

M E M O R A N D U M

September 6, 2002

TO: DIVISION OF THE COMMISSION CLERK AND ADMINISTRATIVE SERVICES

FROM: OFFICE OF THE GENERAL COUNSEL (BRUBAKER) *JSB*

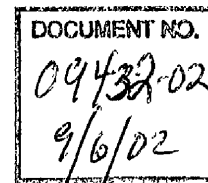
RE: DOCKET NO. RT01-67-000, GRIDFLORIDA, LLC
DOCKET NO. RT01-77-000, SOUTHERN COMPANY SERVICES, INC.
DOCKET NO. RT01-100-000, REGIONAL TRANSMISSION ORGANIZATIONS
DOCKET NO. RM01-12-000, ELECTRICITY MARKET DESIGN AND STRUCTURE
DOCKET NO. EL02-101-000, CLECO POWER LLC ET AL.

Attached is a letter from Chairman Lila A. Jaber to Chairman Pat Wood, dated September 5, 2002, which needs to be mailed to all parties of record in GridFlorida FPSC Docket No. 020233-EI.

JSB/dm

Attachment

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LILA A. JABER
CHAIRMAN

STATE OF FLORIDA



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Tallahassee, FL 32399-0850
(850) 413-6044

Public Service Commission

September 5, 2002

VIA ELECTRONIC FILING

The Honorable Pat Wood
Chairman
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

RE: Docket No. RT01-67-000, GridFlorida, LLC
Docket No. RT01-77-000, Southern Company Services, Inc.
Docket No. RT01-100-000, Regional Transmission Organizations
Docket No. RM01-12-000, Electricity Market Design and Structure
Docket No. EL02-101-000, Cleco Power LLC et. al.

Dear Chairman Wood: *Pat*

You may recall that on December 20, 2001, the Florida Public Service Commission (FPSC) forwarded to you a copy of our Order containing final determinations regarding the proposed GridFlorida Regional Transmission Organization (RTO). In our final Order, we determined:

As a policy matter, we support the formation of an RTO to facilitate the development of a competitive wholesale energy market in Florida. In the long-term, the efficiencies and benefits identified through our evidentiary hearing should put downward pressure on transmission and wholesale generation rates, and, in turn, on retail rates. Accordingly, our decision in this Order is supportive of FERC's clear policy favoring RTO development. Given our responsibilities to regulate retail aspects of transmission, FERC's responsibilities to regulate wholesale aspects of transmission, and GridFlorida's effects on both, we believe that our decision contributes to the collaborative process necessary to ensure development of an RTO that satisfies both Federal and State policy concerns. We intend to work cooperatively with both FERC and the GridFlorida Companies toward this end.

In addition, the GridFlorida Companies were ordered to file with the FPSC a modified RTO proposal that restructured GridFlorida as an independent system operator (ISO) whereby each utility maintains ownership of its transmission facilities. On August 20, 2002, the FPSC considered the modified filing, specifically approving the structure and governance aspects, the planning and operations aspects, and certain aspects of the rate design and pricing protocols of the proposed ISO. FPSC Order No. PSC-02-1199-PAA-EI containing our decision is attached.

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PSC Website: <http://www.floridapsc.com>

Internet E-mail: contact@psc.state.fl.us

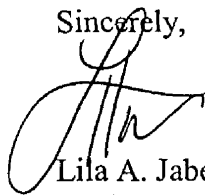
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In our December 20, 2001 Order, the FPSC approved a market design which required (1) physical transmission rights; (2) balanced schedules; and (3) get-what-you-bid pricing for balancing energy and congestion management. The GridFlorida Companies are now proposing a revised market design that includes (1) financial transmission rights for transmission capacity allocation; (2) unbalanced schedules with a voluntary day-ahead market; (3) market clearing prices for balancing energy and congestion management; and (4) sharing of gains on real-time energy sales. It is the FPSC's intent to conduct an expedited evidentiary hearing in late-October, 2002, to evaluate the merits of the revised proposal. Upon consideration of the remaining aspects of this case, we will inform you of our final decisions regarding the market design of GridFlorida.

As we noted in our December 20, 2001 Order, we recognize that both the FPSC and the FERC have regulatory responsibilities with respect to various aspects of transmission service, and we recognize that the GridFlorida RTO will impact aspects of transmission service under the respective responsibilities of each agency. Thus, while we have approved major components of the proposed GridFlorida RTO through our December 20 Order and the attached Order No. PSC-02-1199-PAA-EI, we cannot overlook our statutory responsibilities to regulate those aspects of transmission service that the Florida Legislature has required us to oversee. Our orders concerning the proposed GridFlorida RTO reflect these areas of continuing FPSC responsibility. In rendering these orders and in establishing an expedited proceeding on GridFlorida's revised market design proposal, it has been and continues to be our intent to contribute to the development of an RTO that satisfies the policy concerns and responsibilities of both the FPSC and FERC. We continue to believe that the FPSC and FERC are necessary partners in oversight of this very important development for Florida utilities and ratepayers, and we intend to work cooperatively with FERC in this development.

We look forward to working with you in the future.

Sincerely,



Lila A. Jaber
Chairman

LAJ:rsb:ng

Enclosure

cc: Commissioner Linda Key Breathitt
Commissioner Nora Mead Brownell
Commissioner William L. Massey
Daniel L. Larcamp
Kevin A. Kelly
Shelton M. Cannon
Cynthia A. Marlette
FPSC Commissioners
Parties of Record in GridFlorida FPSC Docket No. 020233-EI