BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 020233-EI

In the Matter of

EVIEW OF GRIDFLORIDA
EGIONAL TRANSMISSION
RGANIZATION (RTO)
ROPOSAL.
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ROCEEDINGS:	WORKSHOP
EFORE:	CHAIRMAN BRAULIO L. BAEZ COMMISSIONER J. TERRY DEASON COMMISSIONER LILA A. JABER COMMISSIONER RUDOLPH "RUDY" BRADLEY COMMISSIONER CHARLES M. DAVIDSON
)ATE:	June 30, 2004
'IME:	Commenced at 9:30 a.m. Concluded at 1:30 p.m.
)LACE:	Betty Easley Conference Center Hearing Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	LINDA BOLES, RPR Official FPSC Reporter (850) 413-6734

N ATTENDANCE:

MIKE NAEVE, representing the GridFlorida applicants

JUDAH ROSE and KOJO OFORI-ATTA, representing ICF onsulting.

BOB CROES, representing Florida Power & Light.

ROBERT C. WILLIAMS, representing Florida Municipal ower Agency.

TRUDY NOVAK, representing Seminole Electric ooperative.

ROBERT L. DAVIS, representing R.W. Beck.

PAUL CLARK, representing the City of Tallahassee.

P. G. "BUD" PARA, representing the Jacksonville lectric Authority.

STEVE REMILLARD, representing Calpine.

JOHN MCWHIRTER, ESQUIRE, representing the Florida ndustrial Power Users Group and Reliant Energy Power eneration.

JENNIFER BRUBAKER, ESQUIRE, and ROBERTA BASS, epresenting Commission Staff.

P R O C E E D I N G S

CHAIRMAN BAEZ: I want to call this workshop to order. Good morning, everyone. Ms. Brubaker, do you want to read the notice.

MS. BRUBAKER: Certainly. Pursuant to notice, this time and place has been scheduled for the purpose of holding a commission workshop in Docket 020233-EI, the GridFlorida RTO docket, and the purpose of the workshop is set forth more fully in the notice.

CHAIRMAN BAEZ: Thanks. Ms. Bass, you want to get us started this morning.

MS. BASS: Certainly. Good morning, Commissioners. The purpose of this workshop is to provide the Commission an opportunity to hear information regarding the cost benefit study of GridFlorida that's being conducted by ICF. In addition, the Commission will also hear from the various stakeholders their comments regarding the study.

If you will recall, at the time the Commission first began its deliberations regarding the formation of a regional transmission organization in Florida, the benefits that were asserted by the parties participating in the docket were predominantly qualitative in nature. There was reference to potential quantitative benefits.

Since that time at least two cost benefit studies have been conducted regarding the economic benefits of

establishing RTOs. ICF prepared an economic assessment for the Federal Energy Regulatory Commission in February of 2002. This assessment looked at the formation of RTOs on a nationwide basis.

Charles River Associates prepared a cost benefit analysis for the Southeastern Association of Regulatory Utility Commissioners in November 2002. This particular study focused on establishing RTOs in the southeast.

While Florida has been included in each of these studies, the current study, which is the subject of today's workshop, will be the first study to quantitatively assess the costs and benefits of implementing GridFlorida. The results of this study may potentially impact this Commission's future considerations of the appropriate structure, design and implementation of GridFlorida. I anticipate that today's discussion of the description and assumptions regarding the ICF cost benefit study will lay the groundwork for the Commission's ultimate understanding of the results of the quantifiable costs and benefits of GridFlorida.

I have -- there is an agenda and it's provided on either side of the hearing room this morning, and my suggestion would be that we just follow the order of the presenters.

There is one change. I was informed this morning that FMG is going to relinquish their time to the City of Tallahassee. So in place of FMG, the City of Tallahassee will

be making their presentation. I think that's all I have preliminarily. If you want to, we can get started. And the first presentation will be an introduction and it will be provided by one of the GridFlorida applicants.

CHAIRMAN BAEZ: Thank you, Ms. Bass.

COMMISSIONER DAVIDSON: I just had a question before we started after -- just of Ms. Bass, just a question about the study itself. I note it was prepared by ICF Consulting for us. Did we actually sort of manage the project, set the parameters of the study, set the requirements and sort of direct it? Is this a truly Commission-directed study?

MS. BASS: No. This is not a Commission-directed study, although we have participated in it, staff has. The study was -- is being prepared for the GridFlorida applicants upon their request.

CHAIRMAN BAEZ: And, Commissioner Davidson, this is actually a work in progress. So I think one of the purposes of the workshop is for the Commissioners in particular to ask some questions and share any thoughts leading up to the project. So you'll get an opportunity to hear what they intend on doing and ask whatever questions you might have.

MS. BASS: Commissioner Davidson, I expect that when the results of the study are available, that the participants will come back before the Commission and make a formal presentation of the results of that study.

In discussions with various parties, it was, it was determined that it would be a good idea to have this Commission understand the very basic assumptions and the project description and all that will be, all that it entails so that when the results are presented, the Commission will have an in-depth understanding of not only where we started, but where we ended up.

CHAIRMAN BAEZ: Thank you, Ms. Bass. Mr. Naeve, are you the ringmaster today?

MR. NAEVE: I guess I'm the leadoff person. I don't know about the ringmaster.

CHAIRMAN BAEZ: Okay. Very well.

MR. NAEVE: My comments will be very brief. I would first just emphasize a couple of points that Roberta mentioned, and that is the applicants have retained ICF to do this analysis, recognizing that not all of the cost nor all of the benefits of an RTO or any similar type organization can be quantified. Some of these costs and benefits don't lend themselves to quantification. That doesn't mean they aren't real. It just simply means they are not easily quantified. This was something that we had to deal with from the very beginning, the difficulty of quantifying some of these costs and some of these benefits.

Others, however, do lend themselves to quantification, and the cost benefit analysis will focus on

those that can be quantified. But we recognize that it will in some ways present an incomplete picture because there will be other benefits and other costs that will not be assigned a dollar value. That doesn't necessarily mean that those aren't important benefits and important costs.

We, in retaining ICF, wanted to retain a firm that had the various data sets and skill sets necessary to do a first-class study, and we concluded that ICF was clearly the leading firm in this area. We chose them for the same reasons that the Federal Energy Regulatory Commission chose them to do their analysis, and we also chose them because they did do the Federal Energy Regulatory Commission analysis. So because of that analysis we felt that they had a head start on other firms that might be looking into this. They had thought about how you model these costs and benefits and they had many of the tools already in place to do the analysis. We recognize that when you do a nationwide study as compared to doing a regional study, that it is -- somewhat of a different approach is taken because when you're doing a regional study or a local study, you dig down much more deeply into specific data as opposed to using aggregate data. But, nonetheless, we felt that they would be best suited for this study.

We also recognize that there are a lot of trade-offs when you do these studies. You can do them in tremendous detail and perhaps increase the, the, the potential accuracy of

the information, but it could take a lot of time and involve a lot of expense. You can do them at a very high level and do them much faster but, and at much less cost, but perhaps not quite with as much refinement as you'd like. And we've tried to reach a happy medium so that we get reliable information that's sufficiently reliable that will help all of us in our planning for the future, but we also have tried to be conscious of cost and of time delays. And in many ways the time delays are as important as the cost because if you attempt to study too much and in too great a detail, you can drag this out for a very long time, which is not our intention.

We also recognize that there's a lot of valuable input to be received from all of the stakeholders in Florida. Input -- certainly the most important input or at least an important category of input is data. A lot of the information needed by ICF to do their analysis has to come from the various stakeholders in Florida, and ICF has been working with all of the stakeholders to try to accumulate the data they need to do their analysis. But also there is input with respect to the parameters of the study, the assumptions that underlie the study and that sort of stuff. We have formed a Cost Benefit Working Group to permit an interface between ICF and the various stakeholders. We've had one telephonic meeting and one face-to-face meeting of that, and we'll continue to have more. And today we have an opportunity to lay out the basic approach

o you, the Commission, so that we can have the opportunity for ou to provide your input and, and comments as well. I think hat's all we have to say. Did I miss anything? Okay. **Well**, hat's, that's our introduction.

CHAIRMAN BAEZ: Ms. Bass.

MS. BASS: Okay. I think now we can go on to the resentation by ICF on the project description and assumptions.

MR. ROSE: Good morning, Commissioners. My name is udah Rose from ICF. That's J-U-D-A-H, Judah Rose. It's a leasure to be here again. And I direct the firm's wholesale ower practice. I'm a member of its board of directors. I'm oined here by Kojo, K-O-J-O, Ofori-Atta, who heads up our ransmission effort, and Chris McCarthy, who's heading up our ata collection efforts in this particular project.

There are seven parts of our presentation this morning, and I'm briefly going to just discuss a little bit about who ICF is, and then I'll turn it over to Kojo to cover he objective and scope of this study, the procedural approach and model overview, data inputs, costs and benefits, the difference between the base and the change cases and the project status and schedule.

I just thought it would be useful to know a little bit about ICF. We're headquartered in the Washington, D.C., area, although we have offices in a number of locations; we're 1,000 people; we've been doing work in the power and energy

area for well over 30 years; and so we believe we have some of the skill sets that will be hopefully helpful to the Commission and to the stakeholders.

Some of the skill sets we bring includes knowledge of transmission; includes coverage of a broad range of wholesale power markets, both domestically, internationally; knowledge of generation engineering; knowledge of fuel markets and knowledge of environmental issues. So we do have those skill sets.

The type of work we do ranges from, similar to the work we're doing here, regulatory support and strategy, transmission system assessments, and we also cover issues like market analysis and forecasting, we do a lot of due diligence, assessments and valuation of assets, we do work in fuel supply, environmental work and energy efficiency programs.

The client base is both public and private. We've done, for example, for the last 25 years all of the major air pollution regulatory studies for the U.S. Environmental Protection Agency as related to the power sector, and we've also worked very extensively with private firms.

As mentioned, we did perform FERC's cost benefit study at sort of a nationwide, nation level study. We also have worked on FERC Orders 888 and Order 2000, issues related to analytic support of those, those orders particularly in the environmental area. We have worked with private companies trying to assess the impacts of -- implications of RTOs and the

transitions associated with what's called Day 1 and Day 2 transitions, companies that are preparing for that in terms of understanding the nodal market analysis and locational marginal prices, and we do regularly model all of the power markets in North America as well as most of Europe and Asia. And with that, I'll turn it over to my colleague, Kojo Ofori-Atta.

MR. OFORI-ATTA: Thank you, Judah. We have been looking at the costs, quantifying the costs and benefits of transitioning the Peninsular Florida wholesale power market to a centrally organized market. Our overall objective is to utilize inputs from stakeholders and conduct an independent analysis of the costs and benefits of forming the RTO. And the overall goal is to support the decision with regard to forming the RTO in Peninsular Florida. And we believe that when it's all done, we'll be -- we'll have the opportunity to present the study results to you.

So to recap the specific objective of this study, we are going to assess the costs and benefits to Peninsular Florida consumers of restructuring the Peninsular Florida market from what it is today, which is basically a noncentrally organized market, to a centrally organized one. So this is in summary what we have been taxed to do.

Now to achieve this goal, we are going to perform a production cost modeling of the market under today's structure, which we refer to as a base case structure, and propose --

we'll look at it under proposed alternative market structures. Later on in the presentation I'll get a chance to go -- to provide you specifics as to what cases we're going to look at. But essentially it's looking at the base case as the market has been -- is organized today, try to quantify the production cost of meeting load to Peninsular Florida consumers, then look at the same for change cases based on proposed market designs, proposed market structures given to us by stakeholders.

So essentially the difference between the production costs in the base case and the change cases will be quantified as one of the components of potential benefits. There are other components, and certainly some of these components, I believe, Mike addressed initially. There is no doubt that there are several other benefits and costs that do not lend themselves easily to quantification. We do recognize, and I don't think that there's any doubt about that, the fact that these are real benefits and also real costs. But the industry as a whole has not accepted a standard approach to quantifying these particular costs and benefits. So for those costs and benefits, which I will discuss later on, we are planning to treat them qualitatively. Regardless, those benefits that are quantifiable, yes, we are going to do a detailed job of quantifying them. And some of these have been quantified in previous studies that we have performed and also those that have been performed by other institutions.

Lastly, we do recognize that the move to a centrally organized market will have increased functions for the transmission provider. Basically there will be control area services and there will be market services. In today's market we don't have market services as part of the control area functions, so we will quantify the startup and ongoing costs of putting together a centrally organized market. And this will be based on the proposed GridFlorida RTO operational structure which is still under discussion right now. And I'll get an opportunity to also give you details as to what we are doing regarding the GridFlorida RTO operational structure.

In terms of what we are trying to achieve procedurally, we are currently in the inception phase of the project. So we -- the inception phase basically entails data collection. We already had a takeoff meeting. We had some meetings with the Cost Benefit Working Group. And the data collection phase obviously is taking us a little more time mainly because we are collecting data from many -- from most of the entities represented here today, and coordinating and reconciling data is very important to the study. We want to make sure we are getting it right, and we also want to make sure that we're understanding the unique operations of each of the entities, especially in today's market.

After that is completed, we're going to go into a calibration phase where we are going to try to calibrate the

model to historical market outcome. So we have chosen the 2003 actual market outcome as the year to calibrate the model against. And the reason why we try to calibrate models is that models are in many ways -- models in many ways have a perfect view of the future, but we do know that markets -- although markets are very good, they're sometimes not perfect. So we try to calibrate a model to equilibrate the model outcome with the market outcome in order to make sure that the model is accurately reflecting what we are likely to get from the markets.

So in order to do this, the best approach that has been used by ICF in the past and by the industry is to try to calibrate the model and appropriately include hurdle rates wherever applicable to make sure that the model is reflecting what we think is reality or trying to reduce in some sense the efficiency of the model to reflect the market.

Then we'll run a base case scenario. Our base case will reflect today's market. We're looking at the period from 2004 through 2016 assuming that the market is going to remain the way it is today throughout the period and try to quantify the cost of serving load in Peninsular Florida.

After the base case is done, we'll look at the change case -- we'll look at several change cases. Right now we've scoped three change cases. The Change Case 1 is going to reflect a Day 1 only scenario. A Day 1 only scenario basically

means that we do not have, we do not have commercial markets or centralized markets. Day 1 will reflect an independent transmission operator -- operating upgrade and performing what we generally refer to as control area services. There will explicitly be no market services under the Day 1 scenario.

Then in the Day 2 scenario, we're going to model the Day 1 markets for the very first three years, then follow with ten years of Day 2 scenario where we are going to have explicit markets just like we have in some of the other regions in the United States. So Day 1 for 2004 through 2006, which will basically form the transition period into a Day 2 scenario where we'll be looking at the markets for ten years from 2007 through 2016. And Change Case 2 will be based on the GridFlorida market design.

We'll do a similar thing for Change Case 3, but based on FERC's standard market design. So this is what we intend to do.

Now I wish to state here that --

COMMISSIONER JABER: May I, may I jump in and ask a clarifying question? The Change Case 2 that's based on the GridFlorida design, did you use the GridFlorida design filed initially with FERC or does it take into account GridFlorida's initially approved by us? Does that make sense? Mr. Naeve, that might be better for you to address. Is it the original GridFlorida governance model or is it the one we looked at?

MR. NAEVE: No. It's the, it's the most recent model pending before this Commission.

COMMISSIONER JABER: Thank you.

MR. OFORI-ATTA: Thank you. One thing we want to make -- I would like to mention here is that -- and you see a little footnote at the bottom of this slide. We would model the Change Case 3 to the extent that, and, again, this will be discussed at the Cost Benefit Work Group, we all can determine that there's a difference between the GridFlorida design and the FERC's SMD design. Also for now we -- I'll say that we haven't given it a lot of consideration, but we think that there are differences, but as to whether they can be modeled is something that we will bring to the entire stakeholder group at one of our Cost Benefit Working Group meetings to make sure that we all understand what the differences are and what the similarities are.

