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COGENERATION & ALTERNATIVE ENERGY
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BY HAND DELIVERY
March 26, 2004

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

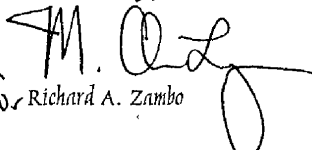
Re: Review of GridFlorida RTO Proposal
FPSC Docket No. 020233-EI

Dear Ms. Bayo:

Enclosed for filing in the referenced docket please find the original and seven (7) copies of the "Post Workshop Comments of the Florida Industrial Cogeneration Association and the Florida Phosphate Council" in connection with the March 17th - 18th GridFlorida Pricing Issues Workshop.

Consistent with the service policy articulated in Commission Order PSC-03-1414-PCO-EI and Staff's January 15, 2004 Memorandum, copies of the comments were electronically distributed to registered stakeholders on March 26, 2004 via the GridFlorida E-mail Explorer List. (It is our understanding that all stakeholders interested in this proceeding were to have registered their names and email addresses with FRCC for inclusion on the GridFlorida Explorer List.)

If you have any questions regarding this filing, or require anything further, please do not hesitate to contact this office. Thanks you.

Sincerely,

for Richard A. Zambo

Richard A. Zambo
Florida Bar No. 312525

RAZ/ms
Enclosure

DOCUMENT NUMBER DATE

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Review of GridFlorida)
Regional Transmission)
Organization (RTO) Proposal)
_____)

Docket No. 020233-EI
March 26, 2004

**Post Workshop Comments
of
Florida Industrial Cogeneration Association
Florida Phosphate Council**

The Florida Industrial Cogeneration Association (FICA) and the Florida Phosphate Council (FPC) submit their post work shop comments in the GridFlorida Pricing Issues Workshop in this Docket. (FICA and FPC are referred to herein as “Industrial QFs”).

Except where noted below as modified, Industrial QFs adopt and re-allege the statements, positions and comments contained in their March 11, 2004 joint response in this Docket.

Issue No. 1 - Regional State Committee

(Modified Position)

Industrial QFs had tentatively agreed with the notion that the FPSC initially serve as the Regional State Committee (RSC) for GridFlorida. However, discussions at the March 17th workshop raised significant jurisdictional issues – both state and federal - that strongly argue against that position. Accordingly, Industrial QFs suggest that the RSC be structured along the lines of an independent, non-governmental stakeholder committee.

There is also a more practical concern with the FPSC serving as RSC; that is whether and to what extent the FPSC would be able to deal fairly with issues relating to QFs, NUGs and non-jurisdictional utilities that would rely on GridFlorida. Moreover, we do not agree that FERC should adopt a “high standard” for overruling decisions of the RSC.

FERC has identified a number of possible “issues areas” suitable for (RSC) involvement, including; rate design; revenue requirements; transmission planning and expansion; distributed generation; interconnection policies; energy efficiency; and environmental matters. Accordingly, the GridFlorida documents and structure must be sufficiently flexible to allow the RSC discretion in developing GridFlorida policies relating to:

- (i) appropriate treatment/relief/waiver of balancing charges, uninstructed deviation penalties, etc. for QFs or renewable fuel generators whose output is dependent on varying energy input such as is the case in the fertilizer industry where process driven QFs generate electricity using waste heat produced in a manufacturing operation that varies in output

- (ii) promotion and encouragement of efficient generation and renewable energy resources, including encouragement through use of self-service wheeling
- (iii) increases in transmission capability across the Florida border to foster a more competitive and robust wholesale market
- (iv) provide for streamlined interconnection procedures for QFs and renewable energy resources

Issue No. 2 – Jurisdictional Responsibilities (Pricing)

GridFlorida overall structure and Applicants should address or allow for the following:

