

Security

**Sutherland
▪ Asbill & ▪
Brennan LLP**

ATTORNEYS AT LAW

DANIEL E. FRANK
DIRECT LINE 202 383 0838
Internet dfrank@sablaw.com

1275 Pennsylvania Avenue, NW
Washington, DC 20004-2415
202 383 0100
fax 202 637 3593
www.sablaw.com

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Via Federal Express

Blanca S. Bayo, Director
Divisions of Records and Reporting
Betty Easley Conference Center
4075 Esplanade Way
Tallahassee, FL 32399-0870

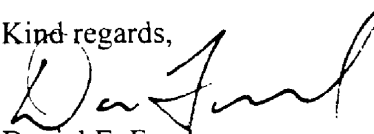
Re: *In re: Review of GridFlorida Regional Transmission Organization (RTO)
Proposal, Docket No. 020233-EI*

Dear Ms. Bayo:

Please find enclosed for filing an original and fifteen copies of the Pre-Workshop Comments of Reedy Creek Improvement District in the above-referenced proceeding. Also enclosed is a 3.5" diskette containing an electronic copy of this filing. One additional copy of this filing labeled "stamp-and-return" also is enclosed; please stamp the date and time on that copy and return it to us in the enclosed self-addressed, stamped envelope.

Thank you for your attention to this matter.

Kind regards,



Daniel E. Frank
Attorney for
Reedy Creek Improvement District

Enclosures

Atlanta ▪ Austin ▪ New York ▪ Tallahassee

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of GridFlorida Regional Transmission Organization (RTO) Proposal)))	Docket No. 020233-EI Filed May 7, 2002
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**Pre-Workshop Comments of
Reedy Creek Improvement District**

Pursuant to the Commission’s April 3, 2002 Order in the above-captioned proceeding, Reedy Creek Improvement District (“RCID”) respectfully submits the following pre-Workshop comments on the March 20, 2002 proposal of the GridFlorida Applicants.¹

I. Background

The Commission’s December 20 Order² required the Applicants to submit a revised GridFlorida RTO proposal that would have an independent system operator (“ISO”) structure rather than a “transco” structure. December 20 Order at 13. The Commission also directed the Applicants to address in their compliance filing whether the proposed ISO should be for-profit or not-for-profit and any performance incentives that are proposed to be adopted. *Id.* at 13-14. The Commission indicated that the Applicants could include other terms in their modified proposal so long as they are not inconsistent with the findings in the December 20 Order and do not relitigate the use of the “get what you bid” alternative for the balancing energy market or the use of physical transmission rights and balanced schedules. *Id.* at 24.

¹ On April 22, 2002, RCID filed with the Commission a Petition to Intervene in this proceeding.

² *In re: Review of Florida Power Corporation’s earnings, including effects of proposed acquisition of Florida Power Corporation by Carolina Power & Light, et al.*, Docket Nos. 000824-EI, *et al.* (2001) (“December 20 Order”).

II. Comments

RCID submits the following comments on the March 20 GridFlorida proposal. The Applicants have made a number of changes not required by the Commission's December 20 Order that are not in the public interest and do not advance the goals of implementing an appropriate RTO for peninsular Florida. In addition to responding to the issues set forth in the April 12, 2002 "Preliminary List of Workshop Subjects" prepared by the Commission's Staff, RCID provides the following additional comments on the modified GridFlorida proposal. RCID previously has presented these comments in various formats to the Applicants and other stakeholders in the stakeholder process, but to date, the Applicants apparently have ignored them. RCID urges the Commission to direct the Applicants to consider the comments submitted by RCID and other stakeholders, work with RCID and other stakeholders to develop a consensus proposal, and modify the GridFlorida documents accordingly.

Finally, RCID has sought rehearing with the Federal Energy Regulatory Commission ("FERC") on several issues in the GridFlorida proposal. For the Commission's reference, RCID has summarized these issues on the attached Exhibit A. RCID's comments below include a discussion of some of these issues, but RCID's decision not to provide comments here on the other issues listed in Exhibit A should not be construed as an abandonment of those issues.

A. Structure and Governance

RCID provides the following responses to the Staff's issues on Structure and Governance:

1. Appropriateness of a not-for-profit ISO. At this time, RCID believes that a not-for-profit structure provides the proper incentives for management of the transmission system and therefore is more appropriate for the ISO.
2. Flexibility of RTO plan and documents to change over time. The RTO plan and documents should be flexible enough to accommodate changes in market developments over time, but at all times should be subject to oversight and approval by the applicable regulatory authorities.
3. Applicability of Code of Conduct. By its terms, the proposed Code of Conduct applies to GridFlorida and the GridFlorida Board of Directors. Requiring GridFlorida and the Board of Directors to be subject to the Code of Conduct is appropriate and in the public interest because it helps ensure that the RTO will be independent of market participants.