COMMISSIONER JABER: Again, just in an effort to understand what each change case is, the Day 1 only scenario, is that what you would consider as what we have today?

MR. OFORI-ATTA: No, Madam Commissioner. That is -- today's market is basically an individual control area operation. So in some sense we can refer to it as a balkanized market or a balkanized control area operation.

In the Day 1 scenario there's going to be a single control area operation. What I mean by that is a single

independent transmission entity responsible for the whole of Peninsular Florida control area services.

COMMISSIONER JABER: Okay. Well, I appreciate that clarification. Thank you. That's helpful to me.

I guess what I'm trying to understand is don't you need a foundation point for comparison? Again, Mr. Naeve, jump in here. We have -- we don't have, obviously, the independent transmission administrator model today, but what we do have is the excess generation. We encourage companies to sell that on the market because we know that there's a benefit to the ratepayers in doing that. Now, we can debate whether that's a competitive market or not, but somehow that needs to be captured in the analysis, don't you think?

MR. NAEVE: It is.

COMMISSIONER JABER: Okay.

MR. NAEVE: These cases they referred to are called change cases because they assume that there's a change from the status quo. And in each case the change case is compared to the status quo. So they model the market as it exists today, and then they'll do Change Case 1, which is basically turning over the transmission to an independent entity eliminating pancake rates and so forth, and then they'll compare the benefits of that to today. So they have a base -- the base case is today, and then Change Case 1 is compared against the base case, then Change Case 2 would be compared against the

base case and so forth.

COMMISSIONER JABER: Okay. And the base case does fully incorporate whatever is being sold on the wholesale market?

MR. ROSE: Yes. Just to emphasize, in the base case, I don't know if you can see the slides up there, the base case is today's market and there will be transactions modeled as part of that. And as Kojo is going to describe, however, the current transmission tariff regime will be in place as other, as other treatments that will allow us to try to capture what's currently going on, which does involve transactions.

COMMISSIONER JABER: Thank you.

CHAIRMAN BAEZ: I have a couple of questions before, before you move on along the lines of what Commissioner Jaber was asking.

First of all, the change case that involves the FERC's SMD, to what extent, and maybe there is no distinction, but to what extent -- is it the FERC SMD as it originally came out or what, I guess, what exactly are you using? There was a white paper that came out after that may have impacted what the original may ultimately look like in the end. I mean, are those things being captured as part of your use of them or are you using some static model that's, that's -- or some static notion of what the SMD is?

MR. NAEVE: The Commission has identified what they

view as kind of the basic SMD model. But then in subsequent white papers they said that they're prepared to entertain regional differences. Unfortunately, you don't know what the regional differences might be, so it's hard to model them. So this is based on kind of the original core SMD design.

CHAIRMAN BAEZ: All right.

MR. NAEVE: Recognizing conceivably it could ultimately be different if we proposed something different and went to the Commission -- to FERC and asked if they would accept that as the RTO proposal for Florida. But it's based on kind of the more standardized PJM type SMD model.

CHAIRMAN BAEZ: And a follow-up to, to Commissioner Jaber's question on the GridFlorida market design. And I guess I may have missed it and not been paying attention, but my, my impression was that the actual market design hadn't -- wasn't one of the things that was approved, quote, unquote, as part of the original order. So I need you to clear up for me exactly which, what market design it is, has it been approved by Florida at least for discussion purposes, and what the status of that is.

MR. NAEVE: I'll try to remember the status. I hope I get this correct. We filed originally a market design with FERC which was not SMD, and this Commission in effect approved that. You directed some changes and you directed some minor changes in market design, but they weren't particularly

significant. You wanted pay as bid and a few other changes to the market design. But it was essentially the market design we had originally proposed to FERC.

We were then told to make a compliance filing. In the process of making the compliance filing, FERC began to change its concepts of market design. And we were trying to keep up with FERC, so we filed with you not only the changes that you had instructed us to change, but some additional changes that we thought were designed to try to make our market design more compatible with the direction FERC was going. So it was based on some of the original white papers pertaining to SMD.

So the market design, we ended up filing it with you, but which was never approved. It began to look more and more like SMD. And as you'll see from the asterisk here, ICF at this stage is not quite sure how they -- what would be different in the way they model that and the way they model SMD. They're very close. And there may be changes that are significant enough that you'd get different results, but they're not quite sure yet.

CHAIRMAN BAEZ: I just wanted to clear up at least in my mind that we're not -- even, even what's being used for modeling isn't, isn't a fixed design at least for, for purposes of the Commission.

MR. NAEVE: That's right. We had to put a stake in

the ground to know what to study, but it's not something that's been approved by the Commission.

CHAIRMAN BAEZ: Fair enough. Okay.

COMMISSIONER DAVIDSON: Chairman.

CHAIRMAN BAEZ: Go ahead, Commissioner.

COMMISSIONER DAVIDSON: A couple of follow-up general questions. Mr. Naeve, you had mentioned early on that there is a working group sort of that is working with assumptions and modeling. Who is on that working group?

MR. NAEVE: It's representatives from the various stakeholders in Florida who choose to be on it. Bob, do you have a list? But it's -- we have representatives from the generators, the co-ops, the munis, the investor-owned utilities.

COMMISSIONER DAVIDSON: Do we have someone from the PSC on that working group?

MR. NAEVE: They've been attending the working group meetings.

COMMISSIONER DAVIDSON: Okay. Would that be you, Ms. Bass, or someone from your shop?

MS. BASS: Yes. Someone from -- we've had several individuals from the Commission that attended the face-to-face meeting.

COMMISSIONER DAVIDSON: And do we have -- is there anyone from FERC on that working group, any of the senior staff

from FERC?

MR. NAEVE: They have been invited to attend the meetings, and I think at the last meeting they intended to send somebody but at the last minute they weren't able to make it. And we have someone from FERC here today.

COMMISSIONER DAVIDSON: Okay. Perfect. And on the question of, of the modeling, has FERC provided any input into the modeling and procedural approach that is being used or reflected in the study?

MR. NAEVE: Not at this stage.

COMMISSIONER DAVIDSON: Thank you.

CHAIRMAN BAEZ: I'm sorry, Mr. Ofori-Atta.

MR. OFORI-ATTA: Okay. I had just run through the changes cases. There will be sensitivity analyses after the change cases. They'll be fully scoped out after we have learned from the results of the modeling of those initial cases.

Then in parallel we're performing the RTO cost estimation trying to determine the startup and ongoing costs of these RTOs. I will give you a status report of what we have been able to do so far and what we intend to do in quantifying the costs associated with forming these RTOs. Then we'll provide a draft final report at the end of the study and a presentation as well.

The key features of this study will be basically

trying to put together something that is specific to GridFlorida with comparatively very high resolution on benefits and costs. We believe -- we performed the FERC study, but that was a nationwide study, and we at this point do not know of a study that has been done to look at modeling all the various transmission facilities, you know, to the level that we are going to be doing here right now.

MR. ROSE: With respect to the economic aspects of nodal pricing over the time frame that's being envisioned, clearly there are studies being done by the companies and others related to the, if you will, engineering operations. But we're not aware of a study of this detail in Florida where we're looking at thousands of elements in the context of an economic as well as operational outcome.

MR. OFORI-ATTA: We're going to be modeling every single transmission facility from 69 kV and higher, we're going to model all the generation facilities, we are modeling all the loads, and that is why we have actually taken sufficient time to try to gather all the data that we need. Most of the other studies, you know, or studies that we have performed in the past we used our own in-house data. But for this study we did something a little different, and we thought it was time well spent in collecting actual stakeholder data. So we hope that -- we've taken quite a bit of time in doing that, but I think that it's worth our while to do that. So we will

forecast detailed Peninsular Florida market conditions under each case.

The methodology, like I said, is production cost modeling using GE-MAPS. GE-MAPS is one of the industry standard software. It's been widely used by other companies including ICF. And production costs, it's usually what has been used in performing these analyses in the past.

There's going to be a full market study that we integrate all the various aspects of power markets. We're going to be looking at the fuel market simultaneously with environmental, transmission and generation markets. So it's going to be a complete market study. We wouldn't want it to be incorrectly referred to as a transmission study. Though transmission plays a greater role in this study, we want to refer to it as a full market study incorporating all the various important aspects that go into power market assessments.

We're going to look at detailed assessment of elements of RTO costs. And, again, the period that we are looking at is 2004 to 2016.

Procedurally this is a chart that shows what we are doing right now. We spent a lot of time obviously under Task 1, which is basically the project inception. We've had a kickoff meeting. We are gathering data. We've reviewed some literature that has been made available us to. A lot of time

is being spent on data validation right now. And we put out a draft assumptions book to all stakeholders to look at it. We've had the Cost Benefit Work Group meeting to review these draft assumptions, we got some feedback from stakeholders, and we are working on putting out a revised set of assumptions. And ultimately at the end of the inception phase we should have a draft set of modeling assumptions that has been agreed to by all stakeholders and applicants which we're going to use to feed the modeling process.

The second stage will be the model calibration exercise, and that will be followed by the base case modeling, then we will go on to the change cases, then we'll look at the benefits and costs, then finalize it with the reporting phase.

This is just a snapshot view of the MAPS model. It's a very capable model and it's very familiar to many of the practitioners in our industry. It has a lot of unique capabilities that we think will bring a lot of value in this analysis and will support some of the findings.

We -- as inputs -- broadly as inputs we feed in load data for various entities, we feed in transmission data for up to 60,000 lines. We believe that in Florida we have a couple of thousand, up to about, say, 5,000 transmission facilities or perhaps a little more or a little less. We also model all the various constraints in the transmission grade: The voltage, the thermal instability (phonetic) constraints. And on the

data side -- on the generation unit side it can handle as many as 7,500 units, which I think is sufficient to take care of all the various units that we have in Peninsular Florida.

On the output side it gives us various variable outputs that we can at a point (phonetic) aggregate into quantifying benefits in each of the cases.

So this is just an overview of the model structure. Again, it's an hour-by-hour production cost model that recognizes the constraints imposed by the transmission network. It provides hourly spot prices at individual nodes and flows on individual transmission facilities for all hours in a year. So it's very detailed and it can handle the complexity of the power flow system.

It identifies the unit and even companies responsible for various flows on a given line. So if there's congestion, for instance, we can try to map it to which unit is -- which unit or units are causing congestion on a particular facility and try to map it back to the various entities. So we believe that we can do quite a reasonably good job of desegregating costs and benefits to individual entities.

More importantly, it performs what we call security constrained unit commitment and security constrained dispatch. This is very important mainly because usually when you have a model that doesn't do this, it tries to overstate transmission capacity. By performing security constrained unit commitment

and security constrained dispatch, what we are trying to capture is the true constraints imposed by the transmission system, and we think that is very helpful for this analysis.

So I think I will skip some of these, a lot of detail. I mean, it just goes on to emphasize the capabilities of this model and the detail with which we modeled various important aspects of the power system.

On the units --

MR. ROSE: Commissioners, trying to be a little bit sympathetic to the Commissioners in terms of the modeling issues, I'd like to try an analogy as to what we're actually trying to do here. Maybe it'll be helpful, maybe it'll be too simplified.

If you could imagine sort of labor costs being higher in a city and cheaper out in a rural area and a situation in which you could actually determine when someone got on the highway that they contributed to congestion on the highway, which is the reason why it's difficult to move low cost labor to a high cost labor, so, again, you're being tagged when you get on the highway as contributing to the congestion as opposed to being just a nameless face in which there's no, no tagging of your contribution to the congestion. All this detail is getting to a very -- an attempt to be very refined in the impact that you as an individual by injecting a megawatt into the grid, which is analogous to getting on the highway, causing

in terms of the congestion costs of not allowing cheap labor to flow to high labor cost areas, taking into account that there are power plants that have lower costs, variable costs at least versus those that have higher variable costs, which is analogous to this low and high labor cost. And when you get to work, you're feeling a little petered out because you're tired, so there's losses that are occurring to your productivity due to long distance transportation, which many of us have taken in the last 24 hours to get down here. So that's an analogy which I hope is helpful to understand why we're going through the description of this complexity. We're doing things that are normally or often in many, many social activities ignored, which is the effect that you have on, on your neighbors in terms of, of congestion.

MR. OFORI-ATTA: Thanks, Judah.

CHAIRMAN BAEZ: Thank you, Mr. Rose. And I warn you, you can never be too simplified, at least, at least as far as I'm concerned.

MR. ROSE: Don't challenge us. We may be able to be overly simplified.

MR. OFORI-ATTA: We're going to look at modeling all the loads of the load-serving entities. We'll look at their peak load shapes, you know, we'll look at their peak and net internal energy. We'll look at maintenance scheduling for each of the units, and we'll look at modeling the incremental heat

rates of each of these units. And I just want to mention here that we've had a chance to walk through some of these with stakeholders at their cost benefit work group meeting, the last of which we held on June 22nd. So we'll be modeling the detailed thermal (phonetic) characteristics of these units.

On the cost side we are looking at the various components of costs for each of these units. We're looking at fuel costs, variable O&M, emissions costs and other pieces of cost. We are looking at fuel switching for various units that have fuel switching capability. We are looking at startup costs for various units, and also what we refer to as operating reserves and the cost there of having operating reserves on the system.

In performing this analysis I have mentioned we are using the GE-MAPS model. And as part of this exercise, ICF is going to use its North American Natural Gas Model to forecast gas prices to support our modeling effort. Preliminarily we have provided a gas price stream which is -- we have duly mentioned that it's being refined right now. Gas prices have recently been very volatile, as you all know, and our gas team is working very hard in providing a new gas price forecast stream for Peninsular Florida. I'll let Judah address that, you know, should there be questions on gas prices later in this presentation. But we are going to be using ICF's NANGAS model to try to forecast gas prices to support the production cost

modeling effort.

MR. ROSE: If I could again, at the risk -- typically the engineers that are responsible for maintaining the grid are doing what's called AC load flow, and it's a very detailed hourly cut on how the power is flowing. We're going to be taking information from that detailed cut and putting it into this GE-MAPS model, which is a more simplified approach to determining the power flows that allow us, as I described, to get the congestion and also to calculate some of the economics and do it in all of the hours. And as Kojo described, many of these characteristics have a multi-hour dimension to it, the startup costs, et cetera.

There are other models which are even more economic and more simplified in the treatment, and so we're trying to capture a right balance to address the issues at the scope here and we think we're doing that. And I'm just saying this to give you some perspective on the complexity of the problem that we're addressing here. I know that the Commission -- and I'm going to assume that the Commission has reviewed many generation-related issues and know how complex that is. The transmission, in my own humble opinion, is significantly more complicated than the generation, having worked in both areas. And so, again, we've picked a tool that we think is appropriate for the problem and also for dealing with, with, excuse me, Florida itself as opposed to sort of an even more aggregated

area.

MR. OFORI-ATTA: Thank you, Judah. Now looking at -- I'll just switch to data inputs and give you a brief about what we've been doing so far in gathering data from stakeholders and applicants.

What you see up here is a chart that is basically a data gathering process flow chart. We provided this chart to facilitate the data gathering effort. All nonconfidential data has been submitted through the applicants to ICF and confidential data has been submitted directly to ICF. And ICF has executed confidentiality agreements with many of the stakeholders to that effect, so it's worked very well. And we will still continue to use it to the extent that we still need additional data.

So far we have received data from the following entities: FPL, Tampa Electric, Progress, JEA, OUC, FMPA, Reedy Creek, Lakeland, Calpine, Tallahassee Electric Department, Seminole, Constellation and also Gainesville Regional Utilities. We've received data from all these entities and that has been very helpful. I want to say here that we have been very pleased with the responsiveness of stakeholders and applicants to our data requests.

