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May 5, 2006

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TO: DIVISION OF THE COMMISSION CLERK AND ADMINISTRATIVE SERVICES

FROM: OFFICE OF THE GENERAL COUNSEL (BRUBAKER) JSB

RE: DOCKET NO. 020233-EI - Review of GridFlorida Regional Transmission Organization (RTO) Proposal.

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Please file the attached letter dated May 5, 2006 to Jennifer Brubaker, Esq. from Kenneth A. Hoffman of Rutledge, Ecenia, Purnell & Hoffman, in the above-referenced docket.

DATE DOCUMENTS SENT TO CCA 5/5/06

JSB/pz  
Attachments

- CMP \_\_\_\_\_
- COM \_\_\_\_\_
- CTR \_\_\_\_\_
- ECR \_\_\_\_\_
- GCL \_\_\_\_\_
- OPC \_\_\_\_\_
- RCA \_\_\_\_\_
- SCR \_\_\_\_\_
- SGA \_\_\_\_\_
- SEC 1 \_\_\_\_\_
- OTH \_\_\_\_\_

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May 5, 2006

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VIA ELECTRONIC MAIL

Re: Docket No. 020233-EI

Dear Ms. Brubaker:

At the April 18, 2006, Agenda Conference, the Commission considered and approved the Motion filed by Florida Power & Light Company, Progress Energy Florida, Inc., and Tampa Electric Company (the "Companies") to withdraw the Companies' Compliance Filing filed on March 20-21, 2002, and September 19, 2002 Petition regarding Prudence of GridFlorida Market Design Principles, and close the above-referenced docket. In approving the Companies' Motion, the Commission requested staff to include in the Order Approving the Companies' Motion the actions undertaken by the Companies, as stated at the Agenda, to investigate the potential of cost-efficient approaches that would provide transmission planning and energy market improvements in the wholesale market outside of an RTO structure.

Accordingly, the purpose of this letter is to reiterate the actions and commitments undertaken by the Companies as stated at the April 18, 2006 agenda conference. As I noted at the agenda conference, despite the confirmation from the ICF Study that the GridFlorida RTO is not cost beneficial, the Companies have still pursued opportunities to investigate the possibilities and potentials of extracting some of the benefits identified in the IFC Study on a cost effective basis. Further, it remains the intent of the Companies to continue this process by investigating the potential of cost efficient approaches that would provide improvements in the wholesale market outside of an RTO structure.

The primary focus of the Companies' investigation has been on the development of a Cost-Based Spot Market. The Companies believe that a Cost-Based Spot Market could be developed over time if determined to be cost effective. Generally speaking, the basic framework as currently

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contemplated would be to begin initially with a voluntary non-firm hourly market. After experience is gained with a voluntary non-firm hourly market, the Companies would then assess the potential of a longer term market such as a day-ahead market and congestion management mechanisms. The Companies have been and remain engaged in their investigation of such a Cost-Based Spot Market. At this time the Companies are in the process of investigating available technologies that could facilitate this type of market and the regulatory requirements associated with such a market. As I stated at the agenda conference, the Companies anticipate the development of a strawman proposal that would be shared with the broad stakeholder group within approximately three months from the date on which the Commission issues its order approving the Companies' Motion. Following input and participation from the broader stakeholder group, the Companies would then expect to conclude their investigation into a Cost-Based Spot Market within approximately six months from the date of the Commission's Order approving the Companies' Motion.

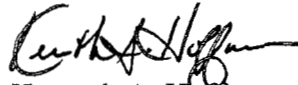
The Companies have also been and remain extensively involved in a new, statewide evolving planning process within the framework of the FRCC. This process, of course, carries the significant benefit of 100% participation of all transmission owners in the FRCC. A general overview of how the FRCC planning protocol will work follows.

- (1) The utilities in Florida will develop transmission expansion plans to meet their obligations consistent with NERC and FRCC reliability standards.
- (2) The FRCC Transmission Planning Process shall begin with the consolidation of the long term transmission plans of all of the Transmission Owners in the FRCC Region. This will include all transmission facilities 69 kV and above. Detailed evaluation and analysis of these independently developed plans will be conducted by the Planning Committee and will provide the basis for possible recommended changes to individual system plans that, if implemented, would result in a more reliable and robust transmission system for the FRCC Region. This plan is intended to meet the existing and future needs of all users of the transmission system (e.g., utility generation, network generation, network loads, merchant generation, IPPs, and LSEs) requiring Network Integration Transmission Service, firm Point-to-Point Transmission Service, and Generator Interconnection Service.
- (3) The transmission expansion plan developed for the FRCC will be updated annually, generally by June of each year.
- (4) Finally, the status of the FRCC Transmission Expansion Plan will be addressed annually at the Commission's 10-year site plan workshops in August.

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I hope the above information is helpful to staff in drafting the Order to be approved and issued by the Commission.

Respectfully submitted,



Kenneth A. Hoffman

KAH/rl

cc: All Parties of Record, via electronic mail

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