In contrast, it is not clear if the Stakeholder Advisory Committee (“SAC”) or the Board Selection Committee (“BSC”) should be subject to the Code of Conduct. Certainly the members of the SAC and BSC in their individual dealings with GridFlorida will be affected by the applicability of the Code of Conduct to GridFlorida. For its part, the SAC can provide crucial information to the RTO about the workings of the market and propose solutions to problems in the markets. To that end, the SAC should be able to communicate freely with the RTO. In addition, the SAC is the means by which market participants have input into the RTO. Similarly, individual members of the BSC may be employees of market participants, and it would not be reasonable to expect them to sever all ties with their employers in order to serve on the BSC. However, subject to reasonable and appropriately limited confidentiality protections, actions taken by the SAC and BSC, and the deliberations underlying those actions, should be above-

board and open to public scrutiny so that there is no undue influence by any one market participant or group of market participants. RCID believes it may be useful to explore this issue more fully at the Commission's May 29, 2002 Workshop.

4. Meetings open to the public. The Florida Government in the Sunshine Act provides a suitable model for determining which meetings should be open to the public and, in that regard, the RTO should be treated as a governmental entity for purposes of applying the Government in the Sunshine Act.

5. Performance incentives and the mechanism to implement incentives. Performance incentives and implementing mechanisms should be subject to oversight and approval by the applicable regulatory authorities.

6. Role of the Florida Public Service Commission. For matters within its jurisdiction, the Commission should be an active overseer of GridFlorida. For matters within FERC's jurisdiction, the Commission retains an important advisory role and should remain active in that regard as well.

Other Issues. RCID has a number of concerns with respect to the Participating Owners Management Agreement ("POMA").

First. the Applicants propose to modify the definition of "Controlled Facilities" to mean *all* electric facilities in the GridFlorida region that are nominally rated at 69 kV and higher. The Applicants also have deleted any mention of "transmission" in their revised definition. The Applicants' proposal neither is required by the Commission's December 20 Order, nor is consistent with applicable federal law.

In the December 20 Order, the Commission agreed with the Applicants' proposal to use a 69-kV demarcation point for determining which transmission facilities to place under the operational control of GridFlorida. December 20 Order at 17. While a "uniform demarcation point" based on nominal voltage rating may be administratively convenient, it does not address the threshold question of whether a particular facility is in the first instance a "transmission" or "local distribution" facility.

RCID objects to the attempt by the Applicants and others to deem any facility, regardless of actual function, that is rated at 69 kV or above to be a "transmission" facility. Under the Applicants' proposal, any such facility – whether serving a transmission function or a local distribution function – would be deemed to be a transmission facility. Consequently, the owner of such a facility would have to turn the operational control of the facility over to GridFlorida, or face certain penalties.³ As explained below, FERC has never used such a mechanistic approach; rather, FERC uses a functional approach to determining the appropriate classification of a facility.

FERC's long-standing approach to determining whether particular facilities are "transmission" or "local distribution" has been a functional approach. *See, e.g.*, Order No. 888, FERC Stats. & Regs., ¶ 31.036, at 31.980-81 (1996). If a particular facility serves a transmission function, then it is properly classified as "transmission"; in contrast, if a facility serves only local distribution purposes, then it properly should be classified as "local distribution," not "transmission." In distinguishing between "transmission" and "local distribution" facilities, the

³ *See, e.g.*, Open Access Transmission Tariff, Schedule 7, § (5), Original Sheet Nos. 153-54 (pancaked rates for "transmission" owner that does not turn over control of its "transmission" facilities to GridFlorida).

technical characteristics of the facilities also may be considered, but voltage level is but only one factor in that analysis. FERC never has relied simply and solely upon the capacity rating of a facility to determine if it is transmission or local distribution.

RCID does not oppose the Applicants' use of a 69-kV rule of thumb for determining which of their own transmission facilities should be subject to GridFlorida's operational control, so long as that rule of thumb is not deemed by anyone to replace FERC's "functional" test for other utilities that may participate in an RTO. A 69-kV threshold may be appropriate as an initial screen in evaluating the characteristic of a facility, but non-jurisdictional entities should not be precluded from demonstrating that a particular facility is "local distribution" based on the function that the facility serves. There is no lawful or rational basis for requiring non-jurisdictional, governmental entities to transfer to a regional transmission organization control over facilities that perform predominantly a local distribution function, regardless of the size of those facilities.

The Applicants and their supporters have no basis to rely solely upon voltage levels. Indeed, at the October 3-5, 2001 hearing before the Commission, the Applicants agreed that FERC has adopted a multi-factor "functional" test rather than a simple 69-kV test of whether specific facilities are to be classified as transmission or local distribution. *See* Hearing Transcript at 159-60, 188-90 (Witness Naeve) (explanation of factors considered by FERC in determining jurisdiction over transmission versus local distribution). The Applicants' witnesses acknowledged that voltage level is only one factor in FERC's test, although in their pre-filed testimony they presented various reasons for their use of 69 kV as a demarcation point and why trying to draw finer distinctions would be inappropriate for their systems. *See* Joint Panel Testimony (Pre-Filed) at 20-22; Hearing Transcript at 335-37. Thus, the Commission can decide

that the three IOUs' transfer to the RTO of control of their transmission facilities of 69 kV and above is appropriate without upsetting FERC's test for other utilities.

