

March 11, 2004

**VIA HAND DELIVERY**

Ms. Blanca S. Bayo, Director  
Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Betty Easley Conference Center, Room 110  
Tallahassee, Florida 32399-0850

Re: Docket No. 020233-EI

Dear Ms. Bayo:

Please find enclosed for filing in the above-referenced docket an original and 15 copies of the Seminole Electric Cooperative Inc. Response to GridFlorida Applicants' Draft Positions for the Pricing Issues Workshop to be held on March 17 and 18, 2004. Copies of this letter and the attached document are being distributed this same date to all parties of record via E-mail.

Thank you for your assistance.

Sincerely,



N. Wes Strickland

Enclosures

cc: All Parties of Record (via E-mail)

**Docket No. 020233-EI**

**Seminole Electric Cooperative, Inc. Response to  
GridFlorida Applicants' Draft Positions**

**Pricing Issues Workshop - March 17-18, 2004**

As a preliminary matter, since these comments are being submitted on the basis of the written position statement from the Applicants, there is the possibility that Seminole Electric Cooperative, Inc. ("Seminole") does not fully understand what the Applicants are proposing, plus there are many areas where Seminole has questions about what was written. Seminole looks forward to having its questions answered at the March 17-18 workshop, and will amend its positions accordingly, if warranted. *(For the most part, the response below tracks the Applicants' position statement on a paragraph-by-paragraph basis.)*

1. Issue No. 1 - Regional State Committee

a. The Applicants propose that the Florida Public Service Commission ("FPSC") serve as the Regional State Committee ("RSC"). Seminole can accept this proposal assuming the correct Federal Energy Regulatory Commission ("FERC") review standard is adopted (see paragraph 1.b., below) and the purview of FPSC jurisdiction is properly established. The question as to what matters the FPSC should be reviewing and opining on by way of initial decisions needs further discussion for at least two reasons: (i) there are certain matters over which we do not believe the FERC will (or should) defer to the states;<sup>1</sup> and (ii) there is the question of efficiency - the way the Applicants have set it up, it will take far too much time for GridFlorida to react to changed circumstances, given the multiple levels of regulatory (and potentially judicial) review envisioned, which is not conducive to a smooth functioning RTO.

What role does the FPSC appeal process play (e.g., if the FPSC renders a decision from which a TO takes an appeal, is that TO nevertheless required to file the revenue requirements approved by the FPSC with the FERC for approval prior to the exhaustion of the appeal process? If not, what procedure is followed in order to ensure no delay in implementing a functional RTO in the State?)?

b. The FERC review standard as proposed by the Applicants is both unacceptable on its

---

<sup>1</sup>See FERC April 28, 2003 White Paper, Docket RM01-12, pp. 4-5, and Appendix A thereto, pp. 5, 17.

face and, in Seminole's view, unlawful; the FERC may not delegate its responsibility to ensure that rates and terms and conditions of service subject to its Federal Power Act ("FPA") jurisdiction are just and reasonable and not unduly discriminatory and preferential. Seminole would agree only to a statement that the FERC should give some deference to the initial decisions made by the FPSC.

2. Issue No. 2 - Jurisdictional Responsibilities (Pricing)

a. Regarding the submission by all participating transmission owners (TOs) of their revenue requirements to the FPSC for initial decision, several points. First, what is the basis for assuming that the FPSC would/should review the revenue requirements of non-jurisdictional entities (the contrary seems to be suggested in the table on page 3, which indicates that revenue requirements of non-jurisdictional TOs would be submitted only to GridFlorida; see also reference on page 2 to "FPSC jurisdictional utilities")? Second, what makes the Applicants believe that the FERC intends for state commissions to review any rate issue outside the transmission rate component of bundled retail rates? Third, as to Seminole (and any other borrower from the Rural Utilities Service ("RUS")) the RUS trumps the FPSC; in other words, the FPSC could not do anything in its review of the Seminole revenue requirements (if that is what is anticipated) that deprives Seminole of the right to recover its cost of service plus earn a return sufficient to meet RUS mortgage requirements. In addition, it must be clear that all TOs support the immediate (versus phased-in) full recovery of the revenue requirements of the participating transmission dependent utilities ("TDUs") for their transmission facilities. Finally, Seminole does not understand what is meant by the phrase "FPSC's methodology," so further explanation is required.

b. Regarding the amortization of the "start-up costs of GridFlorida," Seminole assumes and seeks confirmation that this includes the verifiable costs incurred by all participating TOs. Regarding the reference to zonal rates, Seminole requires support of all participating TOs for the establishment of a Seminole pricing zone for the Seminole member load that is directly served by Seminole transmission facilities, which facilities are not part of Seminole's TDU transmission revenue requirement.