The bulk of the data for this whole exercise is being provided by stakeholders and applicants, and this is contrary to other studies that we have performed where we have used --

the bulk of the data has come from us. In this particular case this is one of the ways in which this particular project is unique, that we are making sure that we are actually using real data that is available to -- that is real applicant and stakeholder data. So this is just a snapshot of the major data elements and who is providing this data.

As you can see, there's only three areas that ICF is supporting with data. All other areas has been provided by applicants and stakeholders, and we just provided a brief status on where we are with the data collection effort.

Overall, we believe that we have about 90 percent of the data for the calibration phase, we have about 90 percent for the base case and about 85 percent of the data for the changes cases. A lot of the time -- a lot of time has been spent in validating this, and we are -- I will say that we are getting close to the end of this but we still have a few pieces left to collect in order to complete it.

CHAIRMAN BAEZ: Mr. Ofori-Atta, a quick question. I'm looking at the process flow chart in which you have a footnote here that says as to the stakeholders that confidential data is limited to the following. Now I guess my question would be is this everything that, that you would need for your purposes?

The reason I ask is one of the, one of the things at least in my mind that's a foundation of a real valid study,

which I'm sure you're all wanting to produce, is what the stakeholders, and by that I mean the nonapplicant, quote, unquote, stakeholders are providing to, to the study, what kind of input in a general sense. This, this list of what confidential data is being provided by those stakeholders, is that a, is that a complete list in your, in your estimation?

MR. OFORI-ATTA: For confidential data, we do believe it's reasonably complete, but they are also having the opportunity to provide nonconfidential data.

CHAIRMAN BAEZ: Okay.

MR. OFORI-ATTA: So as you see, there's an arrow that moves from the stakeholders through the applicants. And the reason why we, we designed it this way is that some of the data will have to be aggregated from various entities. And we thought that if we had the applicants aggregate those pieces that are nonconfidential, that will facilitate the process and it will help with the data validation. So all stakeholders are being provided the opportunity to provide a complete set of data, not only confidential but unconfidential as well.

MR. ROSE: Just to emphasize, excuse me, Commissioner, is that -- you know, imagine again the nature of the problem, we need to know the size of the highway, you know, what's the speed limit on the highway, other characteristics of the road condition, if you will. So there's a lot of other data that would, say, not fall in the confidential area that's

involved here in this process.

CHAIRMAN BAEZ: And I understand that. And I guess my, my, my main concern is, and since you all are the ones that are charged with carrying out this very complex study, that you need to feel some comfort that you're getting all the pieces to the puzzle. That at the end of it all, you don't say, well, it is like this possibly because there was something missing or, or that there was some, some of that kind of limitation to the study.

Now I realize in light of Mr. Naeve's comments, which I do agree with, you do have to strike a balance as to how far you drill down, you know, in the interest of time and efficiency, and I accept that. But I guess within that context I want to know that you feel comfortable with the amount and the quality of the data that you're getting, that there aren't any missing pieces, so to speak.

MR. OFORI-ATTA: I'll say yes. We've had a very positive response from all the stakeholders and we do believe that we will be able to perform a good study given the data that we have received so far. And we have the assurance that we're going to receive the remaining pieces that we are, we are missing.

CHAIRMAN BAEZ: Thank you. And I think, Commissioner Jaber, you had a question.

COMMISSIONER JABER: Yeah. Not related to --

MR. ROSE: I would just add that, just as impressionistically I do think there is a lot of interest in sort of the results because of the amount of detail being pulled together for the first time. From our own perspective, we're both excited about the extent to which we have access to the information, but also humbled a little bit by the fact that, you know, there are complexities in Florida and idiosyncrasies that, you know, that we have to get the right balance on being able to handle.

CHAIRMAN BAEZ: Thank you.

Commissioner Jaber.

COMMISSIONER JABER: It's not related to the flow chart, but since we've stopped, Mr. Chairman, the -- conceptually on a cost benefit analysis, I've been thinking through as I listened to your presentation, what impact, if any, might there be on what ends up developing for the rest of the southeast region? You know, obviously we know where SeTrans is or is not. And I don't really know how to ask this question in a more artful fashion, but does this study take into account whatever impact interaction with other RTOs might be? And it's on the cost and on the benefit side. And if the study does, at what point does that take the impact into account?

MR. OFORI-ATTA: Maybe I can start with answering that and I can get support from my colleagues. I think it's a

genuine concern. Certainly Florida is not -- it's a peninsula but not an island and it's connected to other regions.

COMMISSIONER JABER: Unless you're flying into Tallahassee, and that's a different story.

MR. OFORI-ATTA: It's -- what happens in other areas certainly affects your region. In the base case we're assuming SeTrans isn't there.

COMMISSIONER JABER: Is not there?

MR. OFORI-ATTA: Is not there. And one of the ways in which you can address some of these uncertainties going forward is to look at it in the form of sensitivities, you know, so we can say, okay, what if SeTrans comes into operation, what shall we do? So --

COMMISSIONER JABER: So the study does -- let me make sure I understand. The base study, of course, does not include SeTrans. Your first change case does not include SeTrans.

MR. OFORI-ATTA: Let me put it this way. First of all, we are modeling a larger part of the eastern interconnect. Fundamentally that's what we are doing. We are not only modeling Florida, but we are modeling all the other areas. But how those areas are structured or configured in the model also makes a difference. We model a greater portion of the eastern interconnect assuming the SeTrans. And in a case where there's no SeTrans, it makes a difference as to how much power will be available across the boarder from Georgia into Florida.

So the first step, we are modeling all these areas, but we are assuming no SeTrans in the base case and also the change cases that way we have scoped them now. But we're going to have the opportunity to look at sensitivity analysis downstream where we could potentially make the assumption that what if in Change Case 1 or Change Case 2 we have SeTrans as an entity, as an RTO, and what would that have, what impact would that have on the benefits and costs?

COMMISSIONER JABER: So when we get the final report, will we have that information in front of us?

MR. OFORI-ATTA: It's -- if it's considered as one of the sensitivities, which we'll definitely have the chance to discuss amongst ourselves, then it will be part of the report. Whatever we would do as part of the scope, including sensitivities, will be part of the final report.

COMMISSIONER JABER: How do you even know where to start in terms of how much to take into account in a sensitivity analysis? Are you looking at a different model in the northeast or anything to use as a proxy? How do you even know what the impact will be?

MR. OFORI-ATTA: I want to make sure I understand the question. Usually there are several parameters that go into modeling, and some of the parameters we can estimate with a reasonable level of confidence, and there are some that we -- the level of confidence is a little lower and we try to address

that through sensitivity analyses. Obviously, it's usually difficult to -- it's easier to look at one sensitivity at a time.

Okay. We modeled the markets assuming SeTrans hasn't been constituted. How does that change if SeTrans is constituted? So we look at that then -- depending on the change in the results that we get, we say that, for instance, the impact of constituting or not constituting SeTrans will have this effect on benefits and costs. And there are other sensitivities, for instance, another common one is gas prices. We have given a gas price projection into the future. Now we know how volatile gas prices are. What if gas prices change by a certain order of magnitude? What -- I mean, what is the impact of that on benefits and costs? So those are some of the sensitivities that we would look at.

MR. ROSE: You know, it is difficult to, to square the circle, that is, to pick the right level of analysis and sensitivities subject to the time constraints that we all work under and also, I've been so informed, budget constraints. And in terms of where you start, you know, we have a sense on the economic side and the -- of what are some of the key sensitivities. In the area of this -- in the area of the structure of the RTOs, I mean, I think the logical thing is to go contiguous. What's going on contiguously? That is, is what's happening in Minnesota really that important to Florida?

No. Are we going to model it? We might. Are we going to give a lot of detailed attention to it? No. Are we concerned about the status of what's going on in Georgia and Alabama? Yes, it seems like it's a logical concern, particularly on the margin in light of the transfer constraints.

So I think where we would start is if we were going to do something related to the structure outside of Florida, we would look closer rather than further. The attenuation of the effects is, you know, roughly proportional to the distance.

CHAIRMAN BAEZ: Mr. Naeve, you were going to add something?

MR. NAEVE: Well, I guess a couple of things. There are a great many potential changes that could occur in the future that we could model the sensitivity cases. The problem you would run into is that there -- is narrowing down to which ones do you want to look at. And it becomes very difficult making that choice because each sensitivity case that you run adds potentially considerable expense and delay, time delay. Our initial reaction is not to run many, if any, of these sensitivity cases simply because we want to complete the study and get it done. But there is also --

COMMISSIONER JABER: Well, Mr. Naeve, am I correct in, in assuming that because of Florida's geographic location that we would be remiss in not considering the impact, positive and negative, on, on this cost benefit analysis? From a

southeastern perspective it seems to me that that needs to be taken into consideration.

MR. NAEVE: Well, that possibly could be one of the sensitivities we do need to look at. I would just say this: We are probably less affected than most regions because of the limited import capability. That doesn't mean we're not affected, but we're probably less affected. And the other consideration -- two other considerations. One is, and this is just a modeling issue, but I think if you were to look at the sensitivity, in effect what each model looks at, the base case assumes that nothing changes in Florida for the next 13 years. So you would want to rerun your base case also, assuming that nothing changes in Florida but something happens in SeTrans, for example, so that when you run Change Case 1 and you show some additional benefits, those aren't -- we understand that those come from SeTrans and they don't come from Change Case 1, they really are coming from SeTrans, so we can isolate where the benefits are coming from.

The other thing is you might have at this stage some difficulty modeling SeTrans because we don't know what SeTrans is going to look like. So you might have to run more than one sensitivity. If SeTrans looked like this, you might have this benefit. If it looked like this, you might have a different benefit. And that, too, could affect whether you decide to do anything with respect to SeTrans, both the limitations on

import capability as well as you're not quite sure what you do model or what sensitivities you would run.

CHAIRMAN BAEZ: And a quick follow-up is you mentioned import capability. Obviously that's a reality that we deal with. In fact, it's probably one of the driving forces behind whatever efforts we're having here. But is import capability itself a valid sensitivity to -- and I don't know the answer to that. Is it something that could normally be analyzed? Or I guess changes in capability, in import capabilities, is that something that's -- and I realize that you probably -- maybe I should ask, do you already have sensitivities in mind?

MR. NAEVE: I don't think there are presently sensitivities in mind relative to changing the import capability. Certainly, and I'm going to turn this over to ICF because they're the experts, but it strikes me, one can always model changes in import capability. If you can properly model the cost and, on both sides of the border and that sort of stuff, then one might be able to do that analysis.

CHAIRMAN BAEZ: No. And I know that that becomes a very, that becomes a whole other complex issue in and of itself.

MR. NAEVE: But I just don't know if this particular model is well-suited for doing that or if that's another model I don't know. I'd leave that to our experts.

MR. ROSE: I guess what I would say is that it can be done. It's, it's a challenging technical problem, however, because in light of the fact that we're being very specific about what roads you take, we actually have to have an origin and a destination defined to the individual node, for example. We would also need the configuration of that. It's not enough to know how many gigawatts of power could be moved. We have to know what they call impedence and some of the technical characteristics on the flow in order to model it because we've taken it down to this medium level but it's fairly detailed. And the economics of that are -- it's a challenging problem. That's not saying that we can't do it, but we certainly wouldn't want to do it first. We'd like to get everything under control first before we go off on that road.

CHAIRMAN BAEZ: I understand. I really, I really only asked to kind of get a better idea of when you say sensitivities, what, what use you put them to and how you say -- well, I know that you spoke of what are the realities and whether a sensitivity is attenuated or not. I mean, is it worth, is it worth modeling? Chances are most of them probably are not, given, given today. So I understand that.

I guess I'm trying to get my hands around when you do delve into sensitivities, I mean, are they -- two of them, for example, the existence or nonexistence of SeTrans, we discussed that as an example, and the volatility of gas prices. Does

your, does your -- do your capabilities include taking them both together and those kinds of combinations as well?

MR. OFORI-ATTA: Yes, we can.

CHAIRMAN BAEZ: Okay.

MR. ROSE: First of all, we appreciate the questions We know this is a very technically challenging area in some respects. We do appreciate the questions. And, again, and I think to echo what Mike is saying is, is that we also need to focus in on what's really driving the change. And some of the issues there get to issues about changes in either tariffs or something else that we can tie down at least to some degree vis-a-vis the configuration of the RTO. That is, it may make a huge difference to Florida what happens to oil and gas prices. It may make a huge difference to Florida whether you're connected or not. But the question is, is will it make a difference also now that you have an RTO given that change? And, again, I don't want to minimize those issues. So it's just, it's sort of a little bit different slant than you might normally take to viewing the problems that Florida faces.

CHAIRMAN BAEZ: Thank you.

MR. OFORI-ATTA: Thanks. I'd like to mention here, this slide unfortunately you don't have in your package. It made it just this morning. So I apologize for that.

But I wanted to let everybody present know that this is basically the outline that we used for our Cost Benefit Work

Group meeting on June 22nd. So we had a chance to give, provide a model overview to look at the scope of work and the modeling approach, provided some illustrative examples of some of the complex issues, looked at the various categories of benefits, the RTO functional structure, who does what, and the data collection progress report.

I must say that there are a number of follow-up items. It was a good meeting. We at ICF learned a lot about the operation of some of the entities. We noticed that different entities here operate a little differently, and we have a number of follow-up items to work on with some of the entities. So we got some feedback and we'll continue to work with the Cost Benefit Working Group to make sure, first of all, particularly for the base case, that we understand exactly how they operate and make sure we try to capture or reflect the operation of each of the entities in the model.

I think the next section I'll be talking about the benefits and costs. And for the tangible benefits what we originally planned to do was to look at benefits to all Peninsular Florida consumers, then divide that into jurisdictional consumers and nonjurisdictional consumers. After the -- sometime during the project there was an interest expressed in desegregating these benefits. So I put together a proposal that reflects the level of effort that will go into desegregating these benefits. And below that you'll see that

we've broken that down into consumer benefits, generation owner benefits and transmission owner revenue shifts.

This proposal was e-mailed out to all stakeholders. My understanding was that I thought we had e-mailed it out sometime last week. So I was having doubts last night, so around 11:30 p.m. I e-mailed it out to all stakeholders just to make sure that everybody had a copy of the proposal. But we discussed this anyway --

COMMISSIONER JABER: Who opened it right away? That's what I want to know.

MR. OFORI-ATTA: But we, we, we discussed this anyway at the Cost Benefit -- at our work group meeting June 22nd. So, so these are the issues. And, again, we will be -- I guess we'll be talking more about desegregating these benefits.

MS. BASS: If I could interrupt for just a minute. Commissioners, I provided each of you this morning with a copy of the two-page proposal, so you do have that in front of you.

MR. OFORI-ATTA: So what are the anticipated sources of tangible benefits? I don't want to minimize the importance of these tangible benefits; it's significant. And there are many areas where we're going to realize tangible benefits. It usually comes from efficiency gains from changes in the market structure. The obvious ones are definitely elimination of pancaked transmission charges that provides a quantifiable benefit and that will be quantified. Another area is

production cost savings from centrally coordinated and dispatched markets. That is a quantifiable benefit and it will be quantified. Then scheduling and dispatch efficiency as a result of direct allocation of congestion charges. That is a quantifiable benefit and it will be captured in efficiency gains.

What I mean by that is when the Metro system in Washington, D.C., the fare changes by time and usually during the rush hour it's a little more expensive. So when I don't have to be downtown, I want to wait and go during the off-peak periods. So in the same way, the way we're modeling the system, the transmission system, the transmission price will incorporate congestion, in which case during the peak hours when there's a lot of congestion we will see units making good economic decisions as to whether to dispatch during that period or not. Ultimately we believe by doing this that we are efficiently allocating scarce transmission capacity to those who value it the most. So these are all tangible benefits that will be captured in the form of efficiency gains from the changes in market structure.