Finally, it bears emphasis that there is not a uniform consensus among stakeholders regarding the use of nominal voltage levels for purposes of classifying facilities as "transmission."

In summary, GridFlorida is supposed to be a regional transmission organization, with operational control over transmission facilities. The Applicants' current proposal for the POMA would take the "T" out of "RTO." Consistent with federal law, Florida utilities should have the option of demonstrating that any particular facility serves a distribution function rather than a transmission function, regardless of nominal voltage level. The POMA should be revised accordingly.

Second, Section 6.5.2 (Redispatch Authority) as drafted in the proposed, revised POMA would require generation owners that are interconnected with Controlled Facilities to follow the instructions of GridFlorida regarding redispatch and the provision of reactive power. This provision should be revised to ensure that generators are adequately compensated for redispatch or reactive power directed or requested by GridFlorida, including compensation for costs incurred as a result of environmental, operational and other limitations triggered by complying with GridFlorida's directions. Accordingly, RCID proposes that the following language be added to the end of the first sentence of Section 6.5.2:

. provided that GridFlorida shall ensure that generation owners are adequately compensated for redispatching their generation and providing reactive power in accordance with GridFlorida's directions, including compensation for costs incurred by such generation owners as a result of environmental, operational and

other limitations triggered by complying with GridFlorida's directions.

Third, Sections 6.13 and 7.12 (Standards of Performance) would require the adoption of or adherence to standards of the North American Electric Reliability Council ("NERC"). However, NERC cannot be assumed to have taken into account the unique needs of local utilities and their customers located on peninsular Florida. The Florida Reliability Coordinating Council ("FRCC") is the more appropriate forum in which to adopt NERC standards of performance applicable to Florida utilities, and recent experience in the FRCC indicates that the FRCC guidelines and standards accommodate the needs of Florida utilities and customers. Accordingly, RCID proposes that references to NERC "guidelines, policies, standards, rules, regulations, orders, license requirements and all other requirements" in Sections 6.13 and 7.12 be clarified to indicate that it is only those NERC standards that are adopted by the FRCC. Thus, the following phrase would be inserted after the reference to NERC: "(as adopted by the FRCC)." Alternatively, any incorporation by GridFlorida of NERC standards must be subject to FERC's review and approval. RCID therefore proposes, as an alternative, that the following language be added to the end of the first sentence of each of Section 6.13 and Section 7.12: ", provided that, in the case of NERC guidelines, policies, standards, rules, regulations, orders, license requirements and other requirements, the same shall have first been approved by FERC."

Fourth, Section 6.15 (Maximization of Efficient Use) states that "GridFlorida shall seek to maximize the efficient use of the Controlled Facilities." It is unclear what precisely this requirement means or entails. Accordingly, this section should be revised to define what is meant by the maximization of "efficient use." At a minimum, such use should not result in adverse impacts on customers. Thus, RCID proposes that the following language be added to the end of Section 6.15: ", provided that, without limiting GridFlorida's authority to take

appropriate measures necessary to ensure the safety and stability of the Transmission System, such use shall be reasonable and shall not have a material adverse impact on wholesale or retail electricity customers in Florida.”

Fifth, Section 7.6 (Facilities Access) specifies that a PO must give GridFlorida “such access to the Controlled Facilities as is necessary for GridFlorida (i) to perform its obligations under this Agreement and the Operations and Planning Protocols and (ii) to verify and audit compliance by the PO with this Agreement.” Such access should be limited to reasonable times compatible with the needs of the local utility and its customers (*e.g.*, to avoid interruption of non-utility commercial operations) and be subject to reasonable notice. Such restrictions would not impede GridFlorida’s ability to carry out its functions, and the PO would be able to carry out its legitimate business activities without undue interference. Accordingly, RCID proposes that the following language be added at the end of the section: “. provided that such access shall be limited to reasonable times compatible with the needs of the PO and its customers and shall be subject to reasonable notice.”

Sixth, Section 7.8.2 (Reserved Rights) allows the PO to retain the right to use its transmission facilities for non-transmission uses, provided that such non-transmission use does not “interfere with the operation of the Controlled Facilities and are operated subordinate to GridFlorida’s authority to place any Controlled Facilities into or out of service.” This section should be revised to make clear that any such operation or authority exercised by GridFlorida will not have an adverse impact on customers. Accordingly, RCID proposes that the following language be added to the end of Section 7.8.2: “. provided that, without limiting GridFlorida’s authority to take appropriate measures necessary to ensure the safety and stability of the

Transmission System. such operation and the exercise of such authority shall be reasonable and shall not have a material adverse impact on wholesale or retail electricity customers in Florida.”

Seventh, the Applicants were directed by FERC in its March 28, 2001 order, 94 FERC ¶ 61,363 (2001), to delete Section 10.3 (Limitation of Liability Related to Sovereign Immunity). The Applicants have indicated that they have retained this section in their compliance filing because they have sought rehearing of the issue with FERC. The Commission should be aware that FERC has directed the Applicants to delete this section.

Eighth, inasmuch as the POMA purports to be a 20-year contract, it would seem prudent to provide for the adjustment of the insurance coverage amounts set forth in Section 10.6 (Insurance). An inflation-based adjustment would seem reasonable.

