



ORIGINAL

**Florida
Power**
CORPORATION

JEFFERY A. FROESCHLE
SENIOR COUNSEL

January 14, 1999

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

In Re: Undocketed Regional Transmission Organizations

Dear Ms. Bayó:

Enclosed for filing in the above-referenced matter is an original and fifteen (15) copies of Comments of Florida Power Corporation Regarding Regional Transmission Organizations.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in WordPerfect format. Thank you for your assistance in this matter.

RECEIVED & FILED
[Handwritten Signature]
FPSC-BUREAU OF RECORDS

Very truly yours,
[Handwritten Signature]
Jeffery A. Froeschle

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GENERAL OFFICE

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DOCUMENT NUMBER - DATE
00589 JAN 15 99
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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Undocketed-Regional)
Transmission Organizations)
_____)

Submitted for Filing:
January 15, 1999

**COMMENTS OF FLORIDA POWER CORPORATION
REGARDING REGIONAL TRANSMISSION ORGANIZATIONS**

Florida Power Corporation (Florida Power), through its undersigned attorney, hereby submits to the Florida Public Service Commission (FPSC) the following comments regarding Regional Transmission Organizations (RTOs) in response to issues raised by the Federal Energy Regulatory Commission (FERC) in its Notice of Intent to Consult Under Section 202(a) (Notice of Intent to Consult).

GENERAL

In its Notice of Intent to Consult, the FERC indicated that it was interested in input from the State Public Service Commissions regarding four questions. These questions appear to include a presumption that RTOs are the best, or maybe even the only, solution to transmission issues on the interconnected grid. The comments that follow state Florida Power's position with respect to these issues raised by the FERC. However, Florida Power does not agree that RTOs are necessarily the solution to whatever problems may be related to transmission. It is Florida Power's position that RTO's should not be mandated by the FERC.

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(1) WHAT CRITERIA AND POLICY CONSIDERATION SHOULD BE USED TO ESTABLISH THE BOUNDARIES FOR EFFECTIVE RTOs IF THE COMMISSION LATER DECIDES TO DO SO?

Florida Power submits that the most important criteria for establishing boundaries for an RTO would be the electrical characteristics of the transmission grid. These boundaries resulting from the laws of physics must be recognized and acknowledged by FERC, and no region should exceed such size even where the area bounded is only a single state.

In the case of Florida, the Florida-Southern interconnection forms an electrical boundary along the Florida-Georgia border. Another electrical boundary exists between Florida Power and Gulf Power in the Florida Panhandle. These electrical boundaries result in a region that is smaller than the entire state of Florida. However, it would be undesirable to attempt to artificially enlarge that area by attempting to include the Gulf territory or any of Southern's territory in Georgia. Therefore, the appropriate boundary for an RTO in Florida would be that territory presently included in the Florida Reliability Coordinating Council (FRCC).

(2) ARE THERE FACTORS THAT MAKE IT APPROPRIATE FOR THE UTILITIES IN FLORIDA TO BELONG IN A SPECIFIC REGION?

Yes. There are two principal factors that support Florida Power's contention that if RTOs were established, all utilities in peninsular Florida should belong in the Florida RTO. First, Florida is a peninsula and therefore has unique characteristics built into its transmission grid. For example, there is only one interface between peninsular Florida and the rest of the North American grid, and therefore there are no through flow issues between Florida and other regions. Second, the utilities in Florida have a long history of cooperating to assure a reliable electric power system. For example, Florida has had an active Security Coordinator for ten years, and has had an

energy broker for twenty years. These factors combined with the electrical characteristics of the Florida grid make it appropriate for the utilities in peninsular Florida to belong to the Florida region.

(3) WHAT IS THE APPROPRIATE ROLE OF THE STATES IN THE FORMATION OF RTOs?

As stated above, Florida Power does not agree that RTOs should be mandated by the FERC. If they were mandated, however, Florida Power believes that a state regulatory agency with jurisdiction over the transmission grid should have authority over the formation of the RTO.

In Florida, the Public Service Commission has been granted authority by the legislature to regulate grid issues. Since 1974, the Florida Public Service Commission has had jurisdiction "over the planning, development and maintenance of the coordinated electric power grid throughout Florida, to assure an adequate and reliable source of energy for operational and emergency purposes in Florida and the avoidance of further uneconomic duplication of generation, transmission, and distribution facilities." Section 366.04(5), Florida Statutes. Any transmission issues that might exist among Florida utilities can be addressed by the Florida Public Service Commission. There is no need to create an RTO to address such issues. An RTO would compete with the FPSC for authority or would duplicate the FPSC's efforts. In Florida and any other state where a regulatory agency has been delegated authority over the transmission grid, the state should have authority over the formation of an RTO.

In addition, states that have authority over bundled transmission rates for retail customers are obligated to oversee the electric grid within their state in order to be

able to effectively regulate the activities of public utilities with respect to those retail customers.

(4) WHAT IS THE APPROPRIATE ROLE OF THE STATES IN THE GOVERNANCE OF RTOs?

As stated in the response to question No. 3 above, Florida Power does not believe that the FERC should order the formation of RTOs in states such as Florida where the State Public Service Commission has been granted authority by the legislature to regulate the transmission grid. That position applies to the governance of RTOs as well. Florida Power submits that, where the authority has been granted to a state regulatory agency, that agency should function as the governance structure for the planning, development, operation, and maintenance of the transmission grid. Furthermore, in states where a state regulatory agency has authority over transmission rates for retail customers, that state regulatory agency is obligated to oversee the electric grid within that state.

Respectfully submitted,

OFFICE OF THE GENERAL COUNSEL
FLORIDA POWER CORPORATION

By: 

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