- (i) adoption of appropriate rules or mechanisms to provide relief from balancing requirements, balancing charges, penalties for uninstructed deviation from schedule, etc. commensurate with operating characteristics of QFs and renewable fuel generators whose output is dependent on varying energy input such as is the case in the fertilize industry where process driven QFs generate electricity from waste heat produced in a manufacturing operation that varies in production rates.
- (ii) clarification that existing interconnection and transmission agreements between QF and individual Applicants will not be changed or modified as a result of implementing GridFlorida and that no additional fees or charges will be assessed for existing facilities and arrangements
- (iii) require that transmission facilities transferred to GridFlorida control shall meet an appropriate standard with respect to their condition, maintenance, and operation, and that any cost required to meet such standard be borne by the transmission facility owner, prior to transferring control and maintenance responsibility to GridFlorida
- (iv) promotion and encouragement of efficient generation and renewable energy resources through use of self-service wheeling
- (v) provide for streamlined interconnection procedures for QFs and renewable energy resources
- (vi) consistency and compliance with FERC rules/policies on participant funding of system upgrades, which require that the customer be repaid with interest for such upgrades.
- (vii) Industrial QFs are very concerned that implementation of LMP market design in Florida may result in higher electricity prices, however, it is our understanding that market design issues are to be reserved for the May workshop.

Issue No. 3 – Participant Funding Concept for GridFlorida

GridFlorida's policies and procedures must comply with FERC rules/policies on participant funding of system upgrades, which as Industrial QFs understand it, require that the customer be repaid with interest for such upgrades.

Issue No. 4 - Cost Recovery Concept for GridFlorida

Industrial QFs agree with Applicant's recommendation that future proceedings be conducted with respect to which GridFlorida transmission costs would be subject to capacity cost recovery. Such proceedings must however, be devised and implemented in such a way as to incorporate adjustments in base rates as may be appropriate in recognition of GridFlorida assuming some amount of cost responsibility now included in transmission owners' base-rate charges.

GridFlorida should require that transmission facilities transferred to GridFlorida control must meet an appropriate standard with respect to their condition, maintenance, and operation, and that any cost required to meet such standard be borne by the transmission facility owner, prior to transferring control and maintenance responsibility to GridFlorida.

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

Industrial QFs are unclear as to what, if any, impact these provisions of the GridFlorida proposal would have on existing QF interconnection or transmission service agreements. If GridFlorida would provide clarification that existing agreements between QFs and individual Applicants will not be required to be changed or modified, and that no additional fees or charges will be imposed upon or assessed against them with respect to interconnection or transmission services simply as a result of implementing GridFlorida, Industrial QFs would have no position on this issue.

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

Industrial QFs have no comments or position on this issue at this time

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

State and Federal authorities are considering the adoption of renewable portfolio standards, or otherwise taking steps to encourage the development and operation of renewable energy resources. In addition, FERC has adopted, or is in the process of adopting, standard policies and procedures for interconnection of "large" and "small" generating facilities. Accordingly, GridFlorida must be structured and operate in a manner that:

- (i) does not penalize or impede development or operation of renewable electric generating resources as a result of balancing/scheduling/penalty provisions requirements that are not suitable for, or do not reflect the unique operating characteristics of, such resources
- (ii) incorporates and is in compliance with FERC policy and procedures regarding generator interconnection – especially QFs and renewable resources – including those articulated in the large and small generator interconnection orders/proceedings

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

(Modified Position)

GridFlorida should provide updated implementation cost estimates, as well as estimates of expected savings and retail rate reductions resulting from implementation over the short and long term, based on real-world assumptions and expectations accurately reflecting the Florida energy environment and acknowledging the steep entry barriers to competitive energy suppliers. The Commission and GridFlorida should carefully record and closely monitor all implementation and operations costs/benefits of the RTO to improve the likelihood that GridFlorida will provide maximum economic benefits to consumers while fostering competition in electricity supply and promoting Florida renewable energy resources.

Industrial QFs are cautiously supportive of the “study” proposed by Applicant’s at the March 18th workshop. In order for such a study to be of any value, however, it must be realistic in its assumptions and the approach to the issues. Preliminary indications – based on discussions at the workshop – are to the contrary. For example, page 12 of the Applicant’s handout provides a description of the “Cases” to be examined along with broad assumptions. There, it will be assumed that GridFlorida participants will operate in a “. . . rational and competitive markets”. Industrial QFs question the reasonableness of such an assumption, given that Florida’s electric markets are not likely to be competitive. Accordingly, the results of such a case study would be meaningless at best and misleading at worst. A further concern is whether cases will be modeled assuming market based rates or “cost-of-service based” rates. Additionally, Industrial QFs query what role they – as producers of substantial quantities of self-service cogeneration - will play in the study.

For these, as well as many other reasons, the Commission should provide or otherwise assure a forum for interested parties to provide input into the study process prior to the Applicant’s authorizing such study. Interested parties should be afforded the opportunity to affect the “cases” to be considered in the study, as well as the assumptions to be applied in modeling such cases.