Ninth, Section 11.2 (Inspection and Auditing of POs) sets forth the terms of the inspection and auditing of POs. Because POs may have non-transmission business functions, any inspection and auditing by GridFlorida should be only of *relevant* books and records, and should not interfere with those non-transmission business functions. This section should be amended to so specify. Accordingly, RCID proposes the following two modifications of Section 11.2: (i) modify the phrase “the PO’s books and records” to read “the PO’s relevant books and records”; and (ii) revise the second sentence to read as follows: “Such access shall be at reasonable times during business hours, shall be under reasonable conditions with a minimum of 48 hours’ notice, and shall not interrupt or otherwise interfere with non-utility commercial operations.”

Finally, it may be helpful to explicitly include in the POMA the concept of enhanced facilities and expedited treatment. This concept permits the PO or customer to request the

application of enhanced or special standards for planning and expansion of facilities, in order to meet the PO's or customer's reliability, environmental, aesthetic, land-use or other needs, as well as expedited treatment. The PO's or customer's request for such enhanced or special treatment should not be subject to review or question by GridFlorida (other than as may be necessary to ensure the safety and stability of the Transmission System). Thus, Section 6.4 of the POMA (Planning and Expansion) should be revised to expressly include the concept of enhanced or special facilities for planning and expansion purposes. Other POMA sections that should similarly be revised include Section 7.2 (Maintenance) (include the concept of enhanced maintenance) and Section 7.3 (Planning) (include the concept of enhanced planning).

B. Planning and Operations

RCID provides the following responses to the Staff's issues on Planning and Operations:

7. Consideration of demand-side options and generation alternatives. RCID encourages, subject to appropriate oversight and approval by the applicable regulatory authorities, the consideration of demand-side options and generation alternatives when identifying needed expansion and maintaining reliability. As discussed in more detail below, such options and alternatives should not infringe on the right of POs and/or customers to construct and own enhanced transmission facilities.

8. Available transmission capacity ("ATC") and the role of POs in determining ATC. The RTO should have ultimate authority over the determination of ATC. The RTO is designed to be independent of market participants and therefore the determination of ATC should not be subject to the control of POs and other market participants, who have an incentive to skew ATC determinations in their favor. To the extent that POs are involved in the ATC

process, such as providing the data used in the calculation of ATC or in making the calculations themselves, such data and calculations should be subject to full review and audit by the RTO.

Other Issues. In addition to the foregoing responses, RCID provides the following comments on the revised Planning and Operating Protocols to the GridFlorida open access transmission tariff (“OATT”).

Planning Protocol (Attachment N to OATT). The Applicants apparently have deleted and restated the provisions in the Planning Protocol on Enhanced Facilities and Expedited Construction. *Compare* Original Sheet Nos. 225-29 of redlined OATT (deletion of sections on Enhanced Facilities and Expedited Construction) *with* Original Sheet Nos. 241-42 of redlined OATT (restated paragraphs on Enhanced Facilities and Expedited Construction). The Applicants have not explained why doing so was necessary or desirable.

In making their changes, the Applicants seemed to have omitted several important elements. For example, the new, restated paragraphs do not specify the meaning of “additional costs” for which a customer or PO seeking enhanced or expedited treatment will be responsible. The previous draft defined such costs as those costs that “would not otherwise have been incurred by Transmission Provider and/or the PO but for the request to construct the Enhanced Facilities or to place them in service earlier than planned.” *See* Section I.E.2.b of redlined OATT (Original Sheet No. 226 of redlined OATT). The Applicants also have deleted the provisions for resolution of disputes by an “Independent Engineer.” *See* Section I.F.1 of redlined OATT (Original Sheet Nos. 27-28 of redlined OATT). The Applicants have offered no reason or justification for these deletions. The Commission should not approve of the revised Planning

Protocol without the return of these sections. The Applicants also should be required to discuss in good faith with stakeholders any necessary or desirable modifications to these sections.

In addition, other clarifying changes to the new language on Enhanced Facilities and Expedited Construction would be useful. For example, under the new language, Enhanced Facilities must “meet the standards” of Section IX. Similarly, the “detailed plans” for such facilities must be “consistent with GridFlorida Planning and Facilities Standards.” *See* Original Sheet No. 241 of redlined OATT. But, the intent actually is that such facilities will “meet *or exceed*” such standards and that such plans not only will be “consistent with” the standards, but will exceed them (*i.e.*, in terms of proposed alternative language, they “will not be inconsistent with” the Standards). RCID believes that these changes are important so that the standards set forth in Section IX do not limit the enhanced standards and plans that a PO or customer may wish to adopt.

GridFlorida’s and the PO’s review and inspection of enhanced plans and facilities also should be done on an expedited basis. *See* Original Sheet No. 242 of redlined OATT. Foot-dragging should not be permitted to cause the delay of putting enhanced or expedited facilities into service. Accordingly, RCID proposes that the following new sentence be added to the end of Section IX on Original Sheet No. 242 of the redlined OATT (Original Sheet No. 210 of non-redlined OATT): “Any review or inspection by the Transmission Provider and/or PO shall be done on an expedited basis so as not to cause any undue delay in the adoption of enhanced plans or the construction, interconnection or bringing into service of any Enhanced Facilities.”

