

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of Florida Power Corporation's earnings, including effects of proposed acquisition of Florida Power Corporation by Carolina Power & Light.

Docket No. 000824-EI

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In re: Review of Florida Power & Light Company's proposed merger with Entergy Corporation, the formation of a Florida transmission company ("Florida transco"), and their effect on FPL's retail rates.

Docket No. 001148-EI

In re: Review of Tampa Electric Company and the impact of its participation in GridFlorida, a Florida Transmission Company, on TECO's retail ratepayers.

Docket No. 010577-EI

Filed: September 10, 2001

The Florida Industrial Power Users Group's Prehearing Statement

Pursuant to Order No. PSC-01-1549-PCO-EI, the Florida Industrial Power Users Group (FIPUG), files its Prehearing Statement.

A. APPEARANCES:

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On Behalf of the Florida Industrial Power Users Group

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B. WITNESSES:

None.

C. EXHIBITS:

None.

D. STATEMENT OF BASIC POSITION:

Florida utilities should be encouraged to participate in a truly independent southeastern regional transmission organization that will enable all power suppliers to operate freely with incumbent electric companies in a competitive wholesale market. Such an RTO should increase reliability and lower prices for retail consumers. This docket has been divided into two parts: Part I will address the issue of prudence; Part II will address the rate impact on retail consumers. Care needs to be taken that the action in Part I does not preempt the Commission from protecting retail consumers interest in Part II.

E. STATEMENT OF ISSUES AND POSITIONS:

1. **ISSUE:** Is participation in a regional transmission organization (RTO) pursuant to FERC Order No. 2000 voluntary?

FIPUG's Position: No position at this time.
2. **ISSUE:** What are the benefits to Peninsular Florida associated with the utility's (FPC, FPL, or TECO) participation in GridFlorida?

FIPUG's Position: A truly independent regional RTO will enable all power suppliers to operate freely with incumbent electric companies in a competitive wholesale market resulting in lower prices and greater reliability for consumers.
3. **ISSUE:** What are the benefits to the utility's ratepayers of its participation in GridFlorida?

FIPUG's Position: A truly independent regional RTO will enable all power suppliers to operate freely with incumbent electric companies in a competitive wholesale market resulting in lower prices and greater reliability for consumers.
4. **ISSUE:** What are the estimated costs to the utility's ratepayers of its participation in GridFlorida?

FIPUG's Position: RTO start-up costs should be amortized over the remaining life of the transmission system. No costs should be allocated to retail customers until transmission assets are unbundled and base rates adjusted in proportion to the charges GridFlorida will impose for assets now in utility rate base.

5. ISSUE: Is TECO's/FPL's decision to transfer ownership and control of its transmission facilities of 69 kV and above to GridFlorida appropriate?

and

Is FPC's decision to transfer operational control of its transmission facilities of 69 kV and above to GridFlorida while retaining ownership appropriate?

FIPUG's Position: FIPUG believes independent control of the transmission system is beneficial to consumers. The retail rate impact issues resulting from ownership transfer will be addressed in Part II of this docket.

6. ISSUE: Is the utility's decision to participate in GridFlorida prudent?

FIPUG's Position: Yes, but not as good as participation in a larger more comprehensive RTO.

7. ISSUE: What policy position should the Commission adopt regarding the formation of GridFlorida?

FIPUG's Position:

1. For the benefit of consumers, the Commission policy should be to endorse a larger and more comprehensive Southeastern Regional independent transmission system. The policy should recognize that GridFlorida is inferior to the larger regional system but is an appropriate first step in moving toward a larger RTO. If GridFlorida is created to operate independently and provides real time market information, it will be superior to the current Balkanized transmission grid.
2. Take steps to ensure that the Florida Public Service Commission retains jurisdiction to ensure that retail rates are not adversely effected by the asset transfer.

8. ISSUE: Is Commission authorization required before the utility can unbundle its retail service?

FIPUG's Position: No, but the Commission should mandate it as a matter of policy.

9. ISSUE: Is Commission authorization required before the utility can stop providing retail transmission service?

FIPUG's Position: Yes. The Commission has the obligation to assure reliable delivery of electricity at the actual cost of service. The Commission should determine from the evidence provided in Part I of this docket whether GridFlorida will provide the requisite reliability. To avoid the argument that Commission action in Part I preempts any further consideration of the impact on retail consumers, the Commission should obtain agreement from the parties during Part I that the authorization is conditioned upon the protection that will be provided for retail consumers in Part II of the docket. In Part II, FIPUG may recommend that the Commission adjust retail base rates in proportion to the costs attributable to the assets transferred and set the appropriate guidelines to ensure that charges for continuing service provided by these assets do not exceed the costs attributable to the assets when they were in the retail rate base. For example, if the assets are sold at above regulatory book value, the remaining assets of the utility should be adjusted by the full value, received for the regulatory assets sold. The selling IOU's capital structure should be reformed based upon the form of the sales price. For example, if GridFlorida assumes the selling IOU's debt, to the extent IOU debt is assumed, the debt component of the utility capital structure should be reduced. If the IOU or its holding company takes an equity position in GridFlorida, the equity component of the retail capital structure should be revised accordingly.

10. ISSUE: Is Commission authorization required before FPC can transfer operational control of its retail transmission assets?

and

Is Commission authorization required before FPL/TECO can sell its retail transmission assets?

FIPUG's Position: Yes.

11. ISSUE: Is a Regional Transmission Organization for the Southeast region of the United States a better alternative for Florida than GridFlorida RTO?

FIPUG's Position: Yes. Florida's regulated utilities should be strongly encouraged to move to the larger, more robust southeastern RTO, advocated by

FERC, rather than the weaker GridFlorida, which incorporates only part of Florida. Because GridFlorida must be independent and has the opportunity to be less costly, it is superior to the current system. To avoid any delay in realizing the benefits an RTO can confer on ratepayers, the GridFlorida proposal should be approved as a first step. The Commission should ensure that appropriate safeguards for retail customers are adopted in Part II of this docket.

F. STIPULATED ISSUES:

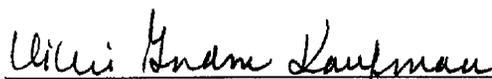
None.

G. PENDING MOTIONS:

FIPUG has no motions pending.

H. OTHER MATTERS:

None.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing the Florida Industrial Power Users Group's Prehearing Statement has been furnished by (*) hand delivery and U.S. Mail to the following this 10th day of September, 2001:

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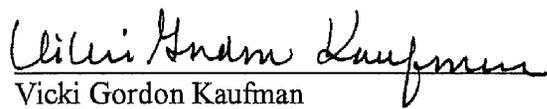
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