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March 26, 2004

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

HAND DELIVERY

Re: Docket No. 020233-EI

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are the original and fifteen copies of the GridFlorida Applicants' Post Workshop Comments. Copies of the GridFlorida Applicants' Comments were distributed today to all stakeholders on the GridFlorida E-mail Exploder List.

Please acknowledge receipt of these documents by stamping the extra copy of this letter filed and returning the copy to me.

Thank you for your assistance with this filing.

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

Sincerely,

[Handwritten signature of Kenneth A. Hoffman]

Kenneth A. Hoffman

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Regional State Committee

The Applicants will continue to consider issues raised at the pricing workshop concerning the potential role of the FPSC as an RSC. The Applicants are mindful of the concern of whether an RSC is needed in a single state RTO like Florida that does not have multiple jurisdictions with competing interests and viewpoints that need to be considered.

In any event, the FPSC should, at a minimum, address all areas reserved for RSC's by FERC in the SMD white paper and in the various RTO orders.

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Jurisdictional Responsibilities (Pricing)

In Order No. PSC-02-1199 issued September 3, 2002, the FPSC found that “the costs to retail jurisdiction of any new transmission facilities (the System Charge), as well as the TDU Adder and the GMC, would be determined by FERC from the outset. Based on the preceding analysis, we find that the modified compliance filing does not provide for preservation of our jurisdiction over retail transmission rates and, therefore, does not comply with our December 20 order. The Applicants are directed to modify the GridFlorida compliance filing to recognize our continuing jurisdiction over the total cost of transmission service to retail customers.”

There was good discussion at the pricing workshop between the Applicants and the Stakeholders regarding the proposed methodology for exerting Commission jurisdiction. While we have no additional comments to provide at this time, we will continue to be sensitive to the concerns expressed by the Commission and the Stakeholders. We look forward to continued discussion with all parties on how to implement the Applicants’ proposal to achieve the objectives of the Commission.

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Participant Funding

In response to concerns expressed by various Stakeholders at the pricing workshop, the Applicants have revised the Participant Funding position statement to clarify certain portions of the text. In summary, the revised statement clarifies:

- 1) which facilities will receive rolled-in rate treatment,
- 2) the intent of the phrase "to all customers of GridFlorida" in principle 2,
- 3) how load related transmission upgrades will be treated, and
- 4) the definition of enhanced facilities.

The revised text, in both clean and red-line form, has been attached in separate files. Also included in the attachments is a PowerPoint file which illustrates and clarifies Network vs. Non-Network for new facilities.

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Cost Recovery

The Applicants believe that it is premature at this point to determine a specific, detailed method for identifying incremental costs to be recovered through the Capacity Cost Recovery Clause. Since the implementation date for GridFlorida is not yet known, it is difficult to determine what the status of base rates for each individual company will be at that time. Current rate settlements and/or future rate agreements may materially affect the methodology proposed by each company to determine and support incremental costs. The appropriate time frame to determine the methodology to be used would be approximately 3-6 months prior to GridFlorida operations.

The FPSC will have final authority over the amounts which are determined to be incremental and recovered from the retail ratepayers through the Capacity Cost Recovery Clause.

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Cut-off Dates for Existing Transmission Agreements and Facilities

Staff inquired about the ability to analyze the impact of the various cut-off date proposals. This analysis will require data from the various Stakeholders. The Applicants will send a data request to the GridFlorida Explorer.

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Mitigation of Short-Term Revenues

In the Applicants' draft position on Issue 6 (Mitigation of Short-Term Revenues Concept for GridFlorida) provided on February 25, 2004, the Applicants expressed a willingness to review any suggested alternatives proposed by an existing or prospective Stakeholder. At the pricing workshop, JEA expressed an interest in pursuing such discussions with the Applicants to which the Applicants agreed. The Applicants will be discussing JEA's suggested alternatives in the near future with JEA, and should these discussions bear fruit will share with the other Stakeholders and the FPSC Staff what progress has been made in this regard. It should be repeated, however, that the Applicants remain convinced that any potential alternative proposal be judged according to whether it 1) achieves the same benefits the Commission attributed to the current proposal in Order No. PSC-02-1199-PAA-EI, 2) satisfies the needs of the Applicants and other Stakeholders and 3) treats all participants on a level playing field.

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Cost/Benefit Study

The FPSC has expressed an interest in continuing to review the costs and benefits of implementing the GridFlorida proposal that was submitted by the Applicants to the FPSC. In order to address this continuing interest, the Applicants are in the process of finalizing an arrangement with ICF to perform a cost/benefit analysis.

The objective of the ICF study is to measure the costs and benefits of the specific proposal at issue before the FPSC (i.e., the GridFlorida Proposal) and SMD. Once the project description is determined, it will be provided to the FPSC Staff and Stakeholders for review and comment.

Please see the attached excel file (CB Study Sch 032504.xls) for a proposed timeline for the study.

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Revised Participant Funding Concept for GridFlorida

The GridFlorida proposal adopts a default cost allocation method of rolling in existing transmission facilities 69 kV and above for participating transmission owners into system wide rates charged by GridFlorida, consistent with GridFlorida Pricing and Planning Protocols.

The GridFlorida pricing proposal will also incorporate "participant funding" for new transmission facilities in accordance with the following eight principles.