Finally, Section VII of Attachment N would require that a PO use its power of eminent domain, including rights of way, for the construction of transmission facilities (*see* Original

Sheet No. 237 of redlined OATT; Original Sheet No. 207 of non-redlined OATT). RCID does not object to the IOUs agreeing to provide such eminent domain support. However, RCID does object to GridFlorida's using its power over transmission to try to commandeer the land-use powers of local political bodies, such as municipal utilities. RCID's authority and obligations in this area are a function of statute and of its status as a political subdivision of the State of Florida. While RCID and other such political entities may choose to assist with respect to reasonable facilities in which they would have a direct interest, RCID cannot make a blanket commitment here to do GridFlorida's bidding with respect to a future use of condemnation powers.

Operating Protocol (Attachment O to OATT). RCID has several comments with respect to particular provisions of the proposed revised Operating Protocol.

First, as in the POMA, several provisions of the Operating Protocol require the adoption of or adherence to NERC's standards. For the same reasons discussed above with respect to POMA Sections 6.13 and 7.12, RCID proposes that references to NERC guidelines, etc. in the Operating Protocol's Preamble (Original Sheet No. 221 of non-redlined OATT); Section I.B, 1st paragraph (Original Sheet No. 222 of non-redlined OATT); Section I.B.7 (Original Sheet No. 223 of non-redlined OATT); and Section II.1 (Original Sheet No. 228 of non-redlined OATT) be clarified by adding the following phrase after the references to NERC: "(as adopted by the FRCC)." Alternatively, any incorporation by GridFlorida of NERC standards must be subject to FERC's review and approval. RCID therefore proposes, as an alternative, that the following language be added in the appropriate places in the foregoing provisions: ", provided that, in the case of NERC guidelines, policies, standards, rules, regulations, orders, license requirements and other requirements, the same shall have first been approved by FERC."

Second, Section I.A.2 (Operational Control) provides that a PO may not take a facility out of service or place a facility into service without the Transmission Provider's (*i.e.*, GridFlorida's) approval, except in cases where public or employee safety is at imminent risk. First, the intent of this section is to cover those facilities the operational control of which has been ceded to the RTO pursuant to the POMA; it may be useful to clarify that that is the intent. Second, RCID believes that it also would be appropriate to except from such approval those instances in which taking a facility out of service or placing a facility into service would not have a material effect on the reliability of the transmission system. If the impact of such an action is so slight so as not to affect reliability, no purpose is served in requiring the advance approval of the grid operator (although RCID thinks it would be appropriate to notify the grid operator of such action, if that is necessary). Accordingly, RCID proposes that the following language be added to the end of Section I.A.2 (on Original Sheet No. 222 of non-redlined OATT): "or if such action would not materially affect the reliability of the Transmission System and the PO notifies the Transmission Provider of such action."

Similarly, in Section III.A.1 (Maintenance of Transmission System Facilities), there should be an exception for maintenance schedules that have no impact on the transmission system. Accordingly, RCID proposes that the following language be added to the end of the third sentence of Section III.A.1 (on Original Sheet No. 229 of non-redlined OATT): "provided that such review and approval shall not be required for maintenance schedules that would not materially affect the reliability of the Transmission System and the PO notifies the Transmission Provider of such schedules."

Along the same lines, in Section III.A.3 (Maintenance of Transmission System Facilities) there also should be an exception for maintenance schedule changes that have no impact on the

transmission system. Accordingly, RCID proposes that the following language be added to the end of the first sentence of Section III.A.3 (on Original Sheet No. 229 of non-redlined OATT): “provided that such approval shall not be required for maintenance schedule changes that would not materially affect the reliability of the Transmission System and the PO notifies the Transmission Provider of such schedule changes.”

Likewise, in Section III.C (Maintenance of Transmission Facilities Owned by Non-POs), there should be an exception for maintenance schedules that have no impact on the transmission system. Accordingly, RCID proposes that the following language be added to the end of the last sentence of Section III.C (on Original Sheet No. 231 of non-redlined OATT): “provided that such review and approval shall not be required for maintenance schedules that would not materially affect the reliability of the Transmission System and the PO notifies the Transmission Provider of such schedules.”

Third, Section I.C (Service Level Agreements) states that the Service Level Agreement will require information on a variety of operating parameters. It should be clarified that the information collected under the Service Level Agreement should not be used to establish new, more costly or onerous operating parameters for existing facilities. If there are newly-established parameters that will result in greater costs or burdens, then there should be a transition period to ease the burden. Finally, this section should be modified to clarify that any redispatch required of the generator pursuant to the Service Level Agreement will not cause any damage to facilities. Accordingly, RCID proposes that the following language be added to the end of the second sentence of Section I.C (on Original Sheet No. 224 of non-redlined OATT): “. provided that no such redispatch shall be required if it would result in damage to facilities.”