MR. ROSE: Just to add again because the question is it's not that some of these things aren't already being handled. It's just as an example of a change just to drive home this point is, is that the transmission charges today, while having good reasons for where they're coming from from an

economist's perspective, they can be different than the variable costs of operating the transmission system. So it might be -- the variable costs might be low and the tariff charge is high associated with the pancake rates. So the depancaking, which is an element of what we're looking at here, is an attempt to align the charges for using the transmission system to its actual variable costs as opposed to the obviously important imperatives of recovering the investment costs. And so that's an example from an economist's perspective of aligning the variable costs and the charges and, therefore, we'll try to track in some detail with all these transmission lines this tangible, potentially tangible benefit.

MR. OFORI-ATTA: Then there are various categories of intangible factors which we have proposed to treat qualitatively. And we've tried to capture some of these from improved competition, direct assignment of congestion costs, central coordination and planning of new transmission facilities, improved resource siting due to detailed price signals, administrative burden, transmission owner liability, elimination of contract path scheduling and consistency and independent determination of available transmission capacity. We believe that these factors provide real benefits and costs. But like I mentioned earlier, the challenge to assigning a number to this is subject to an acceptable approach and also reasonable assumptions. And we think to date the industry as a

whole hasn't reached agreement/consensus on any one particular way to do this. That is why we are proposing to treat them qualitatively right now.

Talking about the cost side, the proposed GridFlorida RTO operational structure that we presented to -- at the stakeholder work group meetings, what I have up here on the charts, we're going to have a main control area and subcontrol area. And this in many ways is similar to what I believe the Midwest Independent ISO is also planning to do. So this is the structure that we are going to use as the basis for quantifying RTO costs. But I guess the most important question right now is who does what given this particular structure.

So we will be discussing again at the Cost Benefit Work Group meeting these functions and who does what in Day 1 and Day 2. So you see in this table, for instance, what we have tried to capture as various activities, we've tried to segment them. First of all, we segmented activities as controlled into two groups, market services and control area services. So under market services we've broken them down by time, long-term activities, seasonal activities, weekly activities, in that order, and we'll get a chance again to discuss this. So we'll get input from stakeholders as well as to what we believe should be done by each of these entities under a Day 1 scenario and a Day 2 scenario. So we'll look at day ahead activities as well as real-time activities, billing

and settlement and data archiving. I'll say that this list is by no means exhaustive, so should there be other functions that we are missing here, when we meet we will have a chance to add or take out as necessary. But we want to make sure that we are involving everybody in this decision.

Then these are the control area services. We're looking at grid operations, planning, engineering and maintenance projects and information systems. So some work is going on in this area, and we will definitely need inputs in finalizing that. And that will form the basis for quantifying -- for building up the RTO costs.

These are some of the back office systems that go into RTOs, and we've broken this into eight groups. And, again, we are making this available for all to take a look at. If we are missing something or if there are various issues, this is one -- when we meet at our group meetings, you can bring this to our attention. But the eight areas are systems operations, transmission access operations, commercial operations, customer interface, planning management, market oversight, corporate services and IT administration.

So I think one big important area that we need to discuss this morning is the difference. What do we think generally -- even before we begin the modeling what are some of the basic differences in these, in the base and the change cases? To try to discuss that, we put this table together that

looks at the base case in a Day 1 operation and a Day 2 operation. What basically changes when we talk about these things? And we have various categories that we looked at. And, again, this is also not exhaustive, but we think these are the major things that should drive the benefits that will be realized under each of the cases.

So unit commitment is the very first one, and we believe that in the base case in the Day 1 operation, because we don't have centralized markets, we believe it will reflect what we are doing today, basically committing units to meet control area load plus reserve requirements. Under Day 2 operation this will change obviously, and we will be looking at GridFlorida-wide centralized commitment.

When it comes to dispatch, it would be to meet control area load plus economy interchange again in the base case in the Day 1 operation mainly because we don't have centralized markets. And when we have centralized markets, we'll be looking at dispatch over the entire footprint in Peninsular Florida.

I'll skip some of them. Transmission tariffs I think is very important. We believe that the transmission tariffs today will be different from the transmission tariffs when we have a Day 1 operation with just one independent transmission owner, and it will be different when we have a Day 2 operation where we have markets. So we are working with the pricing team

to develop assumptions on what transmission tariffs will be for each of the years in the base case in the Day 1 only scenario and also in the Day 2 only scenario. When this has been developed to a sufficiently complete level we will make this available to all stakeholders for their input before it goes into the model.

Hurdle rates. It's sometimes a little complex but I'll try to simplify it here. I did mention that in the calibration phase we, because models have a perfect view of the future and because markets are good but not perfect, we try to equilibrate model outcome with -- market outcome with the model. So sometimes we introduce what we call hurdle rates into the model to try to accurately or sufficiently accurately represent what the market is like. We will be using hurdle rates in the model to reflect the so-called inefficiencies of today's market, if you'll allow me to use that word.

If we assume that today's market is inefficient and we want the model to reflect some of these inefficiencies, then we -- because the model naturally is efficient, we have to introduce these hurdle rates. So in equilibrating the model outcome with historical market outcomes, we introduce these hurdle rates to try to capture some of these inefficiencies. That way when we have these inefficiencies introduced, if we model into the future, then we want to have confidence that these inefficiencies that exist today will exist in the future

from 2004 through 2016 and will accurately reflect the market should this structure remain throughout the period. So that's what I call H1, hurdle rate H1. **And it's only applicable in** the unit comment -- let me see. No. That's what I call, that's what I call H2. Hurdle rates realized from model calibration exercise. I'm sorry. That's H2, that's not H1. So, again, H2 is just to reflect the market inefficiencies today. And we believe that these inefficiencies exist under the base case, today's market.

One can argue whether there will be inefficiencies or there would be inefficiencies when we go to a Day 1 only operation. We do not know but we want to believe that the majority of these inefficiencies will go away when we have a single independent transmission operator.

Why -- let me give an example, for instance. What do we mean by some of these inefficiencies? Let's say there's -- let's assume that there's discriminatory transmission access in today's market. We believe that that is in some form a market inefficiency that may otherwise prevent economic dispatch. So when we have a single transmission operator, we believe that any issues related to discriminatory access to transmission will go away. That's our assumption, that if we have a Day 1 scenario with an independent transmission operator handling the transmission system, then all market participants will have equal access to the transmission grid. So we believe that if

we capture this inefficiency in today's market, which is a base case, then in a Day 1 only scenario we do not think that we should inject this inefficiency in the model. We're assuming that it will go away. And certainly in a Day 2 scenario we still have an independent transmission operator, and we believe that again this hurdle rate is not applicable over there.

Then there is another hurdle rate that we use, and that is what I refer to as H1. And I want to explain that. When you ask a model to commit units, it sees the whole area they are modeling as one big market. So to commit units to meet load in that marketplace. But we know that what we have today in some sense to use the word is a balkanized market. So we have to give the model sufficient intelligence to recognize that you cannot commit load generation to meet load assuming that is one whole big market. So we inject what we call hurdle rates so that the model recognizes that in the Tampa area I can only commit units within this location and in the Florida Power & Light area I can commit units within this location. This is a simplified explanation of it. So we are just giving the model some intelligence for it to recognize that. I cannot commit a unit in, say, Georgia to meet load in the Tampa control area or I cannot commit a unit in Jacksonville to meet. There are some instances where a unit may be committed that way; if that unit is incredibly cheap, I mean, it's very -- it's less expensive. But we also believe that it's more likely

o be committed -- a unit in the Jacksonville area is more likely to be committed to meet Jacksonville area's load rather than be committed to meet Tampa area load. So that is what I refer to as the hurdle rate H1, and that would apply in the base case and at the same time apply in the Day 1 only operation because they will all reflect a market where we are trying to commit load to meet -- we are trying to commit units to meet control area load. When we get to a Day 2 operation when it's one big market, these hurdle rates will be eliminated within Peninsular Florida but they will exist at the borders of GridFlorida so that we make sure that the SeTrans area is taken care of separately from the GridFlorida area.

Okay. So transmission losses, we're going to model average losses for the base case in a Day 1 operation and we'll model marginal losses on a Day 2 operation. And we can go into detail about this, but there's been issues about marginal losses over collecting. Yes, we agree there are issues about truing it up to make sure that we take care of the true losses, we agree, and that will be taken care of in each of these cases.

RMR units, reliability must-run units, it's something that is of concern to many people, and we had a lengthy discussion on this at the Cost Benefit Work Group meeting. So we, as I see it, will try to provide information, because this is somewhat confidential information in some sense, we will try

to provide feedback to all stakeholders as to the number of megawatts of RMR, of reliability related megawatts that we are modeling so at least everybody will have an idea that, okay, in this analysis we are modeling about 200, let's say 200 megawatts of reliability related megawatts, and we will try to provide that information to applicants. Wouldn't be able to provide specifics because of our confidentiality agreements, but --

COMMISSIONER JABER: May I interrupt you there with a question?

CHAIRMAN BAEZ: Question, Commissioner.

COMMISSIONER JABER: Is it industry accepted what constitutes a reliability must-run amount?

MR. OFORI-ATTA: Not the amount. But, yes, it's accepted that some areas in the grid need support from generation in order for the transmission system to perform. Some areas are inherently weak, some areas in the transmission grid are inherently weak, so we need some generation to be always on to support a transmission system. So that's industry -- that's accepted and it's something that is done in most of the ISOs. The megawatts --

COMMISSIONER JABER: Okay. And specifically to this group have you all agreed on what that amount is?

MR. OFORI-ATTA: The amount we haven't agreed, so we will be providing -- because the information has come directly

from stakeholders and applicants directly to us, we are reviewing that information, and we'll try to feed back aggregate megawatts that has been provided to us as RMR units. And I believe there will be discussion around that and we will reach some consensus on that.

What has been suggested is that all those RMR units must be designated by category. We have various categories of them, and I believe there will be some discussion as to whether certain categories should be eliminated or should stay. So we will treat that.

MR. ROSE: I think also that in terms of the expectations of the study, it shouldn't be expected that we're going to be conducting a fit for legal determination as to whether or not a unit should be RMR. And we are accepting, we, and trying to understand what we're getting, but I don't think that it should be constituted as a legal finding or, you know, evidence that would be used in a court to saying, yes, it should be RMR.

COMMISSIONER JABER: No. And just so I clarify my question for your benefit, not even there, it's not a legal determination or anything. It's in understanding how efficient this study would be and how informative it might be, I just pose the question, do you have agreement with regard to what that RMR amount should be?

MR. ROSE: Yeah. We've asked people to identify the

extent to which they related to transmission or voltage support problems, which is a category. And just to amplify a little bit, if it wasn't complicated enough that I alluded to three models, there are other models that would be required to address some of these issues with respect to transient stability in the system and the, to really focus in on what are the conditions under which you'd be concerned about voltage support. So with just those caveats and that sort of fencing of the nature of the problem.

MR. OFORI-ATTA: So what we would try to do is make sure that we reach some agreement on the, the Cost Benefit Work Group meeting.

Then the last thing I want to talk about, one of the basic differences again is contracts. We know there's a lot of bilateral contracts that go on in today's market; some of it is economic and some of it, you know, based on price information you can, you know, schedule certain units or you may opt not to schedule those units. Those kinds of contracts the model can handle. The model is performing an efficient and economic dispatch, so it will handle.

However, there are some contracts that have must take characteristics; irregardless of price this unit must dispatch. Those kinds of contracts the model cannot handle unless you specifically tell the model that this unit must dispatch regardless of price. So that information is something that we

have asked for and we've received. I don't know whether we've received everything, but we've received some. However, I want to mention that specifically for the transmission dependent utilities and, furthermore, I think it's Seminole and FMPA, there are some issues that we, as I see it, need to understand about the operation, and we are trying to schedule a meeting with them to make sure that we have a full understanding of how they operate and see how we can accommodate the operation and accurately reflect that in our modeling, especially for the base case.

CHAIRMAN BAEZ: Commissioner Deason, you had a question.

COMMISSIONER DEASON: I had a couple of questions before we leave this slide. The last item you just mentioned, contracts, does the model take into account the anticipated date at which these contracts would expire?

MR. OFORI-ATTA: Yes.

COMMISSIONER DEASON: Okay. And then on the operating reserves parameter, the third item, why is there no change between the base case and Day 1 and Day 2 operation?

MR. OFORI-ATTA: There will be changes. We haven't been able to finalize the criteria, the differences, so this is information that is being provided to us at ICF, so I believe that there will be changes.

COMMISSIONER DEASON: The reason I asked the

question, it seems to me that, and correct me if I'm wrong, it seems to me there may be efficiencies that could be obtained by looking at operating reserves as a Peninsular Florida entity as a whole as opposed to looking to each individual company's operating reserves. Do you agree with that or --

MR. OFORI-ATTA: I do agree. Mathematically it's true, it's right. If you optimize across a broader area, certainly there are more efficiencies than if you optimize on a piecemeal basis.

What will change this is if we go through that exercise of who does what, that exercise that I referred to earlier that we will go through and try to identify who does what, if the control areas are responsible for operating reserves in a Day 2 scenario, if that is the agreement, that is what we will model, and in that case it might probably not change. But if it's a main control area that's going to be responsible for operating reserves for that matter for the whole of Peninsular Florida, then it probably will change. So I'll say at this point that we do not know yet. It's something that we are going to discuss with the general group and reach agreement on that.

COMMISSIONER DEASON: Thank you.

CHAIRMAN BAEZ: Mr. Ofori-Atta, how much time do you think you have left on your part of the presentation?

MR. OFORI-ATTA: I think, I think in the next five

minutes. This is the very last section.

CHAIRMAN BAEZ: Okay. That's fine. We need to give the court reporter a break, as well as the Commissioners. Thank you.

MR. OFORI-ATTA: Thank you. So we wanted to give you a little update on where we are and the schedule going forward, so this is just a brief run-through of what we've done to date. The contract was executed between GridFlorida and us on April 16th. We had a kickoff meeting with the applicants on April 21st. We sent out our initial draft of the confidentiality agreement on April 28th. That should -- basically that's what we were going to use for our data collection. And we went through a few iterations on that to make sure that it's satisfied all the in-house counsels of the applicants and stakeholders. So, luckily, we've been able to reach consensus and we've executed many of these confidentiality agreements.

The data gathering is ongoing. And the validation is what is taking a lot of our time. And up 'til now we haven't been able to reconcile the peak load, for instance. So it's something that we are working through, but we are making a lot of progress on that.

We've had Cost Benefit Work Group meetings. The first was a conference call, and we followed up with a face-to-face meeting at the FRCC offices. We've issued other

proposal to disaggregate the benefits by entity. It was discussed at the Cost Benefit Work Group meeting. And we -- we've issued a draft assumptions document and we have some feedback and we're going to issue the final assumptions document shortly.

While doing this, we've been working on the RTO costing side because that one is not -- is a parallel effort that we are performing. ICF team members have visited two control rooms. We've looked at two of the in-state control centers to ascertain the structure of their current operations and the potential to carry over their functions into the RTO operations. We will be interviewing various vendors. We'll be talking to entities like Areva, ABB and Siemens to try to get cost information for some of the systems that will be needed. And ICF is also planning visits to some of the currently operational RTOs like PGM, New England (phonetic), and also those that are under development like MISO to also try to get some data points for the cost modeling.

In terms of schedule, we still will stand by our original estimate of three months, but after all data has been collected. Thank you very much.

CHAIRMAN BAEZ: Thank you, Mr. Ofori-Atta.

Commissioners, any last questions before we take a break?

MS. BASS: If I, if I can make one comment.

CHAIRMAN BAEZ: Ms. Bass, go ahead.

MS. BASS: I think there needs to be some clarification. When we were discussing the various change cases and talked about the GridFlorida market design proposal, the applicants indicated that the one that would be modeled is the one that was proposed to this Commission but was not reviewed by the Commission, it was still out on the table. It's my understanding though that that proposal is not necessarily the one that will be actually used as a GridFlorida market design. So it is just a proposal and it's not the actual market design that this Commission may ultimately see as part of a GridFlorida package.

