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March 10, 2004

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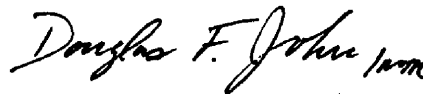
Re: ***In re: Review of GridFlorida Regional Transmission Organization (RTO) Proposal, Docket No. 020233-EI***

Dear Ms. Bayo:

Enclosed, please find an original and twenty (20) copies of the Joint Response of Lakeland Electric, Kissimmee Utility Authority, Gainesville Regional Utilities, and the City of Tallahassee, Florida, which is being filed in the above-captioned proceeding. Please date-stamp and return the five (5) extra copies *via* the enclosed postage pre-paid return envelope. I have also included a diskette containing an electronic form of this filing.

Thank you very much for your assistance and please do not hesitate to contact me at (202) 429-8809 if you have any questions.

Sincerely,



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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: March 11, 2004

JOINT RESPONSE OF LAKELAND ELECTRIC,
KISSIMMEE UTILITY AUTHORITY, GAINESVILLE REGIONAL UTILITIES,
AND THE CITY OF TALLAHASSEE, FLORIDA

Pursuant to the schedule adopted by Order No. PSC-03-1414-PCO-EI, the City of Lakeland, Florida d/b/a Lakeland Electric (Lakeland), the City of Tallahassee, Florida (Tallahassee), Kissimmee Utility Authority (KUA), and the City of Gainesville, Florida d/b/a Gainesville Regional Utilities (GRU) -- collectively referred to herein as the Florida Municipal Group (FMG)¹ -- hereby respond to the draft positions filed by the GridFlorida Applicants on March 1, 2004, in the above-reference proceeding. The draft positions are to be discussed at a "Pricing Issues Workshop" scheduled for March 17 and 18, 2004.

JOINT RESPONSE

These are the initial responses of the FMG members to the draft positions circulated by the GridFlorida Applicants. FMG members plan to attend and participate in the Pricing Issues Workshop and reserve the right to comment further at that time.

- Issue No. 1 - Regional State Committee: The FMG members agree that the Florida Public Service Commission (FPSC) should serve as the Regional State Committee (RSC) for GridFlorida. It remains an open legal question, however, as to precisely what authority may be delegated to the RSC. For example, it is unclear whether and to what extent an RSC may be given the authority to compel Regional Transmission Organizations (RTOs) or participating utilities to submit filings to the Federal Energy Regulatory Commission (FERC).² It is also unclear whether an RTO may require FERC

¹ The FMG is an *ad hoc* advocacy group. Each member of the FMG has intervened independently in this proceeding and reserves the right to express individual views at any time.

² See *Southwest Power Pool*, Concurring Statement of Commissioner Kelliher, 106 FERC ¶ 61,110 (2004) (citing judicial precedent indicating that states may not compel public utilities to exercise filing rights granted by the Federal Power Act).

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to show "substantial deference" to RSC decisions when such decisions relate to matters within FERC's jurisdiction. These types of issues, which appear to be implicated by the Applicants' proposal to delegate substantial authority to the FPSC sitting as the RSC, will likely require further discussion.

- Issue No. 2 - Jurisdictional Responsibilities (Pricing): The FMG members support the Applicants' basic proposal to allocate responsibilities between GridFlorida, transmission owners, stakeholders, the FPSC, and FERC. The details of such allocation will need to be developed. For example, although the Applicants propose to allocate certain rights to transmission owners, it is not clear which rights may be exercised by individual owners and which rights will require coordination among owners, such as through the creation of an owners' committee. FMG members will also want to insure that the scope of "start-up costs" and the impact of the proposed 5-year amortization period is clearly understood.
- Issue No. 3 - Participant Funding Concept: The FMG members are unable to accurately assess the Applicants' pricing proposal unless and until a full cost analysis is completed and made available. In general, however, the FMG members support the principle that those who cause or benefit from the construction of new facilities should bear the costs of such facilities. This principle underlies participant funding concepts. It may also cut against the use of systemwide rates for the recovery of new facility costs because not all facilities constructed to serve load in one part of Florida provide benefits elsewhere.³ FMG members are also interested in exploring the types of "rights" that a participant funder is to receive.
- Issue No. 4 - Cost Recovery Concept for GridFlorida: The FMG members take no position on whether the Applicants should be permitted to recover their incremental costs through the retail Capacity Cost Recovery Clause mechanism. The FMG members submit, however, that any costs incurred by GridFlorida should be subject to thorough review before becoming eligible for recovery in the Grid Management Charge in order, *inter alia*, to prevent double cost recovery.
- Issue No. 5 - Cut-Off Dates for Existing Transmission Facilities and Agreements: The FMG members have previously supported the retention of December 15, 2000, as the cut-off date for defining "Existing Transmission Agreements."⁴ This continues to be the FMG position. The FMG has not formulated a final position on the cut-off date for facility inclusion in the systemwide charge.

³ See Post-Workshop Comments filed by the FMG in this proceeding on June 21, 2002 at pp. 8-9 (requesting that the systemwide new facilities charge be eliminated)

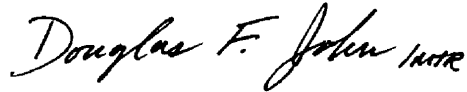
⁴ See *id.* at pp. 6-8.

- Issue No. 6 - Mitigation of Short-Term Revenues Concept for GridFlorida: The Applicants propose to compensate Participating Owners for wheeling revenue that is lost due to the elimination of pancaked rates. This concept should be broadened to recognize that some utilities are not currently receiving compensation for the wheeling services they provide in the form of parallel path flows on their transmission systems.
- Issue No. 7 - Review of Current Regulatory / Legislative Environment: The FMG members will be prepared to discuss this topic at the workshop.
- Issue No. 8 - Continued Review of RTO Costs and Benefits: The FMG members continue to question whether the benefits of forming GridFlorida outweigh the costs. The FPSC should continue to study this issue and should withhold its final approval of GridFlorida until more reliable cost/benefit projections are available.

CONCLUSION

WHEREFORE, the FMG requests that the responses set forth above be taken under consideration in Staff's planning for, and in discussion at, the Pricing Issues Workshop.

Respectfully submitted,



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I HEREBY CERTIFY that a true and correct copy of the foregoing letter has been furnished by U.S. Mail, this 10th day of March, 2004, to the following:

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