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May 8, 2002

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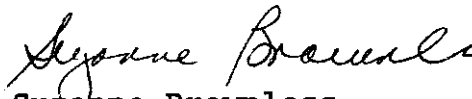
RE: DOCKET NO. ~~022003-21~~
In Re: Review of GridFlorida Regional Transmiss
Organization (RTO) proposal

Dear Ms. Bayo:

Attached please find the original and fifteen copies of JEA's
Comments to be filed in the above-styled docket. Also attached is
a copy to be stamped and returned to our office.

Should you have any questions or need any additional
information, please contact me.

Very truly yours,



Suzanne Brownless
Attorney for JEA

EXT - DEAN - 1
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CAF _____
CMP FUTRELL - 1
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CTR _____
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Review of GridFlorida
Regional Transmission
Organization (RTO) proposal.

DOCKET NO. 020233-EI

JEA'S COMMENTS

Pursuant to Orders Nos. PSC-02-0459-PCO-EI and PSC-02-0548-PCO-EI, issued on April 3 and April 22, 2002 respectively, JEA, through its undersigned counsel, submits its Comments in this docket and states as follows:

JEA'S SYSTEM

JEA is a vertically integrated municipal electric utility operating in northeastern Florida since 1895. JEA has installed generating capacity of 2,981 MW produced by 21 generators. JEA's installed generating capacity will exceed 3,400 MW by the year 2004. JEA owns 634 circuit miles of transmission lines at voltage levels of 69kV, 115 kV, 138 kV and 500 kV. JEA currently has in excess of 360,000 electric customers on its system.

STRUCTURE AND GOVERNANCE

JEA agrees that a not-for-profit independent system operator (ISO) structure would be an appropriate RTO entity for Peninsular Florida. Such an approach appears to have acceptance with most stakeholders and lessens the concerns associated with a for-profit Transco, i.e., conflicts created among transmission users.

JEA is, however, concerned with the composition of the Board Selection Committee (BSC) as currently proposed. The BSC will have authority to appoint the initial slate of directors for GridFlorida in addition to the authority to remove directors by a 2/3 vote of

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the BSC and to elect replacements for any and all vacancies which may occur.

The proposed BSC is composed of 9 members from the following stakeholder groups: 3 members representing the investor-owned utilities which are the three Applicants (Applicants); 1 member from a noninvestor-owned utility that distributes electricity at retail; 1 member from a cooperative generating and transmission (G&T) utility or a municipal joint action agency that sells electricity at wholesale; 1 member from entities that own or are developing generation assets; 1 member from power marketers; 1 member representing a governmental or non-profit consumer organization and 1 member to be elected by the GridFlorida Advisory Committee members.

During the collaborative development of the for-profit Transco originally proposed to the Federal Energy Regulatory Commission (FERC) as GridFlorida's organizational structure, the Applicants argued that their contribution of billions of dollars of transmission assets to the Transco required that they have a strong role in the BSC in order to assure their stockholders that these assets were being managed effectively and economically. This argument has some merit under the for-profit Transco model.

However, under a not-for-profit ISO structure, the proposed degree of control by the Applicants over the BSC is not warranted. The composition of the BSC is not balanced among the GridFlorida stakeholders but is weighted in favor of the Applicants. Balance among the stakeholders can be restored by: (i) reducing the

Applicant representatives from 3 to 1 and (ii) eliminating the member elected by the GridFlorida Advisory Committee. These actions produce two significant results. First, creating a more appropriate balance among the GridFlorida stakeholder groups, all of whose needs must be met in order to have an economically efficient and reliable electric energy grid. Second, a reduction in the overall size of the BSC by one third to a smaller and more administratively efficient 6 members.

Planning and Operational Protocols

Under Attachment N, Section III of the Planning Protocol, GridFlorida is given the sole authority to make determinations of Available Transfer Capability (ATC) for the state's electric grid. While the criteria for establishing ATC is well defined in Attachment N, JEA is concerned that these criteria do not take into account the unique design of the JEA system and the necessary operating procedures JEA has instituted in order to maximize the efficiency and reliability of its system design.

As stated above, JEA has installed generating capacity of 2,981 MW produced by 21 generators. JEA's largest unit is the 518 MW Northside Unit 3. Thus, should JEA's largest unit go off line, JEA's installed capacity immediately experiences a 17% reduction in generating capacity. The next largest units on the system are located at St. Johns River Power Park (SJRPP), Units 1 and 2, whose capacity is 625 MW each, one half of which is owned or sold to Florida Power & Light Company (FPL) leaving JEA with approximately 312 MW of capacity from each of these units for a total of 625 MW.