Fourth. the first sentence of Section I.D.3 (Reliability Agreement) (Original Sheet No. 225 of non-redlined OATT) appropriately guarantees that the Transmission Provider (*i.e.*, GridFlorida) will provide LSEs “with reliable service that is at least equivalent to the reliability of the transmission system for that LSE prior to the Transmission Provider assuming operational and planning authority.” However, the second sentence then sets forth reliability measurements that, as applied, may not necessarily result in the same level of service reliability. RCID proposes, as a fix to that potential problem, that the first two lines of the second sentence be revised to read as follows: “The reliability requirements shall, at a minimum, include, but are not necessarily limited to, the following”

Fifth, the Applicants should explicitly identify in Section I.G (Municipal Police Powers) (Original Sheet No. 228 of non-redlined OATT) those provisions of the Tariff that require municipalities to waive their local governmental police powers. Local governmental bodies should not be asked to agree to waive their police powers without the Applicants at least having specifically identified the circumstances in which waiver will be sought. In addition, the term “municipalities” presumably has the same meaning as that set forth in the Federal Power Act, and this section should be modified to so clarify.

Sixth. Section II.3 (Determination of TTC and ATC) (Original Sheet No. 228 of non-redlined OATT) should be modified in several ways. First, POs’ compliance with the Transmission Provider’s procedures in developing databases should be on reasonable terms: thus, in the first sentence, insert the word “reasonably” before the word “required.” Second, in the second sentence, delete the phrase “and confirming”: there are procedures specified for resolving disputes regarding line ratings, so there is no need for the Transmission Provider to “confirm” the ratings and other criteria provided by the PO.

Seventh, in Section III.B.1 (GridFlorida Maintenance Standards) (Original Sheet No. 230 of non-redlined OATT), presumably the term “comparable basis” means that like standards will be applied to like facilities; thus, enhanced or special facilities will be subject to standards applicable to such enhanced or special facilities. Accordingly, RCID proposes that the following phrase be added after the phrase “on a comparable basis to all transmission facilities included in the Transmission System”: “(taking into account all relevant characteristics of the facility).”

Eighth, in Section III.B.2 (GridFlorida Maintenance Standards) (Original Sheet No. 230 of non-redlined OATT), the “phase in” of standards specified in this section needs to be clarified. In particular, the Applicants should clarify how the phase-in will be determined and how it will work.

Ninth, in Section III.B.3 (GridFlorida Maintenance Standards) (Original Sheet Nos. 230-31 of non-redlined OATT), RCID supports the addition of language permitting a transmission customer to seek enhanced maintenance standards.

Tenth, in paragraph (2) of Section III.D.2 (Monthly and Annual Scheduling Coordination) (Original Sheet No. 233 of non-redlined OATT), the Applicants should define what a “transmission criterion violation” is and how it is determined.

Eleventh, in Exhibit O.1 (Original Sheet Nos. 237-39 of non-redlined OATT), the Applicants also should specify precisely what information will be requested in Appendix A as required by Section II.B (Submission of Request). Section III.B (Processing of Request) also should be modified to require the Transmission Provider to notify the requesting party within 24 hours (not five days) of its receipt of the request.

C. Market Design

RCID provides the following responses to the Staff's issues on Market Design:

9. Use of physical transmission rights. RCID supports the Commission's decision to require the Applicants to continue to use the physical transmission rights ("PTRs") model for congestion management. RCID believes that PTRs provide the best means of ensuring reliable electric service to consumers. However, RCID has several concerns with the Applicants' proposal.

In the PTR allocation provisions (Section 3.3 of Attachment P), it appears that LSEs that are not POs are excluded from the PTR allocation process.⁴ Attachment P also requires Scheduling Coordinators to respond to GridFlorida's instructions to dispatch "incs" within ten minutes, unless a different scheduling frequency is agreed upon (Section 1.2.3). However, some firm existing resources under long-term contracts may not be susceptible to rescheduling on ten minutes' notice. RCID urges that this provision be modified to accommodate explicitly existing and future resources that are not capable of ten-minute rescheduling.

Moreover, Attachment P is unclear as to what happens to the PTRs that are allocated to existing customers upon expiration of their existing transmission agreements. The point of allocating PTRs is to maintain reliable electric service to consumers in Florida. Accordingly,

⁴ The language in Section 3.3.1 with respect to the allocation of PTRs to POs and their customers is imprecise and should be clarified. As drafted, Section 3.3.1 purports to allocate PTRs to transmission customers that have not converted to service under the GridFlorida tariff. However, Section 3.3.1 by its terms would allocate PTRs only to "Network Transmission Customers" and "Long-Term Firm Point-to-Point Customers." Without further clarification, these terms presumably refer only to customers under GridFlorida's tariff; non-converting customers (*i.e.*, who are served under existing transmission agreements and do not take service under the GridFlorida tariff) would be excluded from the PTR allocation process. RCID does not believe that that anomalous result is intended.