As a matter of fact, at the last workshop we had it was -- we were all informed that the applicants do not currently agree on a unified market design proposal. So that is somewhat in flux now. And it's my understanding that as of now they still do not agree on a unified market design. I just wanted you to be aware that what may be included as a change case in this particular cost benefit study may not be the one that you ultimately see as part of a GridFlorida proposal.

CHAIRMAN BAEZ: Well, and I guess that begs a question, whatever is going to be used has to be some, some level of unification, I would expect, if only just for the use of the model. Now I understand, and I think we clarified, that it wasn't something that was up for review. It might not be

something that was up for review at the time, but it -- I mean, just for practicality's sake, y'all have got to come to an agreement on something; right?

MR. NAEVE: Right. For, for timing reasons we were confronted with the express desire to study the costs and benefits of a GridFlorida RTO, but not knowing exactly what the applicants were going to agree on with respect to rate design. I know FP&L in particular had concerns about the latest market design which had been proposed by the GridFlorida applicants. A number of things had happened since that, since the applicants proposed that particular rate design, and FPL began to have concerns that the rate design that was proposed by the applicants and indeed the SMD rate design may not be functionally workable in Florida given the market structure in Florida. So we informed the other applicants that we thought we should reconsider the rate design that we had put forward and indicated that we would start working on a proposal that we would submit to the other applicants for their consideration to be hopefully discussed with them and potentially adopted by the applicants as a revised rate design.

Now that process is still underway. FPL has devoted considerable resources to focusing on the rate design question and developing an alternative proposal which we hope to put forward to the other applicants in the very near future. But at the time we commenced the market design, I mean, I'm sorry,

the cost benefit analysis, we didn't know what that proposal might be, and indeed today we're still working on it. So we are studying at one bookend today's situation. What would be the cost going forward if we do nothing? We're also studying what would be the cost going forward if we made no changes in market design but merely changed control of transmission and transmission rates and so forth? So that's another bookend. And in the extreme bookend we have what would the market look like if we did SMD or if we did the current proposal, which looks an awful lot like SMD? So this study will at least have three stakes in the ground and tell us what the costs and benefits would be of each of those, those base cases.

At the time we come forward with a specific market design proposal, it may be close enough to one of those stakes that we don't need to do much in the way of modification to the study to give you a fairly good understanding of what the costs and benefits of that rate design would be. If it's significantly different, we may then have to use this as a -- the basis of the study that we've done here as a way of going forward to look at the new design. Certainly having done the study is going to tell us a lot though. It's going to tell us about what drives costs, what drives benefits. We will have collected all the data we need to do studies and we will have built the models. So when we do have a more specific rate design, it may or may not be necessary to refine the study to

look at that particular rate design just depending on where, where it comes out.

CHAIRMAN BAEZ: Thank you, Mr. Naeve. Commissioners, a 10-minute break okay? We'll break for 10 minutes. Thank you.

(Recess taken.)

CHAIRMAN BAEZ: Ladies and gentlemen -- I guess, Mr. Rose, we're getting ready to move on to the next part. I think there's a discussion on assumptions; am I right? Are we there or --

MS. BASS: No. I think we've already been through that.

CHAIRMAN BAEZ: Oh, did we go through the assumptions already?

MS. BASS: Yes.

CHAIRMAN BAEZ: I'm getting slow in my old age. Now we're on the comments part, aren't we?

MS. BASS: I think, yeah, I think we're ready to move on, unless ICF has some final comments they want to make.

CHAIRMAN BAEZ: Unless the consultants have any other comments that they might -- any closing comments.

MR. CROES: Mr. Chairman.

CHAIRMAN BAEZ: Yes.

MR. CROES: Yes. I have two comments. My name is Bob Croes. I'm with Florida Power & Light, and I'm

coordinating the Cost Benefit Work Group for the applicants and stakeholders, and I'd like to try to clarify two issues.

First was a question that Commissioner Deason asked regarding the operating reserves. I just wanted to clarify that today under the FRCC we do have a reserve sharing agreement. It's not like every control area has to carry enough reserves for loss of its largest unit. We aggregate that responsibility and we share the reserves throughout the FRCC region. I just wanted to clarify that.

And the second issue I believe Chairman (sic.) Jaber brought up was on the SeTrans issue. And the ICF model will model the generator units in SeTrans and beyond. And to the extent there's a marginal unit in SeTrans that can deliver power to Florida cheaper than a Florida unit, it will displace that.

Now the disadvantage to that is they have to pay pancake transmission charges, the losses will be greater. But after all that is said and done, if that unit can deliver to Florida cheaper, it will be dispatched in the model whether or not there's a SeTrans or there isn't a SeTrans. The only savings that SeTrans will bring is it may reduce the number of pancake, pancake rates. So ICF can probably model that with one of their hurdle rates.

CHAIRMAN BAEZ: Thank you, Mr. Croes. Question, Commissioner Deason.

COMMISSIONER DEASON: Let me add one thing. I'm aware of the existing situation. I guess my question goes to whether there is any possibility of enhanced efficiencies that may be obtained through some type of RTO approach, and that was the basis for the question.

MR. CROES: Yes. And I believe Kojo addressed that adequately. In Day 2 we're not sure. Today's operation may not be the most efficient. There may be a cheaper scenario, entities can purchase operating reserves at a lower price perhaps, and that's why that's still to be determined.

CHAIRMAN BAEZ: Commissioners, any other questions before we move on? Great.

Ms. Bass.

MS. BASS: Chairman Baez, I believe we're ready to move on with the comments from the stakeholders. And the first one we'll hear from is Bob Williams with Florida Municipal Power Agency.

MR. WILLIAMS: Good afternoon, Commissioners.

CHAIRMAN BAEZ: Good afternoon.

MR. WILLIAMS: I'm glad to be here with you again today in Tallahassee. I think we've been coming here for -- I asked Roberta. I think we figured out seven years we've been talking about this subject now. It's been a long time.

Real briefly. I'll let Trudy and Bob Davis talk for us here in a minute. We've got joint comments with Seminole.

And we're very interested in participating in this study and have been, and we want an accurate study, I think as the Commission does. And with that, I'll just turn it over to Trudy to give our joint comments, and Bob Davis from Beck has some technical comments to add on to that. Thank you very much.

MS. NOVAK: I was going to say good morning, but I guess it's good afternoon. Good afternoon. I am Trudy Novak, and I am the director of pricing and bulk power contracts at Seminole Electric Cooperative. Today I'm speaking on behalf of Seminole as well as FMPA. Must of you know, if not all of you know, that Seminole and FMPA have been very much involved in this RTO process from the very beginning, and we are very interested in this ICF study and, which is the subject of this workshop.

I will present an overview of how Seminole and FMPA perceive the study, and then Bob Davis of R.W. Beck, which Seminole and FMPA have jointly retained, will present a more detailed analysis.

Before I discuss the specific issues related to the study, I would like to first reiterate Seminole and FMPA's positions that were provided in our written comments in this proceeding on May 13th. These were the comments that were filed before the May 19th market, May 19th market design workshop.

Seminole and FMPA do not believe that Florida is ready for an RTO with a centralized market, and that is due to the extremely serious market power and market entry problems that exist in this state today. This has been abundantly clear in many of our submissions here in this proceeding at the Florida Public Service Commission as well as several filings that we've made at the Federal Energy Regulatory Commission.

Florida is ready, more than ready for the implementation of a Day 1 RTO, a basic RTO that would manage congestion on the traditional cost-based methods that are in place today. A basic RTO would provide Florida with efficiency benefits that arise -- arising from nondiscriminatory transmission access, elimination of pancaked rates and independent centralized planning. Florida is not ready for implementation of a full RTO that would manage congestion through a bid-based LMP methodology. Before a full RTO with this LMP approach can provide net benefits to Florida's consumers, the state's significant market power and the market entry problems must first be adequately addressed.

This shared vision that FMPA and Seminole have demands consideration of a very serious threshold problem with the ICF study. The ICF study does not adequately quantify the significant benefits of a Day 1 RTO, the benefits that this Commission has already found to exist in your previous orders. For example, the elimination of pancaking will mean that

entities like Seminole and FMPA do not have to build redundant transmission facilities to access the Florida Power & Light and Progress Energy control areas. This substantial benefit will not be reflected in the ICF model. The ICF study will also not reflect the substantial benefits that will arise from centralized planning.

Seminole and FMPA acknowledge that these benefits are very difficult, maybe impossible to quantify. But at a minimum, we believe that the parties should all acknowledge that the benefits exist and, therefore, a Day 1 basic RTO is deemed prudent and should be implemented with all due speed. And with a Day 1 RTO, we will eliminate pancaked transmission and we will eliminate the decentralized planning that we currently have in the state. And at the same time we should spend our efforts trying to address the structural market power issues and the market entry problems that make markets in this state unworkable.

Having said that, I want to emphasize that Seminole and FMPA do not want to undermine the ICF study, and, to the contrary, we have dedicated substantial resources to making sure that ICF gets all of the data that it requires to conduct the study. And Seminole itself has spent considerable time and will continue to spend one-on-one time with the ICF Consulting Group in an effort to get them to better understand the specifics of our system purchased power resources and how

Seminole's resources are dispatched to serve our member load requirements in the three control areas: Progress Energy, Florida Power & Light and Seminole's own control area.

Seminole and FMPA's goal from the very beginning has been to do what it can to assist ICF in presenting an accurate analysis that would benefit this process. I must caution, however, that based on our review of the ICF assumptions, including our discussions with them at the working group meeting, that we have real concerns about the outcome of the study. I will discuss some of these concerns in a very general fashion, and then Bob Davis from R.W. Beck will provide a more technical report.

In addition, given the highly technical nature of this study and our specific issues, Seminole and FMPA seek your permission to submit detailed post workshop comments to further explain our concerns, and but we will, of course, continue to work with ICF and the applicants in an effort to make the ICF study a useful exercise.

The key to a cost benefit study being of any value is the base case. And if the base case does not accurately portray the way we do business in Florida today, then the change cases are meaningless. The base case which is being developed currently under the model assumes that generation is scheduled on a decentralized control area basis, and that is the way we do business today. But in the model it assumes that

market participants have perfect knowledge and that there is perfect competition. It is my understanding that the, the net assumptions, the net effect of these assumptions in the base case produces the same answer as if you had a centralized dispatch, which is clearly not the situation in Florida today.

Now the market today is clearly the market participants don't have perfect knowledge and we clearly do not have perfect competition, which results in the inefficiencies that the ICF Group has discussed earlier.

The way they get around this in the model is that ICF intends to use the hurdle, these hurdle rates, which was discussed earlier. It is unclear how these hurdle rates are being developed and whether they can truly reflect the actual marketplace, which is where we have spot purchases based on bilateral transactions where the information is not transparent in terms of pricing.

Thus, the threshold question that has to be answered is whether the ICF, ICF can accurately model its base case through 2016. And if it cannot model the way we do business in Florida today, then we question whether there is a basis for going forward on a model based on a long-term forecast.

Seminole and FMPA have instead suggested that ICF consider a backcasting approach where they would take actual historical data and then apply and use that as the base case and then apply the LMP Day 2 market using the historical data.

We think that this would provide more of a reality to the study.

The impact of the GridFlorida transmission pricing structure, that is, the phasing in of TDU credits and the elimination of pancake transmission charges through time, all of that part of the study can be done outside of the energy model and can be quantified separately. The applicants thus far have not responded positively to this suggestion, and Bob Davis from R.W. Beck will get into a little bit more detail about that proposal.

Another serious problem with the ICF study is that the -- ICF assuming that the GridFlorida market is, is a perfectly functioning competitive market. And we all know that Florida probably has the most severe market power problems in the country. This study does not model market power or market power mitigation cost, which is a real serious shortcoming.

In short, Seminole and FMPA are concerned that not only will the ICF study not be an accurate portrayal of the current Florida market, but it would also camouflage the benefits of a Day 1 basic RTO. And that would be a market that has pancaked transmission eliminated and regional planning implemented.

We are going to be continuing working with ICF and the applicants to produce a study that has some value to the Commission, but as of now we are waiving that caution flag that

there are significant problems with the study that need to be resolved.

Finally, I would like to take strong exception to the applicants' suggestion that each load-serving entity that wants to get its individual impact quantified must enter into a separate agreement with ICF for $14,000. This would mean that the study results for each of the individual load-serving entities would not be a part of the public record and they would not be available to the Commission and staff. And it's really an option that the individual load-serving entities have to enter into these contracts or not. So you --

COMMISSIONER JABER: Ms. Novak, let me -- you got away from me here.

MS. NOVAK: I'm sorry.

COMMISSIONER JABER: Can you back up and tell me what you would enter into for $14,000? What is that?

MS. NOVAK: Okay. This was in the presentation earlier that showed the original -- the applicant -- excuse me. The ICF Consulting Group's contract with the applicants have an aggregated approach to determining the cost and benefits. They were initially going to just calculate the cost and benefits of the IOUs, the jurisdictional utilities and then the nonjurisdictional as one group.

We asked and thought that it was important to see the individual cost and benefits of every company. And the --

actually it's up here on the overhead here. They just flashed it up. They've offered this optional disaggregated approach and it's being offered to each individual load-serving entity for a payment of $14,000, but you have an option to do it or not. And we believe that the Commission would want to see the individual impacts of every load-serving entity. This was something the Commission saw as it related to the elimination or, excuse me, the phase-in of TDU credits. It was very important to see what the cost shifts associated with facilities that are owned by transmission facilities -- by transmission dependent utilities now being, you know, paid by the system and not -- there is cost shifts associated with that. We think it's important, that you need to look at the full picture, and the costs just associated with LMP pricing may be very -- well, we believe will be very significant. So we are recommending that the study be done on a disaggregated basis and that all parties have the ability, the Commission staff and all parties have the ability to see the results by individual company.

COMMISSIONER JABER: Mr. Chairman, I do have other questions, but I think I'm going to wait until Ms. Novak is done with her presentation.

MS. NOVAK: Actually that concludes my specific remarks.

COMMISSIONER JABER: Not that I was trying to rush

you or anything.

CHAIRMAN BAEZ: Commissioner Jaber, you're up.

MS. NOVAK: I was going to now turn it over to Bob Davis, but I'm open for any questions.

COMMISSIONER JABER: Okay. And I really wasn't trying to rush you. I apologize.

MS. NOVAK: No, I was really done.

CHAIRMAN JABER: The concerns you have over the quality of the study, there must be several ways to address that. Are you amenable to some sort of comment period in which you and others can address whatever the concerns you might have with the results of the study is the first question? And the second question, I haven't thought through it myself, but for whatever it's worth the second question is can you have a competing study? I mean, what prevents you and others from doing your own study?

MS. NOVAK: The first thing with regard to the comment period, you know, we, we do have this working group. And I believe, you know, we just had one meeting, but it's the intent, as I understand it, is continue to meet with this working group to provide input on the way the studies are being done and to make sure that all the information is as accurate as it can be. But we, we personally believe this attempt to model the future in this particular model is really not a good idea and that you're not going to be able to model the base

case the way we actually operate in Florida without putting these hurdle rates in, which we clearly don't understand how they're going to be developed, whether they make any sense. So that's -- so we think instead that we should use this backcasting approach. So, you know, this comment period, we think we're commenting all along, and we're hoping that the applicants and the ICF Consulting Group will take as many suggestions and we're hoping it's kind of a group project to try to make this the best study we can.

