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May 28, 2004

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**Re: *In re: Review of GridFlorida Regional Transmission Organization (RTO)
Proposal, Docket No. 020233-EI***

Dear Ms. Bayo:

Enclosed, please find an original and twenty (20) copies of Post Workshop Comments of Lakeland Electric, Kissimmee Utility Authority, Gainesville Regional Utilities, and the City of Tallahassee, Florida, which is being filed in the above-captioned proceeding. Please date-stamp and return the five (5) extra copies *via* the enclosed postage pre-paid return envelope. I have also included a diskette containing an electronic form of this filing.

Thank you very much for your assistance and please do not hesitate to contact me at (202) 429-8809 if you have any questions.

Sincerely,



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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 020233-EI
Filed: May 28, 2004

POST WORKSHOP COMMENTS OF LAKELAND ELECTRIC,
KISSIMMEE UTILITY AUTHORITY, GAINESVILLE REGIONAL UTILITIES,
AND THE CITY OF TALLAHASSEE, FLORIDA

These Post Workshop Comments are filed by the City of Lakeland, Florida d/b/a Lakeland Electric (Lakeland), the City of Tallahassee, Florida (Tallahassee), Kissimmee Utility Authority (KUA), and the City of Gainesville, Florida d/b/a Gainesville Regional Utilities (GRU) -- collectively referred to herein as the Florida Municipal Group (FMG)¹ -- pursuant to the schedule agreed upon at the Market Design Workshop convened on May 19, 2004.

COMMENTS

The FMG filed comments prior to the Market Design Workshop, and its members and counsel participated actively in discussions at the workshop. Rather than reiterating previously stated FMG positions, the brief comments below respond to positions stated by others at the conference.

First, workshop participants discussed several implementation alternatives: (i) should GridFlorida's initial "Day-1" operations be limited to basic coordination of transmission planning and operations, with market issues approached later ("Day-2"), if at all; or (ii) should both transmission and full energy market implementation be part of Day-1; or (iii) should the Day-1 market be based on some form of hybrid model that includes more limited balancing and ancillary service features, short of full markets? Although the FMG continues to favor the first phased approach and to oppose the second all-at-once approach, it is nonetheless willing to

¹ The FMG is an *ad hoc* advocacy group. Each member of the FMG has intervened independently in this proceeding and reserves the right to express individual views at any time.

consider hybrid proposals that the Applicants may choose to develop. For example, there may be opportunities for greater coordination of imbalance management, as well as other ancillary services, as utilities already procure or self-supply many of these services in some form or another.² As others at the workshop noted, however, a more generally available imbalance service should not be viewed as a substitute for forward planning and bilateral contracting.

Second, there was general agreement at the workshop that market power mitigation will be an important component of any market design in Florida. The FMG agrees with this conclusion and supports comments made by FMPA and Seminole witness Dr. Laurence D. Kirsch, who suggested that appropriate mitigation would likely include both cost-based bidding and must-offer requirements applicable to entities found to have market power. Of course, as others at the conference noted, the widespread use for these types of mitigation tools would call into question whether or not there is anything of value to be gained by implementing energy markets in the first place.

Third, the Applicants discussed several alternatives regarding the use of Capacity Benefit Margins (CBM). The ability to reserve transmission capacity is critically important for utilities that rely on imports to meet reliability contingencies. Tallahassee's reliance on capacity across the Georgia/Florida interface illustrates this point. As such, the FMG continues to believe that utilities must be able to reserve transmission capacity on a physical basis when required for system reliability. The same would hold true for generation capacity to the extent that must-offer requirements are imposed on generating units.

Finally, several parties at the conference requested that ICF conclusions regarding the costs and benefits to individual utilities resulting from GridFlorida implementation be made available to those utilities. The FMG members fully support this request and submit that

² For example, the open access transmission tariffs maintained by FERC-regulated utilities are to include ancillary services, including energy imbalance services. See 18 C.F.R. § 35.28(c) (2003). Similarly, RTOs are to be a provider of last resort for such services, see 18 C.F.R. § 35.34(k)(4) (2003), although FERC is flexible as to how those responsibilities are fulfilled.

confidentiality considerations should not prevent such disclosure, particularly because ICF would merely be processing and returning data supplied by utilities. Nevertheless, to the extent that confidentiality concerns do arise, they should be resolvable under the confidentiality agreement executed by ICF and utilities participating in the study.

CONCLUSION

The FMG requests that the comments set forth above be taken under consideration by the FPSC when weighing the options under review in this proceeding.

Respectfully submitted,



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Dated at Washington, D.C. this 28th day of May, 2004.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing letter has been furnished by U.S. Mail, this 28th day of May, 2004, to the following:

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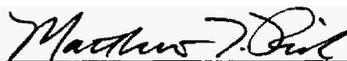
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