

ORIGINAL

SUZANNE BROWNLESS, P. A.
ATTORNEY AT LAW
1975 Buford Boulevard
Tallahassee, Florida 32308

ADMINISTRATIVE LAW
GOVERNMENTAL LAW
PUBLIC UTILITY LAW

TELEPHONE (850) 877-5200
TELECOPIER (850) 878-0090

March 26, 2004

VIA HAND DELIVERY

Blanca S. Bayo, Director
Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

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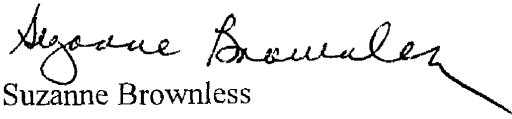
RE: Docket No. 020233-EI
Review of GridFlorida Regional Transmission Organization (RTO) proposal

Dear Ms. Bayo:

Enclosed for filing in the above styled docket please find the original and fifteen copies of JEA's Comments on Pricing Workshop. Copies of these comments were distributed today to all stakeholders who signed up on the GridFlorida E-mail Exploder List. Copies of the attached document are again being served by U.S. Mail to all parties of record.

Please stamp and return the extra copy of this document to our office for our records. Thank you for your assistance in this matter. Should you have any questions or need any additional information, please contact me.

Very truly yours,


Suzanne Brownless
Attorney for JEA

AUS
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COM S
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cc: Bud Para
c:4249

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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 26, 2004

JEA'S COMMENTS ON PRICING WORKSHOP

JEA, by and through its undersigned counsel, files its Comments on the issues discussed at the Pricing Workshop conducted by the Commission staff on March 17-18, 2004 and states as follows:

Issue 1: Regional State Committee

In its initial comments filed on March 11th JEA supported the FPSC serving as the Regional State Committee (RSC). This position was premised upon JEA's belief that a RSC was necessary to exercise the functions outlined in Appendix A to FERC's White Paper on a Wholesale Power Market Platform issued on April 28, 2003. These functions are:

- Whether and to what extent participant funding should be used;
- Whether license plate or postage stamp rates will be used;
- If locational pricing is used, how FTRs will be allocated to customers, i.e., directly or by auction in the form of ARRs (Auction Revenue Rights) ;
- The type of transition process that will be used to ensure that existing firm transmission customers get either FTRs or ARRs equivalent to their existing firm transmission rights;¹
- Regional planning; and
- Determining a resource adequacy approach which works together with market power mitigation measures.²

These functions for a RSC were reiterated by FERC in its recent Southwest Power Pool, Inc.'s (SPP) RTO order.³ However, based upon the comments made by the Applicants regarding jurisdiction and other workshop participants' comments regarding delay and due process rights, JEA questions whether an RSC needs to be created at all. The purpose of FERC's RSC proposal was to provide a mechanism for state regulatory commissions whose utilities were involved in a multi-state RTO to have meaningful input into the RTO's decision making process.⁴ Where the RTO only encompasses one state, as the case here, the RSC's whole purpose is eliminated. Participant funding, postage stamp rates, and allocation of FTRs/ARRs are all market design and pricing issues which will be considered by the FPSC

¹ These are the "four rights" discussed at the workshop and found in Appendix A of the White Paper on Wholesale Power Market Platform, Docket No. RM01-12-000, April 28, 2003 (White Paper) at 16-7.

² These "rights" are also identified in Appendix A of the White Paper. Id.

³ Order Granting RTO Status Subject to Fulfillment of Requirements, 106 FERC ¶ 61,110 at P 218-20 (2004)(SPP).

⁴ Appendix A of the White Paper at 16.

in this proceeding at hearing using the FPSC's normal Chapter 120, F.S., administrative procedures.

Further, designating the FPSC as a RSC does not automatically delegate FERC's authority to the FPSC, even if such delegation is legally possible. FERC's "deference" to the FPSC's decisions on these, and all of the other identified issues associated with the creation of GridFlorida, is presented by the Applicants' as crucial to the process. That being the case, the Applicants should file a request for declaratory statement with FERC on this point: whether FERC can, in fact, delegate to the FPSC the initial decisions on the RTO issues identified by the Applicants. FERC clearly believes that at least with regard to the matters identified in its White Paper, it has the right to delegate such decisions to the RSC or, presumably, to a state regulatory commission. However, whether FERC is actually willing to delegate its ability to make the other decisions critical to the Applicants' proposal (tariff terms and conditions, revenue requirements and rate design for the RTO's wholesale transmission) to another regulatory agency is not at all certain. The Applicants should ask FERC that question first and formulate a procedure for approval once the answer is known.