With regard to doing our own individual study, the big benefit of this group project is that all the entities, the stakeholders are submitting data to this one model. We're not going to have access to confidential data, pricing information on individual companies. So we think it's a wonderful idea to have this one model, and we -- because to go off and everybody do their own, they're going to have all different kinds of assumptions, pricing assumptions on dispatch, and we think it will be better to use one system, one, the one database of information and just try to make it as best as we can. And, you know, we'd have to make up information that we didn't have. Is there anything else, Bob, that you would want to follow up with that? Did that help?

COMMISSIONER JABER: Yeah, absolutely.

CHAIRMAN BAEZ: Commissioners, any other questions?

COMMISSIONER BRADLEY: Yes. Maybe I missed it, but I

think one of your questions was why not have competing studies or -- did you answer that question?

MS. NOVAK: I think that that was that second -- not having competing studies was a problem in getting data, having data that's not publicly available. We would have to develop our own input assumptions, and we just don't -- we think that this having a one study without having to develop our own database of information, you would have to basically make up data for that, for the confidential data. So we think it's a great idea to have one centralized set of data assumptions, and, but we want to make it as good a study as we can. I mean, if we go off and do our own study, you might get totally different results just because we have different assumptions starting with.

COMMISSIONER BRADLEY: But doesn't that problem also arise if you're trying to objectively critique the existing study?

MS. NOVAK: I'm sorry. I don't think I understand your question.

COMMISSIONER BRADLEY: Well, you said that you can't do an independent study because you would not have access to, have access to confidential information. Well, how can you critique the existing study if you don't have access to that confidential information?

MS. NOVAK: Well, I think we can critique the way

they're modeling, what they're doing with the data that they have, how they're modeling congestion, how they're modeling the way transactions work today compared to the change cases. And the specifics of exactly what we can evaluate is why we hired R.W. Beck, because Seminole and FMPA do not have actually the internal expertise to do these models. So is there something else you want to add to that?

MR. DAVIS: No.

COMMISSIONER BRADLEY: What, what confidential information would you need in order to do an independent study? It would seem to me that, that the confidential information would not be as important as the concepts would be.

MS. NOVAK: The list of the confidential items were the, were in that overhead earlier, the fuel prices, the specific fuel prices, and I think heat rate information by generating facility, variable operating costs. I don't remember offhand.

I'm not saying that we can't do our own individual study and we, you know, we might end up having to do that. Actually Seminole was going to have its own study -- we were in the process of working on hiring a consultant to help us develop a study so that we would understand the impacts on Seminole of having an LMP market in Florida. When we found out that this cost benefit study was being done, we said this is an excellent way for all parties in Florida to get results on a

same comparable basis so that all the assumptions are, the starting point is the same, we're all looking at it the same way, you're getting input about future transmission expansion and future generation plans in one, you know, database that's the same. So that's really why we think this study is very important and we would like to stick with the same study. I think the -- the confidential information, I just went to the overhead, is mainly related to generating unit, specific information on generating unit data.

COMMISSIONER BRADLEY: Right. And that's why I couldn't quite follow you because we are dealing strictly here with transmission, and generation is --

MS. NOVAK: Actually the way -- what we're looking at --

COMMISSIONER BRADLEY: The gentleman is shaking his head.

MS. NOVAK: -- is the effect of generation dispatch on congestion on the transmission system.

MR. DAVIS: Yeah. I'd say a better way to characterize that is what we're looking at here is the integrated operation of both of these entities simultaneously, generation and transmission. So in reality you need data and accurate data on all generating facilities and all transmission facilities simultaneously in order to perform this modeling effort. One impacts the other.

COMMISSIONER BRADLEY: Okay. Well, you're making an argument then against having an RTO, if one impacts the other. Okay.

MR. OFORI-ATTA: Can ICF make a few comments?

CHAIRMAN BAEZ: I'm sorry?

MR. OFORI-ATTA: Can ICF make a few comments?

CHAIRMAN BAEZ: Well, let's -- instead of turning into a he said/she said, because this is a workshop after all, but I will ask a question and I was going to direct it at you anyway, and that way we can keep it a little nicer. Ms. -- well, you know.

COMMISSIONER BRADLEY: Let's move on.

CHAIRMAN BAEZ: Things can spin out of control. If you haven't been watching the last couple of days, I'll tell you a few stories.

COMMISSIONER BRADLEY: Let's move on, Mr. Chair.

CHAIRMAN BAEZ: There were two things that Ms. Novak mentioned in particular that caught my, caught my attention. The first is she, she alluded to an ability to quantify Day 1 benefits. Obviously this is something that, you know, the benefits from elimination of pancake rates and, and centralized operations and planning have been acknowledged by the Commission already in an official manner, although they were never quantified. Obviously there's some difficulty in that. I think you mentioned it in your presentation. So can you

comment on the ability to do it in an absolute sense? I mean, can it be done?

MR. OFORI-ATTA: Yes.

CHAIRMAN BAEZ: Once you leave cost and things out of that, I know you're going to say it's very expensive and that becomes a limitation that we have to deal with, but is it doable even?

MR. OFORI-ATTA: It is doable.

CHAIRMAN BAEZ: Okay.

MR. OFORI-ATTA: And we are quantifying right now -- given the scope that we have, we are quantifying differences between the base case and a Day 1 only case.

CHAIRMAN BAEZ: And then why -- and I guess back to you, Ms. Novak. I'm going to get dizzy after all of this is done. How is it, how is it that -- and you heard the layout of what the study and the scope of the study. If they're quantifying a Day 1, if, in fact, they're quantifying a Day 1 scenario, what, what about that -- what am I missing, I guess, you know?

MS. NOVAK: Well, I believe what they're modeling in the Day 1 operation is, as I -- just like in the base case operation is as if we have a centralized market. The way they get around the centralized market is these hurdle rates. Well, these hurdle rates -- well, I don't have a clue how these hurdle rates are going to be developed. You know, there was

some discussion that it's based on some empirical data they have from some other studies, but how that data can be used in this Florida market, you know, I don't know.

The other point is when -- it's something that we have, that we are actually going to be meeting with them further today to talk about is the way the existing Florida market works related to network customers. We don't pay transmission for point -- we don't pay point-to-point transmission for our, for our bilateral economy transactions. So they're modeling point-to -- they're modeling these pancaked transmission charges that really may not exist in Day 1 -- in the base case and they're going to get rid of them in Day 1. But they're really not -- you know, they're going to define a benefit that I'm not sure is really there.

There are some transactions in Florida that incur point-to-point transaction -- point-to-point transmission charges, but for at least the transmission-dependent utilities that are serving loads within various control areas, generally very, very few times do we have to pay these additional transmission charges.

CHAIRMAN BAEZ: Let me stop you right there, and I'm going to try and simplify it somewhat.

If you start off, if you start off by saying that Florida needs a Day 1 RTO and, but now what I hear you saying is that even in the analysis of a Day 1 RTO the benefits would

be overstated, aren't you, aren't sort of arguing against yourself?

MS. NOVAK: Well, I'm saying that the benefits are calculated based on -- they're not even truly calculated. They're not calculating the true benefits. They're just -- to me they're false numbers.

CHAIRMAN BAEZ: Okay. And I realize that.

MS. NOVAK: That's really --

CHAIRMAN BAEZ: But I'm saying if it's looking better for a Day 1 RTO, then why, why should you care?

MS. NOVAK: Well, we want an accurate study.

CHAIRMAN BAEZ: Other than, other than our quest for the truth. I realize that.

MS. NOVAK: Well, that is -- Seminole always wants to look for the truth.

CHAIRMAN BAEZ: Fair enough. I had to ask. I'm sorry.

MS. NOVAK: Okay. Everyone didn't agree with that, but. No. We want an accurate study because we truly want to make sure that the, that the study is modeling what it can model and that it accurately models that.

CHAIRMAN BAEZ: All right. And you had another point that you needed to make.

MR. OFORI-ATTA: Right. First of all, to make it clear to the Commission that we're going to work with Seminole

and all the other entities, all the other entities --

CHAIRMAN BAEZ: I'm sure you are. I'm sure you are.

MR. OFORI-ATTA: -- first of all, to understand their current operation and to make sure that we are accurately reflecting that. So we're going to do that. And they've been helpful so far.

Then on the issue of using hurdle rates, at the beginning of my presentation I made a comment about the fact that the industry has accepted broadly certain approaches to doing some, in quantifying some of the benefits. And there were other benefits that are a little hairy and very difficult to quantify, and we believe that although some attempts have been made on doing, quantifying these, the industry as a whole hasn't come to some consensus. We haven't reached an agreement as to what is the right approach. That's why we are treating those issues or those factors with a cost of benefits as qualitative; not denying the fact that they are true benefits or true costs.

Now the use of hurdle rates has been used widely in many of the studies that have been done, similar studies. ICF used it for the FERC study, Charles River Associates used this for a SEARUC study, Tabor Caramanis & Associates used it for the RTO West study. So it's something that is widely accepted. And we want to use the forum of the Cost Benefit Work Group to try to work with all stakeholders. I mean, if -- some of these

things are a little complex. We'll try to simplify it. We'll be very forthcoming in providing them the understanding as to how these hurdle rates are developed and how they will be applied. But as to whether it's been used before, for all the studies that have been done hurdle rates has been used and it's something that is accepted industry-wide.

CHAIRMAN BAEZ: Well, and just -- I don't want to put words in Ms. Novak's mouth. What I heard her say is that she has -- there's no independent -- you don't have a way of verifying how they were arrived at.

MS. NOVAK: Well, we haven't seen anything yet. We're hoping that we're going to get as much information as they're willing to give us.

CHAIRMAN BAEZ: Right. But it's not --

MS. NOVAK: But even with it I'm not sure what I can -- I mean, I'm going to have to leave it to our other consultant to see if they can evaluate what they mean and if they're prudent.

CHAIRMAN BAEZ: Somebody might understand it, but I don't. I don't even want to see that.

But, but it's not an objection to the use of hurdle rates in and of themselves. I see that your consultant is -

MR. DAVIS: I would say the use of hurdle rates is not necessarily incorrect or correct.

CHAIRMAN BAEZ: Okay. So it's just a question of --

MR. DAVIS: It's an artifact of them all.

CHAIRMAN BAEZ: So it's just a question of understanding, you know, everybody being on the same page as to how they're being derived essentially.

MR. DAVIS: That's right.

CHAIRMAN BAEZ: Okay. And then the second point that Seminole made was the fact that there is no modeling for either market power or the mitigation costs. And I guess those are, those are two -- we're talking about things in the abstract, at least in my understanding. What would you comment to that?

MR. OFORI-ATTA: The simple answer is, yes, we are not modeling market power and market mitigation. The basic reason for that is it's a different kind of modeling framework that you do to test market power, market mitigation. I'm not an expert on market power and market mitigation. But most of the studies that have been done haven't been done, in my opinion, as part of a cost benefit study. But probably as a separate study -- I don't know if somebody can look at that as a separate issue, but.

CHAIRMAN BAEZ: But do you accept the notion that the existence of market power or that, or that market power mitigation costs might have a, a degree of, of impact on, on your results?

MR. ROSE: Right. A couple of things. One is, is that there are certain numbers out there that are sort of

objective facts. Now it's true that the hurdle numbers aren't in that category, but they will be based on some important information which is also related to market power and will also allow us to categorize the situation in Florida vis-a-vis other markets. That is, what are some of the potential manifestations of market power, use of power plants that are not economic in an effort to force out competition? You know, there are some areas in the country people are saying that there's large amounts of inefficient plants being used relative to what economic dispatch would be determining.

It's the hurdle rate is the only way that we'd be able to actually model that if that's happening, and we'll be able to see by the extent of the model whether Florida is in Category A or B or C. And so this is very valuable information to test the accusation that's been made here that there is massive or large amounts of operational manifestations of market power. We'll be able to see it and report to the Commission based on the hurdle rates as to whether there are plants that are being operated inappropriately.

So, you know, and we'll also be trying to look forward as to see whether that's likely to, to continue. So I think that it's true what Kojo said, that's not the primary purpose, but there is on the operational side, that's the driver for the most extreme uses of the hurdle rate. So we will be addressing that issue.

MR. NAEVE: Well, there is one distinction I thought it might be worth making, and that is I think what Ms. Novak meant was not so much a focus on exercise of the market power today as what would happen if you changed the market structure so that you had a bid-based market where there's no cost-based regulation anymore and no limit on what people get paid other than the market price and everyone receives the market clearing price. And in that environment there could be different effects of market power than what one would see today where you do have one form of containment of market power in cost-based regulation.

And so that, you know, the ICF model is based on an assumption that market clearing prices are set by the marginal unit and, secondly, that the marginal unit bids its marginal price. And in a, in a competitive market people aren't necessarily obligated to bid their marginal price, but if you have a sufficient number of competitors and sufficiently robust competition, people will be driven towards bidding marginal costs, and the issue would be in this market is there sufficient competition for that to happen? And, and if not, then we think, we agree with Seminole, that probably FERC would conclude that this market is too concentrated for that to happen and, therefore, there has to be an additional layer of market mitigation put on top of, of the competitive model. And, you know, with adequate market mitigation you could force

people to run all their units all the time and to bid, tell them what prices to bid, but then that's, you know, an extensive form of, new form of regulation that would have its own cost, so.

CHAIRMAN BAEZ: Thank you. I'm sorry. Ms. Novak, you said that -- was Seminole done with its presentation?

MS. NOVAK: Actually I was done, and Mike Naeve very adequately and eloquently explained exactly Seminole's position on the Day 2 market and the market power issues.

CHAIRMAN BAEZ: See how well you're working together already. This is -- it's amazing.

MS. NOVAK: Now Bob Davis from R.W. Beck will present some additional detailed comments.

CHAIRMAN BAEZ: Thank you. Mr. Davis.

MR. DAVIS: Mr. Chairman and Commissioners, you should have in front of you a presentation that I left at your seats, and other copies are scattered throughout the room. My name is Robert Davis. I'm a Senior Director at R.W. Beck, Incorporated. We were retained by Seminole and FMPA to provide some technical assistance with regard to the review of this assessment. My purpose here for this discussion is just to identify at this juncture of the evaluation, recognizing that we really haven't gotten into the meat of the discussion or the meat of the design of the modeling yet, some of the primary high level concerns that we have with the analysis, request

some additional information and request some additional study modifications.

One of the main issues, as I think most of us recognize, is how will the actual cost and benefits be calculated under this analysis? As of yet we really don't have a firm understanding of how ICF intends to actually measure or calculate the actual changes in costs between the base and the change casts. They've indicated so far within discussions for the base case and Day 1 cases that they intend to base the cost of the benefits on the cost to serve load based upon modeled clearing prices. We aren't sure that we agree with that. Again, it depends upon the actual methodology that's used.

We, instead, would recommend that generation costs or total generation costs for the state be used and the change in those from one case to the next be used as the appropriate measure for costs and benefits between cases.

We will recognize though that if we go down the path of calculating costs and benefits for individual companies or load-serving entities, that we will need to take into account both the cost to serve generation and the cost to serve load. And there's several issues related to that primarily with actually assigning the output of generation to load, also with the treatment of purchases and bilateral contracts in today's market, also with the remedy of congestion and the allocation of congestion marginal losses, and FTR revenue under the Day

2 market.

What we would request is that ICF provide a comprehensive description of the methodology it intends to use to calculate costs and benefits and actually include a formulary description of the inputs and outputs to that cost benefit computation under each one of the cases.

A second major issue is does the analysis model the current GridFlorida proposal, and I believe there were some questions directed to this issue earlier.

It's our understanding that ICF intends to model marginal losses under the Day 2 market cases; however, we aren't aware that the applicants are currently proposing marginal losses for the GridFlorida design. If marginal losses are to be modeled, then we would recommend that they be modeled as a separate case, an independent case from that prescribed that would model the current configuration as proposed for GridFlorida by the applicants.

