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Timolyn Henry

From: Frank, Dan [Daniel.Frank@sablaw.com]  
 Sent: Monday, October 17, 2005 1:58 PM  
 To: Filings@psc.state.fl.us  
 Subject: Initial Comments for Filing in Docket No. 020233-EI  
 Attachments: WO\_431703\_3.DOC

Please accept for e-filing the attached document.

- a. The person making this filing is: Daniel E. Frank, Sutherland Asbill & Brennan LLP, 1275 Pennsylvania Avenue, N.W., Washington, DC 20004-2415, telephone 202-383-0100, fax 202-637-3593, e-mail daniel.frank@sablaw.com.
- b. The docket number is: 020233-EI, In re: Review of GridFlorida Regional Transmission Organization (RTO) Proposal.
- c. This document is filed on behalf of Reedy Creek Improvement District.
- d. There are a total of 6 pages in the attached document.
- e. The document is: Initial Comments of Reedy Creek Improvement District on FITP Proposal.

Thank you for your attention to this matter.

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FPSC-COMMISSION CLEF

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of GridFlorida Regional  
Transmission Organization (RTO) Proposal )  
\_\_\_\_\_ )

Docket No. 020233-EI  
Filed: October 17, 2005

**Initial Comments of  
Reedy Creek Improvement District  
on FITP Proposal**

Pursuant to Staff's request at the September 26, 2005 meeting in the above-captioned proceeding, Reedy Creek Improvement District ("RCID") respectfully submits the following initial comments on the August 22, 2005 proposal by Florida Municipal Power Agency, Seminole Electric Cooperative, Inc., Calpine and Northern Star Energy (collectively, "FITP Movants") to establish a Florida Independent Transmission Provider ("FITP Proposal"). RCID's comments address the following issues: (1) the timing of the FITP Proposal, (2) the need for additional information concerning the FITP Proposal, and (3) some preliminary comments on the FITP Proposal.

1. Timing Considerations. RCID questions whether now is the time for the participants in the GridFlorida RTO proceedings to renew efforts to consider a new transmission provider encompassing the Florida Reliability Coordinating Council ("FRCC") region. There have been many significant developments since the last round of proposals concerning the GridFlorida RTO. In light of these and other developments, it may be more appropriate at this time to evaluate whether an RTO or other transmission provider proposal will provide sufficient benefits.

Most recently, for example, the Federal Energy Regulatory Commission ("FERC") has initiated an inquiry into whether reforms are needed to the *pro forma* open access transmission

tariff adopted in Order No. 888 (“OATT”).<sup>1</sup> Among the issues under consideration in the NOI are:

- whether there are remedies other than structural separation of generation from transmission that would adequately address undue discrimination, including reforming the rules on calculation of available transfer capability (“ATC”) and making available to non-affiliates practices that transmission providers use to serve their own native load customers<sup>2</sup>;
- whether reforms to FERC’s transmission pricing policies are needed, including changes in pricing policies for regions like the FRCC that do not use locational marginal pricing (“LMP”)<sup>3</sup>;
- whether reforms are needed to ensure the timely processing of transmission service requests<sup>4</sup>;
- whether penalties should be adopted for a transmission provider’s violations of the OATT<sup>5</sup>;
- whether joint transmission planning should be required<sup>6</sup>;
- whether reforms are necessary to ensure that the transmission grid is expanded to meet the needs of transmission customers<sup>7</sup>;
- whether reforms concerning ancillary services are necessary<sup>8</sup>; and
- whether unregulated transmitting utilities should be required to provide comparable transmission service<sup>9</sup>.

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<sup>1</sup> See *Preventing Undue Discrimination and Preference in Transmission Services*, Notice of Inquiry, 112 FERC ¶ 61,299 (Sept. 16, 2005) (“NOI”).

<sup>2</sup> NOI, at P 11.

<sup>3</sup> NOI, at P 12.

<sup>4</sup> NOI, at P 14.

<sup>5</sup> NOI, at P 15.

<sup>6</sup> NOI, at P 20.

<sup>7</sup> NOI, at P 21.

<sup>8</sup> NOI, at PP 29-31.

<sup>9</sup> NOI, at P 37.