1. Consider the need to serve the network load customers of GridFlorida in an effective manner
2. Consider all of the benefits of the facility to the GridFlorida customers in aggregate and the need to maintain grid reliability
3. Encourage proper investment
4. Send appropriate price signals relative to the market
5. Be perceived as fair and equitable to transmission customers
6. Provide price certainty to investors and customers
7. Provide for ease of implementation
8. Participant funded projects will receive commensurate transmission rights

The GridFlorida Transmission Expansion Plan, as well as cost allocation plans, will be submitted by GridFlorida to the FPSC for its review.

Load Related Upgrades:

- Load related new transmission additions/upgrades will be rolled into GridFlorida system-wide rates consistent with the Pricing and Planning protocols.

Generation Related Upgrades:

- The costs of all new non-networked transmission facilities required to interconnect a generator will be allocated to that generator. (see attached illustration)
- The costs of networked transmission facilities required to interconnect a generator (network resource) that is designated by a network customer of GridFlorida to meet its installed capacity requirements will be rolled into the system-wide rates charged by GridFlorida. GridFlorida will develop criteria for meeting installed capacity requirements to qualify for rolled in treatment.
- The costs of all networked transmission facilities associated with the interconnection and integration of a generator will be funded and paid for by the generator to the extent such costs would not have been incurred but for the interconnection and do not meet the criteria for rolled in treatment (e.g., not associated with a network resource).

Elective and Merchant Transmission Upgrades:

- Such upgrades include transmission projects built to GridFlorida construction standards but that are not nor will they be included in an approved GridFlorida regional transmission expansion plan. The funding and costs of such upgrades will be the responsibility of the party proposing such upgrades.

Enhanced Facility Upgrades:

- The GridFlorida planning protocol addresses enhanced facility upgrades.

The Participant Funding concept will be incorporated into the Pricing and Planning Protocol as necessary.

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Revised Participant Funding Concept for GridFlorida

The GridFlorida proposal adopts a default cost allocation method of rolling in existing transmission facilities 69 kV and above for participating transmission owners into system wide rates charged by GridFlorida, consistent with GridFlorida Pricing and Planning Protocols.

The GridFlorida pricing proposal will also incorporate "participant funding" for new transmission facilities in accordance with the following eight principles.

~~Cost allocation, including participant funding, for new transmission facilities within GridFlorida should be in accordance with the following eight principles:~~

1. Consider the need to serve the network load customers of GridFlorida in an effective manner
2. Consider all of the benefits of the facility to all the customers of GridFlorida customers in aggregate and the need to maintain grid reliability
3. Encourage proper investment
4. Send appropriate price signals relative to the market
5. Be perceived as fair and equitable to transmission customers
6. Provide price certainty to investors and customers
7. Provide for ease of implementation
8. Participant funded projects will receive commensurate transmission rights

The GridFlorida Transmission Expansion Plan, as well as cost allocation plans, will be submitted by GridFlorida to the FPSC for its review.

Load Related Upgrades:

- Load related new transmission additions/upgrades will be rolled into GridFlorida system-wide rates consistent with the Pricing and Planning protocols.

~~The GridFlorida pricing proposal satisfies the above principles in that it adopts a default cost allocation method of rolling in the costs of all standard transmission upgrades 69 kV and above into the system-wide rates charged by GridFlorida, recognizing that such facilities are needed and generally benefit all users. The GridFlorida pricing proposal also will incorporate "participant funding". The GridFlorida Transmission Expansion Plan, as well as the cost allocation plans, will be submitted by GridFlorida to the FPSC for its review~~

~~Further, the GridFlorida pricing proposal for "participant funding", or the direct assignment of costs, will be in accordance with the following parameters:~~

~~1. Generation Related Upgrades:~~

- ~~-- The costs of all new non-networked transmission facilities required to interconnect a generator will be allocated to that generator. (see attached illustration)~~
- ~~-- The costs of networked transmission facilities required to interconnect a generator (network resource) that is designated by a network customer of GridFlorida to meet its installed capacity requirements will be rolled into the system-wide rates charged by~~

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GridFlorida. GridFlorida will develop criteria for meeting installed capacity requirements to qualify for rolled in treatment.

- The costs of all networked transmission facilities associated with the interconnection and integration of a generator will be funded and paid for by the generator to the extent such costs would not have been incurred but for the interconnection and do not meet the criteria for rolled in treatment (e.g., not associated with a network resource).

2. Elective and Merchant Transmission Upgrades:

- Such upgrades include transmission projects built to GridFlorida construction standards but that are not nor will they be included in an approved GridFlorida regional transmission expansion plan. The funding and costs of such upgrades will be the responsibility of the party proposing such upgrades.

3. Enhanced Facility Upgrades:

- ~~The GridFlorida proposal incorporates direct assignment of costs for non-standard or "enhanced" facilities where a participant proposes to build facilities designed to meet higher standards than those developed. planning protocol addresses enhanced facility upgrades by GridFlorida.~~

The Participants Funding concept will be incorporated into the Pricing and Planning Protocol as necessary.

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High Level Time Schedule for Proposed ICF Cost/Benefit Study

Preliminary Grid Florida Cost/Benefit Study - Major Tasks and Schedule																
<u>Task</u>	Month 1				Month 2				Month 3				Month 4			
	Week				Week				Week				Week			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Task 1: Project Description and Data Collection (note 1)																
Task 2: Model Calibration																
Task 3: Base Case Modeling																
Task 4: Change Cases Modeling																
Task 5: Assessment of Costs/Benefits																
Task 6: Final Report																

Note 1: Cost data provided is subject to confidentiality treatment. Once project description is determined, it will be provided to the FPSC Staff and Stakeholders for review and comment.

Generator Interconnection – New Facilities

Network vs. Non-Network