Attachment P should be clarified to ensure that, after existing agreements expire, allocated PTRs should revert to the LSEs requiring service over the congested flowgates that are allocated PTRs in the first instance.⁵ Failure to transfer PTRs to the LSE following the expiration of an existing agreement would give undue market leverage to the historic seller which could unfairly use control of the PTRs to force contract extensions or new services after the existing agreement expires.

10. Method for determining flowgates. RCID is still evaluating this issue. RCID reserves the right to submit comments on this subject in its post-Workshop comments, and to endorse or oppose the positions of other parties.

11. Pricing of ancillary services. RCID believes that the following principles should be adhered to in the pricing of ancillary services: (a) Rates for ancillary services should be subject to appropriate regulatory oversight and approval, which means, in the case of the IOUs and merchant generators, approval by FERC for their wholesale sales of ancillary services; (b) a FERC-jurisdictional seller should not be permitted to sell ancillary services at market-based rates until FERC has made an affirmative finding that the markets are workably competitive and that such seller lacks market power in the relevant markets or there is an adequate market power mitigation plan in effect; (c) in the absence of market-based rate authorization, a FERC-jurisdictional seller's prices should be capped at a cost-based rate; and (d) GridFlorida should purchase the services from those suppliers offering the most economical product, consistent with maintaining the reliability of the transmission system.

⁵ Attachment T (Existing Transmission Agreements) also is unclear on the issue of what happens to PTRs upon expiration of the existing transmission agreements. To the extent necessary, Attachment T also should be clarified as suggested above

D. Pricing Protocol and Rate Design

RCID provides the following responses to the Staff's issues on Pricing Protocol and Rate Design:

12. Details of cost recovery mechanism. RCID is still evaluating this issue. RCID reserves the right to submit comments on this subject in its post-Workshop comments, and to endorse or oppose the positions of other parties.

13. Inclusion of transmission dependent utility ("TDU") costs in zonal rates. RCID is still evaluating this issue. RCID reserves the right to submit comments on this subject in its post-Workshop comments, and to endorse or oppose the positions of other parties.

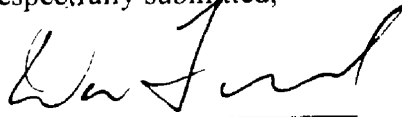
14. Revenue shifts resulting from the de-pancaking of rates. RCID is still evaluating this issue. RCID reserves the right to submit comments on this subject in its post-Workshop comments, and to endorse or oppose the positions of other parties.

RCID reserves the right to raise additional issues, submit additional comments, and endorse or oppose the comments of other parties at a later time in this proceeding.

III. Conclusion

Wherefore, Reedy Creek Improvement District respectfully requests that the Commission consider these comments and take such action as requested herein.

Respectfully submitted,



Daniel E. Frank, Esq.
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, N.W.
Washington, DC 20004-2415
Tel.: 202.383.0838
Fax: 202.637.3593

*Attorneys for
Reedy Creek Improvement District*

May 7, 2002

EXHIBIT A

SUMMARY OF ISSUES PENDING BEFORE FERC

In its April 27, 2001 request for clarification and/or rehearing of FERC's March 28, 2001 order, 94 FERC ¶ 61,363 (2001), RCID identified several issues that have not yet been addressed by FERC or by the Applicants in their compliance filing:

1. FERC should clarify that it did not abandon its functional test for determining whether facilities are "transmission" in favor of a mechanistic, voltage-based rule, as proposed by the Applicants.
2. FERC should clarify that it did not intend to grant to GridFlorida the right to attempt to force public power entities to use their eminent domain authority on behalf of GridFlorida or its customers.
3. The Applicants' proposed penalties for exceeding transmission capacity reservations are unjust, unreasonable and unduly discriminatory.
4. FERC should clarify that Attachments P and T allocate to LSEs, upon expiration of their existing agreements, the necessary PTRs to obtain firm transmission service across Flowgates, consistent with their obligation to provide reliable electric service to native load customers.

In its July 2, 2001 protest of and comments on the May 29, 2001 compliance filing by GridFlorida, RCID identified the following issues:

5. In Section I.I of the Operating Protocol, the Applicants should define the term "Municipalities" and should identify the provisions in the OATT in which POs must waive their local governmental police powers.
6. FERC's approval of the Supplemental Services Agreement (for the provision of Ancillary Services to the RTO) should be conditioned on the Applicants' filing and FERC's approval of the rates for services provided under that Agreement (other than rates of non-FERC-jurisdictional entities); the Agreement also should be modified to specify that GridFlorida will purchase such services from those suppliers offering the most economical product, consistent with maintaining the reliability of the transmission system.
7. FERC should reject the requirement that a customer building enhanced facilities become a PO (Section F.2 of the Planning Protocol); the Applicants should provide a definition of "Independent Engineer" (in Section F.1.d of the Planning Protocol).
8. The Applicants' proposal should be approved on the condition that they identify and file the FRCC responsibilities and standards with FERC.

9. Section 12C of the OATT should be clarified to ensure that parties will have opportunity to comment on rate design proposals.
10. The Applicants should delete Section 11.3 of the POMA (as directed in the March 28, 2001 order).

* * *

**CERTIFICATE OF SERVICE
DOCKET NO. 020233-EI**

I hereby certify that a true and correct copy of the foregoing has been furnished by U.S. Mail to the following parties on this 7th day of May, 2002.