c. Seminole does not oppose being a "co-applicant"; however, it must be clear that being a co-applicant does not remove that party's right to dissent. Any participating TO may be displeased with the results of the FPSC initial decision and express its concerns with the FERC, which, while it may give deference to the FPSC initial decision, may not abandon its FPA responsibilities.

d. Seminole agrees that transmission service for all loads (retail and wholesale) must be pursuant to the GridFlorida tariff. The reference to "FPSC jurisdictional utilities" is presumably supposed to reference the Applicants versus all participating TOs. What is the significance of this distinction in the context of Applicants' proposal that all TOs submit their revenue

requirements to the FPSC for initial decision (*see* paragraph 2.a., above).

e. Regarding the “exclusive, unilateral rights” to make FPA Section 205 filings referenced in the fifth paragraph, does this relate only to matters that have first been subject to initial decision by the FPSC or are other matters contemplated (for example, does GridFlorida first have to have the FPSC review proposed changes to GridFlorida tariff terms and conditions before it submits such changes to the FERC)? What is the anticipation regarding filings by non-jurisdictional entities such as Seminole and FMPA? Regarding filings to effect rate design change: (i) Is it correct that while the Applicants anticipate retaining exclusive FPA 205 rights regarding revenue requirements, the same is not true as to rate design to the extent there is not unanimity among all TOs? (ii) What happens if not all TOs are in agreement? (iii) Does this requirement for agreement include all TOs (or only the Applicants)? (iv) Is it presumed that any such rate design change would first have to be subject to an initial decision by the FPSC?

f. Regarding the table (as it relates to Issue No. 2): (i) not sure what is meant by statement that GridFlorida “submits TO’s changes to rates and rate design for those rates that recover the costs of more than one transmission owner’s transmission facilities”; (ii) statement that “Non-jurisdictional Transmission Owners: submits revenue requirements/rates to GridFlorida for inclusion in their zonal rate or TDU adder” seems to be in conflict with certain other pricing provisions discussed in the text regarding submission by all participating TOs of their revenue requirements to the FPSC.

g. Losses are not mentioned, and Seminole is assuming this subject will be addressed in the market design workshop. If losses is not intended to be the subject of a subsequent workshop, then Seminole urges that losses be determined on a system average basis (for reasons already discussed at length in earlier pleadings by Seminole).

### 3. Issue No. 3 - Participant Funding Concept for GridFlorida

a. Seminole does not understand the need for the 8 principles, since it is clearly stated thereafter when roll-in versus participant funding is appropriate; so Seminole would delete the 8 principles. Assuming *arguendo* that there is some legitimate basis for setting forth certain principles, principle 8 says that “Participant funded projects will receive commensurate transmission rights” - what does this mean? The fact of the matter is that participant funding discourages investment in new transmission facilities and giving “commensurate transmission rights,” whatever that means, is only an incentive for retaining (versus eliminating) congestion. Florida needs a protocol in place that encourages transmission construction so that congestion (and hence congestion-related market pricing) is a non-factor. Participant funding will have the opposite result.

b. Seminole is not sure what is meant in the paragraph following the 8 principles by the sentence (following the discussion of the default): “The GridFlorida pricing proposal also will

incorporate 'participant funding'." Is it intended that new transmission facilities added by TOs will be subject to the default assumption of roll-in or will they be subject to a different test from existing facilities? If the latter, this is unacceptable to Seminole. Seminole believes that in the context of new transmission facilities (or upgrades to existing transmission facilities) that are built by a TO (unrelated to new generation and not meeting the definition of "enhanced facility upgrades") and that are functionally controlled and planned by GridFlorida, all such facilities must be rolled in; there is no place for participant funding in this context.

c. Regarding the table: (i) Need to understand what is encompassed in "GridFlorida" column under discussion of "Ongoing."

4. Issue No. 4 - Cost Recovery Concept for GridFlorida

a. Seminole is reading this issue to relate only to the Applicants' retail rate recovery, and if that is the case, Seminole will take no position.

5. Issue No. 5 - Cut-off Dates for Existing Transmission Agreements and Facilities

a. The position as articulated in testimony by Progress Energy Florida (and by Seminole and others) that the new facilities date is December 31, 2000, and the existing transmission agreement date is December 15, 2000, should be adopted.

6. Issue No. 6 - Mitigation of Short-term Revenues Concept for GridFlorida

No comment

7. Issue No. 7 - Review of Current Regulatory / Legislative Environment

No comment

8. Issue No. 8 - Continued Review of RTO Costs and Benefits

No comment