. Whereas, a vertically integrated utility does look at all those things in making its assessment.

CHAIRMAN JABER: But they want to be able to see the whole picture.

MR. SCHONECK: Yes. And the issue that was left out is, who would end up actually reserving and paying for that? I guess one of the concerns that -- if you're going to -- is the customers going to pay for that -- how much generation do you plan for, in other words? Or do you just roll -- do you basically -- who reserves that transmission capability on a system?

COMMISSIONER PALECKI: Let me ask you a question related to your point about infrastructure and investment. The IPPs have talked about making improvements necessary for access to every load-serving entity on the network, and you heard their example -- their analogy with the Chinese restaurants. What type of infrastructure and investment in time would be needed for that level of improvement?

MR. MENNES: I'm Marty Mennes with Florida Power & Light. I've never really heard -- and Joe, I thought it was a good presentation -- the Chinese restaurant thing, but delivery is very, very important to a developer. And let's use the

Chinese restaurant and build on it.

MR. REGNERY: Okay. Well, just change it back to accessibility.

MR. MENNES: Okay. Deliverability, accessibility, but the bottom line is, with the network integration service, you want to be able to get to the customer. You want to be able to get to the Chinese restaurants.

Now, instead of having cars and helicopters and trains and planes to get the restaurants, we now move at the speed of light. So it is very difficult to ask the poor old transmission provider, everybody today, because now can move at the speed of light, we want to all eat at the Chinese restaurant in Lake Worth. And then after -- and the other problem that you do have with electricity is that you can't tell when people when to eat. They don't like to eat at 2:00 in the morning. There's a few that do; there's a few that eat at 4:00 a.m. They usually like to eat Chinese food sometime around noonish to one, and probably if it's Chinese food, probably around six o'clock. So now the Department of Transportation, with our new vehicles that can move at the speed of light, have got some real, real problems.

Now, of course, that's a gross extreme, Joe, and, you know, I don't want you to come out of your chair, but I'm just trying to say, there are real problems when somebody says, I want to build a generator, and the customers, you know, I don't

know where he is.

Now, in Rick's case, you can see -- you can have a sophisticated developer. They built somewhere and, again, you give himself credit for a lot of transmission -- saving transmission loss as well. Half his customer really is on the west coast of the state of Florida, and a lot of it's -- probably the biggest customer is Marco Island. So I'm really not too sure, Rick, whether we saved a lot on transmission on losses with the power plant at Brevard serving Marco Island.

And again, remember, we do everything on the average, average system, average that, so it does decrease the losses probably for Florida Power & Light serving Florida Power & Light's customers, but our average transmission system losses which help Seminole out really aren't going to help us out because Seminole's losses are going to go up.

But I just thought -- delivery accessibility. Accessibility I think you get, and the transmission providers are obligated to give accessibility into the transmission system with generation interconnection service. The problem then becomes, you can't serve -- you may be able to serve certain loads, but you certainly can't get to every load in this case, which is the Chinese restaurant.

And there are. There's a lot of gotchas in there that, gee, I really don't know what load I've got because I don't have a power purchase agreement signed up with anybody.

So again, maybe the whole thing you'd like to really look at as a package. There's certainly a lot of issues in there, and I think when you look at the NOPR coming out with FERC, when they really try to talk about deliverability, I think also Joe used in his example one statement that is really, really important, that sometimes we can do and sometimes we can't. Joe said when he puts his unit in, and let's just use examples, and Joe -- and I think this is how we try to do it at least in our system, we put in, let's just say, a thousand megawatt unit.

Well, certainly if you put in a thousand megawatt unit, you want to study it economically for the next few years. You've got certain loads you're going to pick up, and also you're going to have to turn down certain units to run this and try to model. Well, the next thing is, is who's going to volunteer to turn down? Or who's going to give everybody all the pricing information? So I'll go to Rick and say, Rick, are we going to get you to volunteer to turn down? Because I'm trying to run some studies. So I said, give me everything you've got, all your future pricing of your fuel, transportation, your heat rates, any degradations that you have on your units, so I can figure out whether, you know, Rick, you're going to turn down or not.

So with all that said --

COMMISSIONER DEASON: Does he actually give that to you?

MR. MENNES: No.