The reforms adopted in the proceeding initiated by the NOI may have an impact on the GridFlorida RTO and/or FITP Proposal. For example, FERC may adopt revisions to the OATT which alleviate some or many of the transmission access and pricing problems that the GridFlorida RTO proposal and FITP Proposal are intended to address. Of course, it is unclear at this time what reforms or new rules (if any) will be proposed as a result of the NOI, and even less clear which ones (if any) will ultimately be adopted. Nonetheless, it may be more prudent at this time to see where FERC's NOI is headed and what developments may result.

2. Additional Information Needed. RCID believes that it would be useful for parties to see the results of the modified ICF cost-benefit analysis that addresses the "non-greenfield," "Day 1" scenario in Florida. The FITP Movants have offered a non-RTO Day 1 proposal that includes non-pancaked rates for the FRCC region. Even under a non-RTO Day 1 scenario, however, non-pancaked rates likely will result in cost shifts. Quantifiable benefits that offset such cost shifts should be demonstrated before non-pancaked rates are adopted. The results of the modified ICF cost-benefit analysis therefore would be useful in evaluating the merits of the FITP Proposal (should it be considered at this time).

3. Preliminary Views. RCID continues to analyze the "strawman" FITP Proposal. At this time, RCID is able to offer only the following initial comments on the proposal. The following items should be considered once it is determined that there should be further proceedings to evaluate the FITP Proposal.

First, as noted above concerning the non-pancaked rate pricing proposal, the quantifiable benefits of the strawman FITP Proposal must be demonstrated. It is not enough that the FITP Proposal may be better than the GridFlorida RTO proposal (original or as modified).

Second, also concerning pricing, RCID would like to see some examples of how the pricing proposal would work. For example, illustrations could be provided showing the rates that would be applicable to various transactions (*e.g.*, transactions sourcing and sinking within a single control area, transactions sourcing in one control area and sinking in another, transactions sourced outside the Florida peninsula and sinking within a control area, etc.) over various time frames (*e.g.*, on the first day of the implementation FITP Proposal, one year later, five years later, six years later, etc.), for both existing and new transmission arrangements, and showing how the dollars would flow. These illustrations would help flesh out the potential problems and pitfalls of the FITP Proposal.

Third, concerning governance, the FITP Proposal seems to weight some market participants too heavily, and others are under-represented.

Fourth, concerning planning and expansion, it is not clear if the FITP Proposal would retain the provisions from the GridFlorida proposal allowing a market participant to design and construct enhanced facilities, *i.e.*, facilities different in quality and design from those set forth in FITP-sponsored plans. The pricing component of the FITP Proposal suggests that market participants will have the right to design and construct such enhanced facilities (see section (4)(j) concerning “participant funding”), but that right should be made clear. RCID has similar concerns with respect to maintenance. The ability to design and construct enhanced facilities and adopt appropriate maintenance schedules is critically important to RCID.

Finally, RCID continues to object to the automatic inclusion in transmission pricing proposals of all facilities nominally rated at 69 kV and higher. RCID understands the desire of some participants to ensure that their 69-kV facilities are included in the transmission pricing

plan, but doing so should not come at the expense of other participants that are primarily load-serving, distribution utilities, that own and operate 69-kV facilities for purposes of serving their own load, and that may not wish to have their 69-kV facilities thrown into the pot. RCID is one such utility. RCID owns and operates certain 69-kV facilities. They were designed and constructed and are operated primarily to serve RCID's retail native load. Unless RCID is willing to treat those facilities as transmission and hold them out to market participants in the FRCC region as available for transmission use, they should not be included in the regional transmission pricing plan. Utilities such as RCID should have the right in the first instance to decide how their facilities will be characterized and treated.

**Wherefore,** Reedy Creek Improvement District respectfully requests that the foregoing comments be considered by the Commission Staff in developing the procedures for consideration of the FITP Proposal.

Respectfully submitted,

/s/ Daniel E. Frank

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October 17, 2005

**CERTIFICATE OF SERVICE  
DOCKET NO. 020233-EI**

I hereby certify that a true and correct copy of the foregoing was served on the parties to this proceeding via posting on the GridFlorida Exploder e-mail list.

Dated at Washington, DC this 17th day of October, 2005.

/s/ Daniel E. Frank

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Daniel E. Frank