Issue 2: Jurisdictional Responsibilities - Pricing

Based upon the discussion at the workshop, it is now clear that the Applicants intend that the FPSC review and approve the revenue requirements and rate design of all TOs, including municipals and cooperatives, using the FPSC's cost of service methodologies. The Applicants state that this is necessary because all of the TOs' revenue requirements for existing transmission facilities will be included in the development of zonal rates/TDU adders and all of the TOs' revenue requirements for new facilities will be included in the system wide rate. Under the five year phase-in plan proposed by the Applicants, zonal rates will be phased-out over a five year period as the system wide rate increases proportionately over that same period of time.

As JEA understands the Applicants' comments, it is the Applicants' opinion that FERC has previously rejected the Applicants' original proposal that non-jurisdictional utilities' revenue requirements and rate designs be accepted without modification in the development of system-wide revenue requirements and rates, zonal revenue requirements and rates and TDU adders.

JEA does not object to submitting its revenue requirements and rates to the FPSC or FERC for informational purposes as part of GridFlorida's system wide or zonal rates. However, Chapter 366, Florida Statutes, does not grant the FPSC the authority to set or approve JEA's revenue requirements or rates for its bundled retail service. Neither does the Federal Power Act grant FERC such authority over JEA's revenue requirements or rates for its wholesale service. Both the FPSC and FERC only have the power explicitly or implicitly granted to them by state and federal statutes, respectively. Unless and until the state legislature or Congress enacts legislation which does give the FPSC and FERC the authority to set the rates of municipals and electric cooperatives for bundled retail and wholesale electric service, such an approval scheme is beyond the jurisdiction of both the FPSC and FERC.

Issue 3: Participant Funding

JEA supports the concept of participant funding and generally agrees with the Applicants that under the Applicants' current GridFlorida proposal there will be a minimum amount of participant funded projects in Florida. JEA also agrees that the rules regarding participant funding should be simple, clear and settled before RTO start-up. However, we reiterate that much more development of the definition is needed before the parties can really understand and evaluate the implementation of the Applicants' current proposal.

Issue 4: Cost Recovery

JEA takes no position regarding how the costs of transmission service once GridFlorida is in operation should be recovered by jurisdictional utilities, i.e., recalculation of base rates or use of a capacity cost recovery clause. However, each TO should be expected to support its own transmission revenue requirements and rates with a **current** cost of service study.

Issue 5: Cut-off Dates for Existing Transmission Agreements and Facilities

JEA supports the position of Progress Energy on this issue: December 31, 2000 for the new facilities date and December 15, 2000 for the existing transmission agreements date.

Issue 6: Mitigation of Cost Shifts

As stated by JEA at the workshop, the mitigation method proposed by the Applicants in its filing is unacceptable in large part because, as now constituted, there will never be enough revenues generated by the “through and out” charge assessed out-of-state capacity and energy sales to defray the revenues which will be immediately lost.

In the testimony of John Seelke filed in this docket on September 27, 2002, he proposed a mitigation method which recognizes that what is a revenue loss for JEA is in fact a windfall for other Florida utilities currently paying for import and intra-state sales, most notably Florida Power & Light Company (FPL). JEA proposes a two-part cost mitigation strategy: one part to address net short-term wheeling revenue losses that occurred in the base year for **imports and intra-state sales** and a second part to address lost wheeling revenues attributable to **exports**. Each participating owner would calculate its net lost revenues for the base year by subtracting the wheeling revenues it paid to other Florida utilities from the historic short-term wheeling revenues it received. Utilities with negative net lost revenues (more money paid for wheeling than received for wheeling) would pay this base amount into a GridFlorida account to be distributed to utilities with positive net lost revenues (more money generated by the sale of wheeling than paid for wheeling). In this way, the immediate windfall experienced by the negative net lost revenue utilities would be returned to the positive net lost revenue utilities. In essence, the “winners” would make the “losers” whole for five years at which time the FPSC would review the process. Lost wheeling revenues from exports would be recovered through the “through and out” charge.