COMMISSIONER DEASON: Okay. I was going to say --

MR. MENNES: Maybe, Joe, on his transmission guy, but no, I don't think Rick would want to give any of that information out, and I don't think Rick has it.

And when we -- and let me back a little bit. Now, the information he does give us are the characteristics of what his generation when we connect it to our system will do. So when we take his unit and we just put it there, we don't deliver it anywhere. When we're talking about the system upgrades, just dropping it in right there and making electricity so that we can kind of disburse it just as long as we can get it, if you will, out of this plant.

There's no deliverability that Rick originally asked for when he asked for his power plant on the old Pat Wood regime. So when he does ask for deliverability, which was what the next step that he did, I want to deliver to Seminole for "X" amount of years, and Florida Power & Light for "X" amount of years, then we're obligated to build a transmission service -- a transmission system so that we can go ahead and deliver his generation.

CHAIRMAN JABER: Okay. I'm going to give you the last word, but hang on. Anyone else in the audience that needs to make a presentation?

Okay. We're going to hear from one more party, and

that's over here, and then we're going to adjourn the workshop.

Commissioners, before we adjourn the workshop be thinking about next steps. Mr. Ramon during the break did ask -- make a request, and I'll share that with you after we're done. Go ahead.

MR. REGNERY: I just wanted to say one thing with respect to responding to Marty and then just an overall comment and some information for you all to take with you, and that was, the first thing, there is a difficulty in this modeling process. And Marty is making the recognition that in order to model the network service, it is a challenge because they're using an economic model of the IOU that only applies to the plants that they know about, and they may not know all of the information or data about the IPPs' plants.

But that leads to Greg's comment, which was, if you have a standard market design using locational marginal pricing, that pricing is transparent, and then that model does work effectively. So you do achieve the benefits of both sides of having the supply side effect from the interconnection and then the demand side effect from the locational marginal pricing on the market design. So they work in conjunction to better serve the overall competitive wholesale market.

Then the last thing I wanted to say was, you may not know how the process worked at FERC from a perspective of the participants involved, but I would like to compliment all of

the parties that you've heard here today speak because every one of the parties that you heard here speak today was there at the tables at the Public Service -- or at the Federal Energy Regulatory Commission. They were there in such force that the persons that you see here today on these tables were the drafting committee representatives that went into drafting the documents that exist out there as the strawman proposal.

I was sitting across from Marty with Robert, with Greg, with all of these people. That's how we're all on a first name basis because we were locked in rooms together for months on end and displaced countless numbers of birthdays, family weddings. They let me get out to get married, so I was very happy about that. But other than that, we -- there was a level of participation from Florida that was just unsurmountable.

CHAIRMAN JABER: Well, good. See why you get the last word?

MR. REGNERY: So I wanted to just pass out a compliment.

CHAIRMAN JABER: Well, good. Very good. He was supposed to get the last word. It better be a compliment of something.

MR. WILLIAMS: Just really, really quick. What I hear today, and I just make this recommendation, is that it just cries out for me that I think what we need in Florida, and

I would urge the Commission to consider it, is an annual transmission planning workshop to take -- because all of these issues that are hard for you to understand how to deal with, the only way you're going to deal with them is annually looking at all of the issues, and does this all come together for Florida and Florida customers?

And if it's looked at on a one-owner basis, forget who owns what, and what's best for Florida, I think that would be a great step for this Commission to take.

CHAIRMAN JABER: Do you have in your mind how -- what the jurisdictional issues would be or how the workshop should be designed or what issues --

MR. WILLIAMS: Again, I'm not a lawyer, but you have the Grid Bill, you have the Transmission Line Siting Act. If any of these transmission lines get big, they've got to come to you for that. We still have a Power Plant Siting Act if there's too much generation.

One of the problems you have here and what's proposed is, there's too much generation for what Florida needs, and all of that will be figured out by economics. Some of it won't be built, and that causes problems for transmission planning. And, it's a complex issue. I would urge the Commission to get involved.

CHAIRMAN JABER: Okay. Thank you.

MR. WILLIAMS: Sure.

CHAIRMAN JABER: Commissioners, let me bring us back to where we started this morning with the purpose of the workshop. You may recall an Internal Affairs back, there were several requests that we did in fact grant with respect to the PSC filing comments at FERC on these issues. And during some of those discussions, we requested that this workshop be held so that we could better understand the issues surrounding the interconnection and generation procedures at FERC.