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

Ausley Law Firm
James Beasley/Lee Willis
P.O. Box 391
Tallahassee, FL 32302

CPV Atlantic, Ltd.
145 NW Central Park Plaza, Suite 101
Port Saint Lucie, FL 34986

Calpine Corporation
Thomas W. Kaslow
The Pilot House, 2nd Floor
Lewis Wharf
Boston, MA 02110

Carlton. Fields Law Firm
Gary L. Sasso/James M. Walls
P.O. Box 2861
Saint Petersburg, FL 33731

City of Tallahassee
Pete Koikos
100 West Virginia Street
Fifth Floor
Tallahassee, FL 32301

Dick Basford & Associates, Inc.
5616 Fort Sumter Road
Jacksonville, FL 32210

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

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

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

Florida Electric Cooperatives Association, Inc.
Michelle Hershel
2916 Apalachee Parkway
Tallahassee, FL 32301

Florida Industrial Power Users Group
c/o McWhirter Law Firm
Vicki Kaufman/Joseph McGlothlin
117 S. Gadsden St.
Tallahassee, FL 32301

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

Florida Power & Light Company
Mr. Bill Walker
215 South Monroe Street, Suite 810
Tallahassee, FL 32301-1859

Florida Power & Light Company
Mr. R. Wade Litchfield
P.O. Box 1400
Juno Beach, FL 33408

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

Florida Retail Federation
100 E. Jefferson St.
Tallahassee, FL 32301

Foley & Lardner Law Firm
Thomas J. Maida/N. Wes Strickland
106 East College Avenue, Suite 900
Tallahassee, FL 32301-7732

Gainesville Regional Util./City of Gainesville
Mr. Ed Regan
P. O. Box 147117, Station A136
Gainesville, FL 32614-7117

Gray, Harris & Robinson, P.A. (Orl)
Thomas Cloud/W.C. Browder/P. Antonacci
301 East Pine Street, Suite 1400
Orlando, FL 32801

Greenberg, Traurig Law Firm (Tall)
Ron LaFace/Seann M. Frazier
101 E. College Ave.
Tallahassee, FL 32301

JEA
P.G. Para
21 West Church Street
Jacksonville, FL 32202-3139

John & Hengerer Law Firm
Douglas John/Matthew Rick
1200 17th Street, N.W.
Suite 600
Washington, DC 20036-3006

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

Kissimmee Utility Authority
Mr. Robert Miller
1701 West Carroll Street
Kissimmee, FL 32746

Lakeland Electric
Paul Elwing
501 E. Lemon St.
Lakeland, FL 33801-5079

Landers Law Firm
Wright/LaVia
310 West College Avenue
Tallahassee, FL 32301

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

Leslie J. Paugh, P.A.
P.O. Box 16069
Tallahassee, FL 32317-6069

McWhirter Law Firm
Joseph McGlothlin/Vicki Kaufman
117 S. Gadsden St.
Tallahassee, FL 32301

McWhirter Law Firm (Tampa)
John McWhirter
P.O. Box 3350
Tampa, FL 33601-3350

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

Michael Wedner
117 West Duval Street
Suite 480
Jacksonville, FL 32202

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

Moyle Law Firm (Tall)
Jon Moyle/Cathy Sellers/Dan Doorakian
The Perkins House
118 North Gadsden Street
Tallahassee, FL 32301

Office of Public Counsel
Jack Shreve/Charles Beck
c/o The Florida Legislature
111 W. Madison St., #812
Tallahassee, FL 32399-1400

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

Publix Super Markets, Inc.
John Attaway
P. O. Box 32015
Lakeland, FL 33802-2018

Reedy Creek Improvement District
P.O. Box 10000
Lake Buena Vista, FL 32830

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

Via Federal Express:
Rutledge Law Firm
Kenneth Hoffman
P.O. Box 551
Tallahassee, FL 32302

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

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

Sutherland Asbill & Brennan LLP
Russell S. Kent
2282 Killearn Center Blvd.
Tallahassee, FL 32308-3561

Suzanne Brownless, P.A.
1311-B Paul Russell Road
Suite 201
Tallahassee, FL 32301

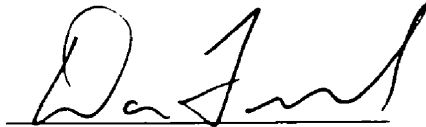
Tampa Electric Company
Ms. Angela Llewellyn
Regulatory Affairs
P. O. Box 111
Tampa, FL 33601-0111

Trans-Elect. Inc.
c/o Alan J. Statman, General Counsel
1200 G Street NW, Suite 600
Washington, DC 20005

Walt Disney World Co.
Lee Schudde
1375 Lake Buena Drive
Fourth Floor North
Lake Buena Vista, FL 32830

Via Federal Express:

Ms. Renae Deaton
Florida Power & Light Company
9250 West Flagler
Miami, FL 33174

A handwritten signature in black ink, appearing to read "Dan Frank", written over a horizontal line.

Daniel E. Frank