The Staff has encouraged the Applicants to meet with JEA to discuss alternative methods of cost shift mitigation. JEA welcomes this suggestion and has initiated contact with the Applicants offering several dates for a meeting.

Issue 7: Review of current regulatory/legislative environment

JEA has no comment at this time.

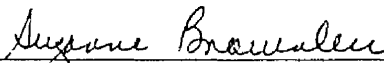
Issue 8: Continued review of RTO costs and benefits

JEA supports the use of ICF to conduct a cost benefit analysis of GridFlorida. JEA reiterates its offer to assist in the payment of ICF’s fee, contingent upon JEA being allowed to participate in the negotiation of ICF’s contract and to have input regarding the assumptions used and the scope of work to be undertaken. JEA also agrees that any party to the RTO docket should be allowed to separately contract with ICF and pay for sensitivity studies using the same Florida data base as that used for the initial study as long as those studies do not unduly delay the completion of the report. With regard to the cost of the ICF analysis, this is a legitimate GridFlorida start-up cost as would be the cost of any

additional sensitivity studies conducted by ICF at the request of other parties.

At the workshop several parties expressed concerns that the Applicants would be able to improperly influence the outcome of the RTO cost benefit analysis by virtue of the fact that they were the contracting party. In order to overcome the appearance of undue influence by the Applicants, JEA suggests that the FPSC be the contracting party and supervise the development of the assumptions, base cases, sensitivities, etc. The Applicants, JEA and other willing parties would still pay for ICF's services but the FPSC would be responsible for developing and supervising the contract in accord with its internal procedures. This would automatically "open up" the process to all affected stakeholders equally and remove any doubt regarding the assumptions used in the study.

Respectfully submitted, this 26th day of March, 2004 by:



Suzanne Brownless

Suzanne Brownless, P.A.
1975 Buford Blvd.
Tallahassee, FL 32308
Phone: (850) 877-5200
FAX: (850) 878-0090

ATTORNEY FOR JEA

c:4261b

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail to all parties listed below and also by (*) Hand-Delivery as indicated on this 26th day of March, 2004.

*Cochran Keating, Esq.
*Jennifer Brubaker, Esq.
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Duke Energy North America
Lee E. Barrett
5400 Westheimer Court
Houston, TX 77056-5310

Lee L. Willis, Esq.
James D. Beasley, Esq.
Ausley & McMullen Law Firm
227 South Calhoun Street
Tallahassee, FL 32301

Michelle Hershel
Florida Electric Coop. Association, Inc.
2916 Apalachee Parkway
Tallahassee, FL 32301

Kenneth Hoffman
Rutledge Law Firm
P. O. Box 551
Tallahassee, FL 32302

Linda Quick
South Florida Hospital and Healthcare
6363 Taft Street
Hollywood, FL 33024

James A. McGee, Esq.
Florida Power Corp.
100 Central Avenue
St. Petersburg, FL 33701

Ms. Angela Llewellyn
TECO
P. O. Box 111
Tampa, FL 33601

Mark Sundback, Esq.
Andrews & Kurth Law Firm
1701 Pennsylvania Ave., N.W.
Suite 300
Washington, DC 20006

David L. Cruthrids, Esq.
1000 Louisiana Street
Suite 5800
Houston, TX 77002-5050

Calpine Corporation
Thomas W. Kaslow
The Pilot House, 2d Floor
Lewis Wharf
Boston, MA 02110

Peter Antonacci, Esq.
Gordon H. Harris, Esq.
Gray, Harris Law Firm
301 South Bronough Street
Tallahassee, FL 32302-3189

John W. McWhirter, Esq.
McWhirter, Reeves Law Firm
400 North Tampa Street
Suite 2450
Tampa, FL 33601-3350

Bruce May, Esq.
Holland & Knight Law Firm
Bank of America
315 South Calhoun Street
Tallahassee, FL 32302-0810

Frederick M. Bryant, Esq.
FMPA
2061-2 Delta Way
Tallahassee, FL 32303

Joseph A. McGlothlin, Esq.
McWhirter, Reeves Law Firm
117 South Gadsden St.
Tallahassee, FL 32301

R. Wade Litchfield, Esq.
Office of General Counsel
700 Universe Blvd.
Juno Beach, FL 33408-0420

Paul Lewis, Jr.
Florida Power Corp.
106 East College Ave, Suite 900
Tallahassee, FL 32301-7740