I think this workshop accomplishes that, but during the break, Mr. Ramon brought up the idea, now that we've got FERC's decision today, perhaps a briefing on the new decision is in order. Frankly, I envisioned having our Staff do that anyway. And in conjunction with our Staff giving us a briefing on FERC's decision today, certainly we can invite these folks back and you could add to that briefing.

There is also a request for this Commission to set up an annual transmission planning workshop. Those are the only two requests I've heard today going forward. I'd love to have some feedback.

MS. BRUBAKER: Madam Chairman, if I may?

CHAIRMAN JABER: Yes.

MS. BRUBAKER: If nothing else, what we've learned today is, this is a very complex and evolving issue. I think we've touched on some very productive points. I would also like to note that in the agenda, Staff had some specified

issues listed, some of which we have been able to touch on today, some of which we have not had the opportunity to do so.

We haven't really discussed specifically filing post-workshop comments, but I think those would be useful especially for Staff to get a sense of where the various parties stand on those issues. And so I'd like to offer that as a possibility.

CHAIRMAN JABER: And maybe have, what, a summary or a presentation --

MS. BRUBAKER: A summary, written comments probably would be the best way, where we could do a summary and make a presentation perhaps at IA, if that's appropriate.

CHAIRMAN JABER: And what you envision is -- you're talking about post-workshop comments on the issues that weren't referenced today, weren't discussed today.

MS. BRUBAKER: That's correct. Just as a note, Staff would be specifically interested in tax issues which are listed Subsections L through O of Number 6 on the agenda. But certainly any other issues that --

CHAIRMAN JABER: Is there a reason no one wanted to discuss tax issues today?

MR. MECHLER: Yes.

COMMISSIONER PALECKI: The month of April.

CHAIRMAN JABER: Yeah. Commissioners?

COMMISSIONER PALECKI: I like the issue of the

post-workshop discussions that was discussed somewhat today, and that is the Chinese restaurant analogy. We've heard about what improvements would be necessary for access to every load-serving entity on the network, but we didn't hear about how much infrastructure and investment would be needed for that, and I'm interested in what it would take to accomplish that.

CHAIRMAN JABER: Okay. So we have a specific request by a Commissioner to have comments made.

In addition to that, Staff, the tax issues.

Commissioners, we'll go ahead and set up the briefing of FERC's decision today. With regard to the annual transmission planning workshop, if that is something that you all have reached consensus on, okay. If you are so inclined to file a request so that we can see a written proposal, that would give everyone an opportunity to comment. You know, if it's a good idea, I'm willing to do it. Okay.

MS. BRUBAKER: For purposes -- excuse me, Commissioner. For purposes of consistency, I'd suggest perhaps kind of a general page limitation, a time frame be set for post-workshop comments.

CHAIRMAN JABER: They're going to talk about tax issues, they can't possibly be very long.

MS. BRUBAKER: All right.

CHAIRMAN JABER: Give me guidance. How long -- how

many pages do you think?

MS. BRUBAKER: I wouldn't anticipate any more than perhaps 30 would be needed.

CHAIRMAN JABER: Okay.

MS. BRUBAKER: A time frame of perhaps 30 days.

CHAIRMAN JABER: That's way too many pages.

MS. BRUBAKER: Way too many.

CHAIRMAN JABER: I just saw Mr. Litchfield --

MS. BRUBAKER: Less is perfectly acceptable.

CHAIRMAN JABER: Why don't we leave it at that?

MS. BRUBAKER: Okay.

CHAIRMAN JABER: Thirty pages, and less is preferable. And have those due in 30 days?

MS. BRUBAKER: Shall we make it May 28th? That would be the day after Memorial Day and the day before the RTO workshop.

CHAIRMAN JABER: No. Let's -- we'll let Ms. Brubaker notify you by separate memo when your comments will be due.

MS. BRUBAKER: Okay.

CHAIRMAN JABER: Thank you for your participation today. This workshop is adjourned.

(Workshop concluded at 2:40 p.m.)

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STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, TRICIA DeMARTE, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 3rd DAY OF MAY, 2002.

Tricia DeMarte

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