The loss of Northside Unit 3 and even one SJRPP unit would result in a 830 MW shortfall, a staggering 28% of JEA's generating capacity. Loss of Northside Unit 3, coupled with other multiple operational contingencies which individually result in smaller reductions of capacity, when taken together also have a significant impact on JEA's system.

JEA and FPL jointly own two 500 kV transmission lines that are interconnected with the Georgia Integrated Transmission System (ITS). JEA, FPL, Florida Power Corporation (FPC) and the City of Tallahassee each own transmission interconnections with Georgia ITS. JEA's ownership entitlement over these transmission lines is 1,228 MW of Florida's 3,600 MW import capability.

As allowed by FERC Order 888, JEA currently designates a Capacity Benefit Margin (CBM) which averages 375 MW. Reservation of this import capability over the two 500 kV transmission lines allows JEA to meet its capacity needs in times of emergency by purchasing capacity generated north of the Florida/Georgia interface. JEA's system has been designed specifically to rely upon these resources in emergency situations and JEA's substantial financial investment in its portion of the 500 kV lines was made in large part to accomplish this goal. JEA and other members of the Florida Reliability Coordinating Council (FRCC) are required to maintain operating reserves and to secure capacity to replace reliance on the FRCC's operating reserves within 30 minutes of a unit trip or operational contingency. JEA meets these requirements, in part, by reliance on its CBM of 375 MW.

It should be noted that the amount of CBM varies with dispatch and loading conditions. That being the case, JEA routinely makes its CBM capacity available for non-firm, short term transmission service, i.e., JEA makes this capacity available subject to interruption should JEA require the capacity to meet its own emergency needs.

If, in developing the ATC, GridFlorida fails to take JEA's unique circumstances into account, JEA's system integrity and its ability to meet its retail load will be placed in great jeopardy. Without a favorable resolution of this issue, JEA will find it extremely difficult to participate in the GridFlorida ISO.

Finally, Attachment P, Congestion Management, Balancing Service, Operating Reserves, and Regulation, contains numerous references to sections which "are not currently in effect." JEA is unsure of the meaning and implications of these sections. If the sections are under further development, JEA would like the opportunity to participate in that process. However, JEA reserves the right to evaluate and challenge the changes proposed in these sections.

Pricing Protocol and Rate Design

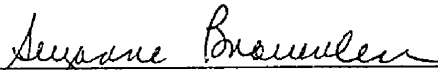
One of the major unresolved issues of the GridFlorida Transco proposal concerned cost shifting. Various scenarios were suggested, all of which resulted in severe penalties to some and acceptable solutions for others.

The cost shifts and penalties which will be experienced under the proposed Independent System Operator (ISO) are directly

attributable to the fact that the modern Florida transmission grid has been developed over the past fifteen to twenty years. The transmission pricing decisions that put the current Florida transmission grid in place were made by transmission owners within a regulatory framework which had been fairly constant for the previous thirty years. GridFlorida, whether a for-profit Transco or the currently proposed ISO, represents a revolutionary change from the previous regulatory framework.

As a result of contracts negotiated with AES Cedar Bay (AES) and FPL in the development of the 250 MW Cedar Bay cogeneration power plant and SJRPP Units 1 and 2 in the late 1980's and early 1990's, JEA realizes annual revenues. Annual revenues are also generated by the sale of non-firm wheeling, pursuant to JEA's Open Access Transmission tariff, over JEA's portion of the 500 kV lines. Under some interpretations of the current GridFlorida proposal JEA's ratepayers could experience a revenue reduction of up to \$20,000,000 per year. These revenues represent a dollar-for-dollar windfall to other retail ratepayers in the GridFlorida network. JEA representatives have had discussions with representatives of the Applicants regarding this issue. The Applicants have expressed a desire to work toward a resolution of this issue and JEA is hopeful that a mutually acceptable resolution can be reached. However, JEA cannot state too strongly that JEA's participation in GridFlorida, is contingent upon the alleviation of this significant cost shift.

Respectfully submitted, this 8th day of May, 2002 by:



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**CERTIFICATE OF SERVICE
DOCKET 020233**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Hand-delivery(*), E-mail (**) or U.S. Mail, to the following parties on this 8th day of May, 2002.

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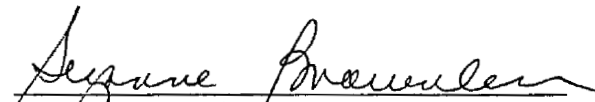
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