Thomas J. Maida/Wes Strickland
Foley & Lardner Law Firm
106 East College Ave.
Suite 900
Tallahassee, FL 32301
tmaida@foleylaw.com

Michael Briggs
Reliant Energy Power Generation, Inc.
801 Pennsylvania Ave.
Suite 620
Washington, DC 20004

Timothy Woodbury
SEC
16313 North Dale Mabry Highway
Tampa, FL 33688-2000

Schef Wright, Esq.
Landers & Parsons, P.A.
310 West College Avenue
Tallahassee, FL 32301

Michael B. Twomey
8903 Crawfordville Road
Tallahassee, FL 32305

Mirant Corporation
Beth Bradley
1155 Perimeter Center West
Atlanta, GA 30338-5416

Jon C. Moyle, Jr., Esq.
118 North Gadsden Street
Tallahassee, FL 32301

Steve Burgess, Esq.
Office of Public Counsel
c/o Florida Legislature
111 West Madison Street, #812
Tallahassee, FL 32399-1400
howe.roger@leg.state.fl.us

Steven H. McElhaney
2448 Tommy's Turn
Oviedo, FL 32766

John Attaway
Public Supermarkets, Inc.
P. O. Box 32105
Lakeland, FL 33802-2018

Bill Bryant, Esq.
Katz, Kutter Law firm
106 East College Ave.
12th Floor
Tallahassee, FL 32301
natalief@katzlaw.com

Paul Clark
City of Tallahassee
400 East VanBuren Street
Fifth Floor
Tallahassee, FL 32301

John Seelke
NewEnergy Associates.
Suite 1400
400 Interstate North Parkway
Atlanta, GA 30339

Florida Retail Federation
100 East Jefferson Street
Tallahassee, FL 32301

Ed Regan
Gainesville Regional Utility Authority
P. O. Box 147117, Station A136
Gainesville, FL 32614-7117

Daniel Frank
Sutherland Asbill & Brennan
1275 Pennsylvania Ave., N.W.
Washington, DC 20004-2415

Douglas F. John
Matthew T. Rick
1200 17th Street, N.W.
Suite 600
Washington, DC 20036-3013

Kissimmee Utility Authority
Mr. Robert Miller
1701 West Carroll Street
Kissimmee, FL 32746

Reedy Creek Improvement District
P. O. Box 10000
Lake Buena Vista, FL 32830

Paul Elwing
Lakeland Electric
501 East Lemon Street
Lakeland, FL 33801-5079

Leslie J. Paugh, Esq.
2473 Care Drive, Suite 3
Tallahassee, FL 32308

Trans-Elect, Inc.
c/o Alan J. Statman, General Counsel
1200 G Street, N.W.
Suite 600
Washington, DC 20005

Bud Para, Director, Legislative Affairs
JEA
21 West Church Street
Jacksonville, FL 32202-3139

Dick Basford, President
Basford and Associates, Inc.
5616 Fort Sumter Road
Jacksonville, FL 32210

Roberta Bass
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Thomas A. Cloud, Esq.
Gray, Harris & Robinson, P.A.
301 East Pine Street, Suite 1400
Orlando, Florida 32801

Richard A. Zambo, Esq.
598 SW Hidden River Avenue
Palm City, FL 34990

Vicki Kaufman, Esq.
McWhirter Reeves Law Firm
117 South Gadsden Street
Tallahassee, FL 32301

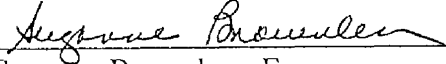
Michael B. Wedner
Assistant General Counsel
117 West Duval Street
Suite 480
Jacksonville, FL 32202

Jennifer Brubaker
Florida Public Service Comm.
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Thomas E. Washburn
V.P., Transmission Business Unit
OUC
500 South Orange Avenue
Orlando, FL 32802

William T. Miller
Miller, Balis & O'Neil
1140 Nineteenth Street, N.W.
Suite 700
Washington, D.C. 20036-6600

Cynthia S. Bogorad, Esq.
Davie E. Pomper, Esq.
Jeffrey A. Schwarz
Spiegel & McDiarmid
1333 New Hampshire Avenue, N.W.
Washington, D.C. 20036


Suzanne Brownless, Esq.