

# ORIGINAL

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March 11, 2004

VIA HAND DELIVERY

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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 the Comments of JEA on Pricing Issues submitted for consideration at the Pricing Issues Workshop to be held on March 17-18, 2004. 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

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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 11, 2004

COMMENTS OF JEA ON PRICING ISSUES

Pursuant to Order No. PSC-03-1414-PCO-EI (Order 03-1414), issued by the Commission on December 15, 2003, JEA, by and through its undersigned counsel, files its comments to the GridFlorida Applicants (Applicants, GF) Draft Positions filed on February 25, 2004, and states as follows:

Issue No. 1: Regional State Committee  
JEA supports the FPSC serving in the capacity of the Regional State Committee.

Issue No. 2: Jurisdictional Responsibilities - Pricing  
JEA has several comments and questions concerning the Applicants' Draft Position on this multifaceted issue. JEA is submitting its comments and questions at this time in order to facilitate meaningful dialogue at the March 17 and 18<sup>th</sup> pricing workshop.

a. JEA agrees with the Applicants' definition of "all participating transmission owners (TO)" in the first paragraph as "including investor-owned, municipal and cooperative" utilities. However, the Florida Public Service Commission (FPSC) lacks the legal authority to conduct a "review and initial decision" with regard to either the cost of service methodologies used by municipals and cooperatives or their transmission revenue requirements. The Applicants appear to recognize this in the table on page 3 where under "Rates and Revenue Requirements" the Applicants state that "Non-Jurisdictional Transmission Owners: submits [sic] revenue requirements/rates to GridFlorida for inclusion in their zonal rate or TDU adder."

b. In paragraph 2, Applicants indicate that GF's rates must have two parts: transmission revenue requirements for all TOs and GF revenue requirements recovered through a "grid management charge." This grid management charge is divided into two parts as well, annual operating costs and a five-year amortization of the start-up costs for GF. With regard to these "start-up costs":

- Does this cost include the \$8 million incurred through May 1, 2001 already authorized to be passed through to ratepayers by the FPSC in Order No. PSC-01-2489-FOF-EI, issued December 20, 2001 and/or other expenses incurred by the Applicants from May 1, 2001 to date? If so, then similar start-up costs for all TOs should be included in the "start up costs" for GF.

- These "start-up" costs should be considered capital costs and recovered over the same

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period as other capital costs.

c. In the Applicants' pricing proposal the cost of all new facilities will be recovered through the system wide rate which will steadily increase while the depreciation of existing facilities will steadily decrease the zonal revenue requirements causing zonal rates to steadily decrease. How often will these rates be set?

As facilities age, they may require more maintenance generating higher O&M expenses. Will these O&M expenses be included in the zonal rates for the first five years or will the O&M expenses for existing facilities follow the facilities as they transition into the GF system-wide rate? Or, will the O&M expenses for existing facilities simply be decreased by 20% per year over the five year phase-in period?

d. Paragraph 3 indicates that TOs (as defined in paragraph 1) will be "considered co-applicants" in the filing at FERC. All TOs as co-applicants should have a "seat at the table" with a vote in actually formulating the package presented to the FPSC for initial approval and ultimately to FERC.

e. Paragraph 5 proposes to set forth the Section 205 rights of all TOs with regard to the FERC filing. However, only FERC jurisdictional utilities have Section 205 rights. GridFlorida, as a FERC jurisdictional public utility, must be required to make Section 205 filings at the request of TOs not subject to FERC jurisdiction.

#### Issue No. 3: Participant Funding

The Applicants have offered three parameters and eight principles to use in evaluating a project for participant funding. These parameters and principles are acceptable to JEA as far as they go, however, the definition will require significant additional development before the parties can really understand how they would be implemented.

Principle 8 states that participant funded projects will "receive commensurate transmission rights." The Applicants initially proposed physical transmission rights then in their March, 2002 compliance filing proposed financial transmission rights. Which type of "transmission rights" do the Applicants have in mind here?

#### Issue No. 4: Cost Recovery

JEA has no position on this issue at this time.

#### Issue No. 5: Cut-off dates for Existing Transmission Agreements and Facilities

JEA has no position on this issue at this time.

#### Issue No. 6: Mitigation of cost shifts

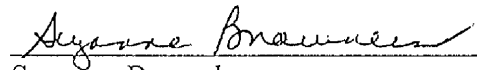
JEA is pleased to find that the Applicants are open to new ideas for mitigation of lost revenues. John Seelke on behalf of JEA has filed testimony in this docket in which an alternative mitigation mechanism for short-term revenue losses is proposed. JEA continues to believe that Mr. Seelke's method should be used rather than the one advocated by the Applicants, however, JEA is open to further discussion on this point.

Issue No. 7: Review of current regulatory/legislative environment  
JEA will be prepared to discuss the current regulatory/legislative environment as it relates to the development of GridFlorida at the pricing issues workshop. Further, JEA reserves the right to respond, both at the workshop and in written comments filed subsequent to the workshop, to the Applicants' positions on this issue presented at the pricing issues workshop.

Issue No. 8: Continued review of RTO costs and benefits  
JEA is concerned about the real costs and benefits associated with the implementation of FERC's RTO mandates. We recommend that the FPSC conduct a thorough cost/benefit study of the proposals for an RTO in Florida. Florida has the time to do a much better study than those done for the FERC and DOE, neither of which looked at Florida specifically and both of which were constrained by unrealistic deadlines. A FPSC study should focus on the costs and benefits of an RTO to Florida's electricity customers and allow enough time for a complete and accurate study to be completed.

As with Issue No. 7, JEA reserves the right to respond, both at the workshop and in written comments filed subsequent to the workshop, to the Applicants' positions on this issue presented at the pricing issues workshop.

Respectfully submitted this 11th day of March, 2004 by:

  
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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 11<sup>th</sup> day of March, 2004.

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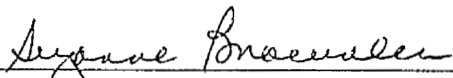
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