Also, the single control area configuration or a centralized control area under the Day 2 operation, we aren't aware that the current proposal by the applicants indicates the operation of a single control area for GridFlorida. We would recommend while we -- if a Day 2 market is to be evaluated as part of this analysis, and FMPA -- then FMPA and Seminole would support the evaluation of a centralized market. But it should be performed in addition to a configuration that models the

applicants' proposal, which does not consider a single control area for the state.

Issue 3 would be -- is there's been numerous discussions already today about the challenge of modeling today's physical market operations. And arguably the most important aspect of this analysis is actually establishing the base case results. There's several issues which need to be considered when looking at the base case or the Day 1 results. One is the decentralized, self-scheduling and control area operations, modeling bilateral transactions and their affect on generation commitment and dispatch, modeling physical transmission rights, and the ability to model congestion management and NERC TLR effects. These -- many of these attributes here are difficult, if not impossible, to model within a production simulation model designed to monitor network configurations.

ICF has intended to use and has recommended the use of various hurdle rates, and they also recommend the use of an overload redispatch cost to approximate the operation of physical markets both under the Day 1 and Day 2, and continuing some of these assumptions under the day, excuse me, under the base in Day 1 and continuing some of the assumptions under the Day 2 configuration also. These hurdle rates will play a significant, if not actually the primary, role in my opinion of determining the benefits and costs reported for this analysis.

And because these inputs are so critical to the analysis, we would recommend that they be available for review by the stakeholders in detail.

Additionally, so that the stakeholders can understand the effects that the hurdle rates have on the study, we would also recommend that ICF perform incrementally the evaluations with each set of hurdle rates so that we can individually see how each set of hurdle rates affects the overall evaluation.

Another issue is the modeling of a long-term forecast. For a 13-year forecast many assumptions change over time, many of which will be impossible to capture within this analysis. Some of them have been discussed already at this, in this meeting.

Effects of centralized planning and generation and transmission additions. In other words, the market can be expected to have an impact on those, on transmission and generation siting under the different cases and over time. Load growth, the location, the change in load density throughout the marketplace, fuel prices, of course, behavior of market participants, we touched on market power. There are also other issues related to market participant behavior that could change over time and under the different cases. The effect of losses. Reliability must-run units which have been proposed for this analysis can also change with changing in generation and transmission additions, and currently that's not

contemplated for the analysis. And, of course, congestion.

Many of these assumptions are speculative over the first few years -- beyond the first few years of the study, and ICF is even proposing to treat some of these issues as intangible and unmeasurable.

Another issue, too, with one of the challenges of a long-term forecast is that a long-term forecast really -- because of the computational requirements, I think it's been reported that the run time for this study is somewhere in the neighborhood of 20 to 30 hours. That computational requirement really cuts back on the ability to model alternative scenarios and really do a more thorough investigation. Because of the challenges with modeling today's operation and with modeling a long-term forecast what we would instead recommend is what would amount to a postcast analysis instead of a forecast. Instead of running a model for 13 years, let's stick with one or two years where we're comparing the operation of a Day 1 market as if it had been -- or Day 2 market as if it had been in place under a historical year, say 2002 or 2003.

The base case in the actual operation of utility operations in that historical period would form the basis of the base case, and then the model itself could be, could be run to indicate what changes might have occurred if we had a separate market configuration in place.

The computational efforts would also be reduced in

that we wouldn't need to run a 13-year study, we could limit the study to one or two years, allowing for more sensitivities and evaluations to be performed. That concludes my comments.

CHAIRMAN BAEZ: Thank you, Mr. Davis.

Ms. Bass.

MS. BASS: Okay. Our next presenter will be from the City of Tallahassee, Paul Clark.

MR. CLARK: Over here. Good afternoon, Commissioners. My name is Paul Clark. I'm a principal engineer in the Electric Utility System Planning Division of the City of Tallahassee. I appreciate the opportunity to be here and present a few brief comments.

The City of Tallahassee has participated in these proceedings and activities relative to the proposed GridFlorida RTO both individually and as a member of the Florida Municipal Group or FMG, which is comprised of the City, Gainesville Regional Utilities, Lakeland Electric and Kissimmee Utility Authority. I want to make clear at this point that the comments that I'm making today are those of the City of Tallahassee and not those of the FMG.

My comments today will be brief and, and general in nature; not to be considered an exhaustive list of our concerns regarding the cost benefit study; may, in fact, echo some of the concerns expressed already by other participants in this workshop and those yet to be expressed. And we may, in fact,

share and do, in fact, share some of those concerns expressed or yet to be expressed.

First, as we brought to the attention of the applicants and ICF during the June 22nd meeting of the GridFlorida Cost Benefit Study Working Group, Tallahassee is concerned about the comprehensiveness of the study assumptions and method relative to their consideration of the transmission system in the Big Bend area of the state. Our concern arises from a review of the list of the transmission flow gates, monitored facilities and contingencies identified in ICF's revised draft assumptions and appendices documents provided to the stakeholders via e-mail on June 18th. Elements of the transmission system in the Big Bend that have appeared as limits to the City's and others' access to bulk power markets in SERC and central and southern FRCC regions are conspicuously absent from the list the draft assumption document presents. We acknowledge that these lists are, and the assumptions documented itself are preliminary. We hope that the final list will include those transmission flow gates, monitored facilities and contingencies, consideration of which the City believes to be critical to capture the impact of the condition of the transmission system in the Big Bend region on interutility and interregional bulk power transfers for reliability and economic purposes whether or not an RTO exists.

We hope that the applicants and ICF will see fit to

incorporate these elements into the appropriate list such that the study will accurately reflect them in their base and change cases. I was encouraged to note Mr. Ofori-Atta's comments that the inclusion of all facilities 69 kV and above, though not included in the assumptions document, nevertheless we wanted to take this opportunity to alert the Commission and staff to the importance of an accurate depiction of the Big Bend transmission system to the outcomes of the study particularly regarding the estimation of existing and potential costs and benefits to the City of Tallahassee.

My second and final comment today relates to the City's perception of the cost benefit study effort in general. Discussions among the applicants, ICF and stakeholders to date have reflected a consensus concern regarding the assumptions and methodology to be employed and the resultant correctness of the study outcomes. The City understands the magnitude of the applicants' and ICF's undertaking, and we fully appreciate the difficulty of developing a model of the bulk power system that produces results consistent with history and expectations of future characteristics under the various change case scenarios.

These same concerns were expressed before, during and after the conduct of the RTO cost benefit study performed by Charles River Associates, CRA, for the Southeastern Association of Regulatory Utility Commissioners, SEARUC, in 2002. The applicants and ICF have responded to these concerns relative to

the GridFlorida study in part by suggesting that certain simplifying assumptions and methodological adjustments must be made to even attempt an RTO cost benefit study like the one we're talking about today. The City understands this as well.

We would note that -- excuse me. We would note that a degree of latitude in developing the assumptions and methodology was also necessarily taken by CRA in performing the SEARUC study. When that study was completed, some entities were quick to debunk the results, again pointing out deficiencies in CRA's assumptions and method. Other entities though so embraced the SEARUC study results, despite the suggestion that it was flawed, that actions were taken that significantly altered their future courses relative to RTOs. Such was the case when Sante Cooper based their decision to discontinue their involvement in the SeTrans RTO development process based in part on the results of the SEARUC study.

The City understands and, further, we defend that it is the prerogative of each entity to decide for themselves whether they are sufficiently comfortable with or believe the results of the study that incorporates an admittedly and unavoidably simplified approach.

In closing, the City believes that one observation made relative to the SEARUC study is particularly noteworthy in the context of our discussions today and in the coming weeks about the GridFlorida study, that being that the savings that

were estimated for the regions and entities modeled in the SEARUC study could easily be negated by the degree of error introduced by making simplified assumptions and methodological adjustments. The City understands this was true of the SEARUC study. We hope that the Commission and staff understand, as we do, that this may, in fact, also prove to be true of this GridFlorida study.

Thank you for your patience and understanding and the opportunity to present these comments to you today, and I'll entertain any questions.

CHAIRMAN BAEZ: Thank you, Mr. Clark.

Commissioners, any questions? Thank you.

Ms. Bass, where are we now?

MS. BASS: Our next speaker is Bud Para with JEA.

MR. PARA: Thank you. I'm Bud Para representing JEA. First I'd like to say that we, too, appreciate ICF's efforts and their willingness to answer questions and their patience with us as we've struggled to get our data to them and try to get it right, and that we're satisfied with ICF's qualifications to do this study. Now that doesn't mean that we agree with all their assumptions and all their methods. But JEA has submitted questions as late as last night. We sent them questions on our May 22nd meeting. However, we weren't as late as they sent out their, their proposal for the disaggregation. We appreciated getting that in writing and

that was good and JEA will take some time to look at that. But we will be responding and I'm sure asking more questions. but we appreciate the information that we've had on that.

I'd like to make a comment on the hurdle rates. There's been a lot of discussion about that. In Kojo's presentation he stated that the H1 hurdle rates are used to, and I quote, capture nontariff-related market inefficiencies, but only in the base case. Then the model assumes that there are no market inefficiencies in the Case 1/Day 1 and the Case 2 cases. And we'd just say that's a, that's a big assumption that there are no market inefficiencies and it'll have real cost impacts on the study. That's one of those things that we think ought to be shown in the sensitivity is what is the effect of the, of the hurdle rates, and several people have commented on that.

On a different point, JEA is increasingly uncomfortable with the applicants' refusal to take a position on any proposed market design. We think that's important, and we look forward to eventually learning what they decide to propose as a market design for GridFlorida. And, and I would hope that today they would give us some idea of what their schedule is, how they're doing on that, and if we can expect to see a proposal from them before the, well, for example, before the cost benefit study is done.

Also, JEA would encourage the Commission to schedule

another workshop like this one to be held a few weeks after the cost benefit study is done, give us all enough time to look at it and give us a chance to comment on it with y'all in a workshop, in the style of a workshop.

And then finally, we wonder what the Commission intends to do if this study finds that GridFlorida is not cost effective. Thank you.

COMMISSIONER JABER: Ms. Bass, refresh my memory and actually for the benefit of the rest of the Commissioners, when you all came to me with the idea of establishing this workshop or collectively we talked about the best way to get this information to the Commissioners and the notion of this workshop came up, we did discuss, circling back around for the benefit of all of the Commissioners, having a second workshop when the study was complete. Am I, am I remembering correctly, Roberta?

MS. BASS: That's correct. And that was one of the reasons why the August 5th workshop was canceled so that we would not have two back to back.

COMMISSIONER JABER: That's right.

MS. BASS: That as soon as the results of the cost benefit study were available, that we would reconvene as a Commission workshop to present the results and discuss them.

CHAIRMAN BAEZ: Commissioners, any questions? Okay. I'm wondering if this is not -- how many --

MS. BASS: We have two more speakers.

CHAIRMAN BAEZ: That's it?

MS. BASS: That's it.

CHAIRMAN BAEZ: Commissioners, what's your pleasure? Do you want to break for lunch or plow on through?

COMMISSIONER DAVIDSON: Keep going.

CHAIRMAN BAEZ: Commissioner Davidson doesn't eat lunch. So are they long presentations? I don't -- who do we have left, Calpine and --

MS. BASS: Yes. We have Steve Remillard with Calpine, and then John McWhirter is going to speak for the Florida Industrial Power Users Group.

CHAIRMAN BAEZ: Okay.

MS. BASS: So you just put pressure on them if we, if we plow on.

CHAIRMAN BAEZ: It's always nice to put pressure on Mr. McWhirter.

Mr. McWhirter, I'm just trying to take from the two remaining presenters how much -- what your presentations are like.

MR. REMILLARD: Calpine only has about five or six comments, and I can keep that pretty brief.

CHAIRMAN BAEZ: Okay. Mr. McWhirter, I hate to put you on the spot, my friend, but I'm just taking a poll. It doesn't matter how long it is. I just want to --

MR. McWHIRTER: A short while, and I'm sensitive to dietary requirements.

CHAIRMAN BAEZ: I hope you have them the same as I do.

Commissioners, we can, we can break here. It's your call. We can break here or just take these last two speakers. We have two votes -- all right. We'll go ahead, Mr. Remillard.

MR. REMILLARD: Calpine thanks you for the opportunity to present these comments here this afternoon. We appreciate the task in front of ICF and the challenge to do this cost benefit study, and we do appreciate the fact that we have the opportunity to provide the input and review assumptions with them as they go through the development of the study.

One key element that ICF touched on in their presentation was some of the qualitative benefits of establishing an RTO, and one that we believe is very important is the efficiencies that are gained by doing coordinated transmission expansion planning and, you know, generation resource additions to the system. And we think that this is something that needs to be quantified to really demonstrate the benefits of the RTO.

And as Ms. Novak has suggested, there is a methodology which could actually capture this, this benefit, and that could be through backcasting and looking at historical

performance of the system and then compare that to overlaying what an RTO would do in terms of optimizing transmission expansion and generation additions to the system.

We also have a concern regarding the cost of operating the fully functioning RTO given that the structure has not been defined. It's going to be very difficult for ICF to try to estimate the operating cost, and this will have a huge impact on the overall outcome of the, of the benefit study. And what we wanted to do is make sure that, you know, we work with ICF and all the applicants in terms of making sure that the assumptions that they use in developing a cost estimate for the operating costs of the RTO is appropriate. And we wanted to be sure that if they're taking representative costs from other RTOs that have built-in inefficiencies or not similar, that we may be using false information or wrong information in the assumptions for operating costs for the RTO. We wouldn't want to mimic those, those inefficiencies. We also think that, you know, there should be other sensitivities looked at in terms of, you know, using an independent system administrator like the SeTrans approach was in terms of competitive procurement for that type of service to run the RTO.

In terms of environmental, environmental impacts and compliance that was provided in the assumptions document, we realize that ICF has captured both SO2 and NOX regulations.

But we think that given that if this study is going to look out in the future, that since the EPA has prepared and proposed rules on Mercury regulation, that that should be factored into the overall cost benefit analysis. Given that 30 percent of the megawatt hours being consumed in the peninsula of Florida are coming from coal generation sources, we think that this should be reflected in the analysis.

We also wanted to talk a little bit about the RMR designation. We think that that's a very important and critical assumption that goes into the overall study. We wanted to be sure that the only facilities that are given RMR status is truly just for voltage support, and we wanted to be sure that there is a way to verify that information.

And two, two last items that I wanted to touch on was the, the issue of incremental generation or generation additions to the system. What we, what we understand from ICF is that they will be modeling the generation expansion plans of the various utilities under their ten-year site plans. We're trying to understand if whether IPPs and other generation additions would also be modeled in that as well.

And the, the last item we wanted to touch on was there seems to be a difference between the, the NERC load forecast for FRCC and what was presented in the ICF documents, and we'd hope that at some point during the workshop, the follow-up workshop that discrepancy can be addressed. Those

were the -- that concludes the comments for Calpine. Thank you.

CHAIRMAN BAEZ: Commissioners, any questions?

Mr. McWhirter.

MR. McWHIRTER: Mr. Chairman, my name is John McWhirter, and I represent an industrial consumer group. And at the outset, all these people have been criticizing the ICF approach and I want to compliment ICF. I had the pleasure to attend the preworkshop workshop last week, and when I saw their presentation was trying to identify the benefits, I suggested that they might want to include benefits to consumers in their presentation because I felt like that's something that would be of interest to you because of your duty to protect consumers. And ICF immediately jumped on that and they put in two things. The first underlined item was level of disaggregated benefits contracted, and under that they have three consumer groups. I'm not sure I know what that means, but I appreciate them putting it in there. And the other is they had LSE; that means load-serving entity. And we would presume that the consumers that buy electricity from the load-serving entity would be the ones that would derive the benefits, and so they added the word "consumer" in front of LSE. So they are responsive to requests, and I would suggest to the other presenters that ICF will probably continue to do that.

You'll have to forgive me. I'm technologically

deprived. And when you deal with a cost benefit study, I have to break things down into a simplistic methodology to understand it. And I thought that there were probably six questions that a reasonable person would address if you were going to look at a cost service benefit study and what it would produce.

The first question would be, what are the benefits? The second would be, who are the beneficiaries? The third would be, what is the cost? The fourth would be, who pays that cost? The fifth would be, who provided the cash for the study? And sixth, will that affect the study?

Question five is quite simple; we know that Florida Progress and Florida Power & Light contributed $800,000 to pay the cost of this study.

Question six I'm not going to address because you will be able to figure that out when the study is presented.

So now we'll go back to, what are the benefits? And I think to understand that you've got to look at the benefits as they were perceived by the Federal Energy Regulatory Commission when it issued its two main orders that deal with the creation of RTOs and ISOs. What had happened before that was when the energy crisis was upon us in the late 1970s, there was a law enacted that encouraged the construction of new utility plants by wholesale exempt generators, and what happened was people came in with new plants and they were able

to improve the heat rate of those plants by some 30 percent over the existing heat rate that was being realized by public utilities.

Now what that means to my simple mind is that whereas most of the utilities at that time and in Florida today it takes them 10,000 Btus of energy to create one kilowatt hour of electricity, which is worth 3,400 Btus, it saves a lot of cost and a lot of energy if you can improve that heat rate. And what these people have done in the new plants was they have improved the heat rate from that nine or 10,000 Btus per kilowatt hour produced down to a level of less than 7,000. So it's a dramatic increase.

In addition to that, the capital costs to build these plants were much less expensive than the money that was currently being spent to build power plants by a token of something like -- they reduced it from something like $2,500 a kW down to something like $350 a kW to build a power plant. So FERC said wouldn't it be neat if the people that produced the less expensive electricity can get it to the consumers? And the only way we can get it there, of course, is through the electric wires that are in existence. So they did their first order that opened those electric wires to the access of all producers, including exempt wholesale generators and others, and they required the utilities to buy this electricity if it could be produced for the same price or less than their produce

-- their electricity was being produced. That part of the law is now up for repeal.

But irrespective of that, what they found was the utilities were not altogether friendly with bringing electricity in from competitors to serve their customers. They'd rather serve them with their own generating facilities, irrespective of the price, the fact that they cost more. So Order 2000 came out, which was a little more insistent on the program they called the OASIS program, which is Open Access and System Information System, so that people know what the price of electricity is. And they -- and the utilities are forced to do it, to transmit it, and they suggested maybe what you ought to do instead of having the generating companies that own the transmission lines turn over control of those transmission lines to an independent operator.

So when you first started after the Order 2000 to look into this, you can count me among one of the most energetic supporters of that great idea to get cheap electricity to the consumers. And there were some -- you all suggested some stakeholders, there were 11 stakeholders to study this issue; nine of them were utilities and the other two were the then existing Public Counsel and the group I represent. And the Public Counsel was very effective in postponing this case until he retired so it wouldn't be done on his watch. And my clients have difficulty in seeing why they

should pay us to come up here, but I come up anyway to tell you what my prejudices are on the subject.

But what we have found is that since this happened in Florida, competition that would enable the el cheapo plants to get their electricity to the end consumer hasn't worked out all that well. Although you endorsed merchant plants in your order, the Supreme Court said merchant plants in Florida, if they're efficient merchant plants, are not -- can't come into our state and can't apply to build their plants under the need processing concept. So the independent power producers that have come into Florida, and most have been discouraged, but the ones that have come have built more expensive, not less expensive, power plants and they can only serve during the peak period. But in the meantime it hasn't all been bad because utilities have waked up to the circumstances and they have now started using the more efficient power plants. The unfortunate part of that is that that fuel which was inexpensive when they started on that process is now the most expensive fuel available and probably offsets the heat rate savings.

But in any event, I am of the humble opinion that the number one rationale for open access in Florida, which is to get power from the el cheapo plants to the customers, probably does not exist because there is no competitive wholesale market in Florida. And what you've heard from Seminole and others, I think, is correct.

However, ICF has identified the other benefit that comes to customers, and that is lower fuel cost. Lower fuel cost. Now that we're using the most expensive fuel, if we can get the most efficient plant to bring that -- to make electricity, that will be in everyone's benefit. The problem though under the marketing designs, which are still kind of mysterious, we don't know what the marketing design will be. And unlike when this Commission had the enlightened view back in the 1970s to require Florida -- to set up -- you set up the grid originally and you required utilities to transfer power at cost. Well, that is not necessarily going to be what happens in the future. So even though you're getting the least cost electricity to produce, the price to the load-serving entity may not reflect that price because it's going to reflect a market clearing price, which is the highest price available. So the question is if you have the market clearing price, even if you get lower fuel costs from another utility, the consumers may not benefit from that.

There's one other potential beneficiary to creating GridFlorida and that's the utilities. I've noticed over the years that the marked effort of utilities, of the investor-owned utilities in Florida is to freeze base rates and move most expensive costs to cost adjustment recovery clauses. In 2004, for the first time the money collected from customers through cost recovery clauses exceeds the amount collected from

customers under base rates. It's now -- it was down initially around 20 percent of the total cost. It's now over 50 percent of the total cost. And those costs that are collected by utilities are guaranteed recovery irrespective of whether the utility is making an excessive profit or not.

Legislatively there have been two major bills that have been promoted by the utilities to freeze base rates and move generating facilities and other major facilities' cost to cost recovery mechanism. So my second concern is the real beneficiaries of the GridFlorida operation appear to be the utilities who may have the opportunity to shift costs from base rates to cost recovery clauses. And when the ICF study came in, they looked for the benefits, and the benefits flowed to load-serving entities, transmission owners and generating utilities. So no concept was given to consumer issues. And I was -- I would hope that in their future study they will concentrate on how the cost savings that are developed through the RTO are going to flow through to the customers. And I would think that is your primary responsibility as well.

The next thing is to determine what these costs are and who pays the cost is question three and four that I have. Well, question four is quite simple. The Florida retail consumers pay 100 percent of the costs, whatever they are. And those costs will come to them in two fashions: Either through base rates to support the transmission system or through

transmission and other charges for the power that's purchased from other utilities.

What are these costs? Well, we have a budget that Bob Croes sent out in May to ICF, and the GridFlorida is going to employ somewhere between 156 and 200 -- well, 197 employees, and then they're going to employ some consultants. And they conclude that their annual operating cost, and this is just to do the operation to the ISO, will be $47.8 million. And then they will -- they consider that they will spend, just the startup costs, $176 million, and that will have to be amortized through the charges that the GridFlorida is going to charge. And so if they amortize that over a three-year period, that will be around $60 million a year. So the annual cost for the first three years of this operation will be somewhere around $100 million, and that's going to flow to customers in some fashion.

And the question is is it all going to flow through? And I think there will be a logical presentation made that it should all be flowed through the prices that come from the transmission of electricity.

But there's more -- there's another source of funds that's available to do that, and that other source of funds is the base rates that customers now pay for transmission services. And there was a -- and I'm going to pick on Florida Progress here a little bit, but the only reason I'm doing it is

not because I suggest that Florida Progress is doing anything wrong or anything improper, but because we have access to relatively current information that came about as a result of the rate case you initiated a few years ago. And your staff, in its Interrogatory Number 265, I believe it is, asked Florida Progress to tell what it was collecting in base rates for transmission services. So we have -- now that's, you know, Florida Progress is not the biggest and it's not the smallest but it's in the middle. And it said that it has $960 million of transmission plant-in-service, and each year it charges customers $163 million to service that plant. Now that money is paid all by retail customers, 72 percent of it is paid by retail customers of Florida Progress Company or $117 million, and $45 million is paid by the retail customers of the people that they sell electricity to such as Seminole's customers and Florida Municipal Power Authority's customers and so forth. But all the retail customers are paying this price. And, of course, that price goes for O&M expenses, which is the cost to maintain this system, and then $30 million of that $160 million goes for Florida Progress to recoup its investment. You can see one of the reasons for freezing base rates. If you've totally recouped your investments and base rates are not frozen, you can continue to keep collecting that $30 million depreciation expense.

Another concept would be to take that $30 million and

plow it back into upgrading the system. And so that gives you the next question of cost. There are two kinds of costs. First are the costs to maintain the existing system, and then there are costs to build new transmission facilities and also the cost to cure congestion. Where are those charges going to show up on the residential and the retail customers' bill? And that's the question I think that's the most important question for this Commission to consider, not ICF, but you should consider where does that cost show up? When the existing system is being maintained, should that maintenance come from Florida Progress's $30 million that it's now charging the customers each year for depreciation expense to plow back into the system to justify the return they're getting on that or should there be a new charge?

And one of the most serious concerns that my clients have is we -- I have one client that has been interrupted 100 times in the last year by a utility, not as a result of lack of generating facilities, but because of transmission line failure. That -- they've conducted a study, and I'm not going to tell you what the study, go into the details of that study, but the conclusion is that that system is not being well-maintained. So if the RTO is approved and if money has to be spent to cure the lack of maintenance for the last ten years for this utility, is that going to come out of the base rates that the utility is already collecting or is there going to be

a new surcharge that's going to flow through the fuel adjustment clause to hit customers with? And I would suggest to you that is another very big and very important thing for you to deal with.

Now that's essentially where I am on this. It looks to me like there are minimal benefits at best to the customers for the creation of the ISO, and that's heartbreaking to me because I think the ISO is a wonderful idea and technologically sound and should be implemented. If it can be done so that you pay for it through the existing base rates where you have control of it and it doesn't move to FERC, that would be a very good thing. If it moves to FERC, you lose control over it. And FERC is most interested in promoting the construction of new transmission lines. So if a utility can construct a new transmission line and put it through the ISO to the customers, it's going to get some of the new FERC incentives, which are things like a one-and-a-half percent boost to the return on equity for those utilities that build trans -- or those people who build transmission systems. So you're going to lose control. The old transmission system, as it winds down and is replaced, if you don't require it to be paid for through base rates and it moves into the adjustment clause, we're going to find that customers' bills will go up and utility profits will go up. So you need to carefully monitor this.

And I think this is -- in conclusion, I would suggest

to you that this is probably why Jack Shreve was so glad to get out from under before this was adopted on his watch. I don't think if there's a scandal because some reporter finally quits glazing over and looks into what's going on or some politician, like Franklin Roosevelt did back in the '20s, uses utility excesses to become the Governor of New York and the president of the United States, what's going to happen is they're going to expose a scandal. Now I don't think this scandal is going to be as big as WorldCom or Enron, but it may well be a problem. And I think utility executives will be protected from that problem because they did it under your watch and careful supervision, so they won't have to go to jail. So the question in my mind is are you watching carefully and is this study going to give you the information that will enable you to protect the consumers? And I know that you are and that you will protect the consumers, and we'll be here to help you do it. Thank you very much.

CHAIRMAN BAEZ: Thank you, Mr. McWhirter.

Commissioners, any questions of Mr. McWhirter?

Ms. Bass.

MS. BASS: The only thing that I can think of is, kind of wrapping up, is Ms. Novak brought up the possibility of filing postworkshop comments. That was not something that we originally anticipated occurring. However, I believe that Ms. Novak's comments were going more towards specific concerns

relative to the cost benefit study. And so I would encourage, if you do have specific concerns that you want to file in this docket relative to the cost benefit study, that we should allow all the participants to have the opportunity to do that.

I know that ICF is, or the applicants and ICF are trying to put together a stakeholders', a work group meeting I think the 21st or 22nd of July, something around in that time frame. So it probably would be helpful, if there are written comments, that those be provided in advance of that meeting so that they will be available for review prior to it. So I would suggest that perhaps two weeks from today, which would be the 14th of July, that we set that as a time frame for getting specific comments to, to everyone and specifically to the ICF and the applicants on, on the concerns regarding the cost benefit study.

CHAIRMAN BAEZ: Is that something that we need to adopt? I mean, I think, I think the idea is excellent, but --

MS. BASS: I think it's just something, yeah, if we just put them on notice.

COMMISSIONER JABER: Mr. Chairman, the only reason I think Ms. Bass brought it up, it came up to me as well -- do we issue an order from the prehearing officer's office to establish the schedule going forward? And I very much wanted to hear feedback from the rest of you all. The workshop process was, I use the word "suspended" loosely, suspended just

until we had an opportunity to do this and allow the cost study to be complete, and then we're going to pick back up with a workshop schedule. There is no order establishing postcomment workshop cycles or even comments to the study, and that's something -- I think it would be good to establish at least for the next two weeks a schedule of when comments would be due because there is no order.

CHAIRMAN BAEZ: And I don't disagree with you. I just want to make sure that what Ms. Bass is saying and what you're talking about are, are both the same things. Ms. Bass, I thought I heard you say the, the postworkshop comments in relation to a working group meeting. And there is a fixed date for that working group meeting?

MS. BASS: I think that the dates have been put out. I don't know whether or not that date has been finalized.

CHAIRMAN BAEZ: All right. So then your suggestion of July 14th would, I guess, almost by default fall within, within that working group date.

MS. BASS: Yes.

CHAIRMAN BAEZ: You're establishing some date outside of that or suggesting something --

MS. BASS: No. I was, I was trying to facilitate having any comments on the study, specific comments on the study itself, which I believe is what Ms. Novak was referring to, that those be provided in advance of that next working

group meeting so that the, that everyone would have the benefit of being able to review those prior to it. So I was thinking with a July 21, 22 work group date, that a week ahead of time or whatever would give everyone an opportunity to look at those.

CHAIRMAN BAEZ: All right. And I'm clear on your part. And, Commissioner, I have to go back to a question that you actually asked Ms. Novak is to put a post --

CHAIRMAN JABER: That's something completely different.

CHAIRMAN BAEZ: That's something, that's something else. But I also, but I also think that that kind of procedure is something that probably more -- probably would fall within a procedural order.

COMMISSIONER JABER: I agree.

CHAIRMAN BAEZ: But that's -- we're not there yet, I guess.

COMMISSIONER JABER: No. No. I'm just putting all of you on notice that there is no order procedurally to govern what happens next, and that's why the July 14th at least date is important to resolve today. I think Roberta's idea of going forward with that date so that it facilitates discussion for the working group, I think that's good. I think no one, no one would object to allowing that comment period. And then in a subsequent order you need to revisit what to do post the study.

CHAIRMAN BAEZ: Right. Exactly. And I think we've got good, good guidance there.

One thing I do want to mention, the last or certainly the series of presenters, of stakeholder presenters that we had did bring up some questions that probably will get repeated obviously in these, these postworkshop comments. That's obviously going to provide fodder for the work group discussion. I heard a couple of things there that didn't -- it sounds like they might be able to be worked in without too much trouble. I don't profess to tell you your business or to even understand it, but, you know, it just sounded to the naked ear anyway that it might be some things that were thrown out that might be able to be accommodated fairly easily in an effort to be inclusive of everyone's concerns. Obviously some are unreconcilable, and I think those are the realities that we have to work under.

If there's nothing else from the Commissioners, I want to thank all the presenters. We really -- I certainly appreciate all of your input and hope that it'll continue as this process goes along. I do want to thank ICF for being here, for simplifying it for us as much as possible. I think you all have got your work cut out for you. I know that you know that. And we really do appreciate all your efforts, and to the applicants as well, for bringing them in. And I want to thank staff for working real hard and kind of herding the cats

on this. It's very important and we have a very interesting summer going. And if there's nothing else, the workshop is adjourned. Thank you all.

(Workshop adjourned at 1:30 p.m.)

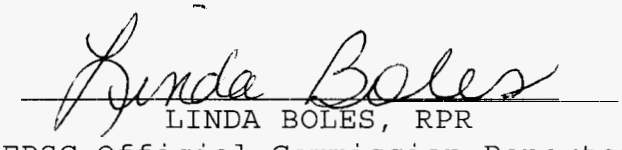
STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, LINDA BOLES, RPR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 16th DAY OF JULY, 2004.



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