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November 3, 1999

Florida Public Service Commission
Clerk's Office
Ms. Blanca Bayo
Director, Division of Records & Reporting
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

RE: Docket No. 980643-EI

Dear Ms. Bayo,

Enclosed please find an original and 15 copies of Enron's reply comments regarding Florida Cost Allocation and Affiliate Transactions.

Should you have any questions, please do not hesitate to contact me at 713-853-9193. Thank you for your attention to this matter.

Sincerely,

Lara Leibman

Revell

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APP	1
CAF	_____
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WAW	_____
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cc: Kathleen Magruder

Natural gas. Electricity. Endless possibilities.

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**ENRON'S REPLY COMMENTS REGARDING FLORIDA COST
ALLOCATION AND AFFILIATE TRANSACTION
DOCKET NO. 980643-EI**

November 3, 1999

Enron Energy Services, Inc. ("Enron") thanks the Florida Public Service Commission ("Commission") for the opportunity to submit these reply comments regarding Staff's proposed cost allocation and affiliate transaction rules ("Proposed Rules"). While we realize that we were latecomers to the deliberations, we are grateful for the ability to participate in shaping the appropriate rules for affiliate transactions in Florida.

To date, Enron has been involved in several dozen states' efforts to restructure the electric and gas markets. Enron believes that there are important issues involved with electric and gas restructuring and has therefore sought to educate and assist the states with understanding the related complexities. The states have responded by adopting many of the suggestions submitted by Enron, and therefore, it is extremely disappointing in this case that Staff has not acknowledged any of Enron's revisions regarding Staff's proposed rules.

Enron submits that Florida may forego many of the early benefits of competition if it does not implement an affiliate code of conduct **now**, and the effect will be to give the incumbent utilities the retail electric and gas markets. While it is important for Staff to adopt appropriate cost allocation procedures for investor-owned utilities, these rules are simply a small portion of what Florida needs to have in place at this time; Enron's initial comments emphasized this crucial point. Florida cannot wait as the utilities are

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currently participating in competitive energy-related markets such as the heating, ventilation and air conditioning (“HVAC”) markets. Staff needs to adopt comprehensive affiliate rules that will govern the utilities’ forays into such competitive energy-related markets. The utilities must be prohibited from engaging in any competitive activity.

At this time, it is simply imperative that the Commission effectively monitor and prohibit certain utility activity to ensure that unregulated activities are not being subsidized by the utility’s captive ratepayers and information is not being shared improperly with the utility’s competitive affiliates. At a minimum, utilities must be required to structurally separate by creating affiliates to engage in competitive activities. No utility employees or resources should be devoted to forming, developing or engaging in competitive business activities, as ratepayers should not be required to subsidize the utilities’ development of their unregulated businesses, and all interaction between those utilities and their affiliates must be closely monitored. Unless the Commission adopts stringent affiliate rules to address these issues, there will never be a level playing field in these energy-related markets or the retail electric and gas markets in Florida.

Enron previously submitted its proposed code of conduct which it believes will accomplish these goals by protecting competition (and not competitors) and by ensuring that all unregulated companies operate under the same rules and with no advantages due to their affiliation. Moreover, rules governing cost allocation and utility-affiliate transactions can and should be consolidated into a single, comprehensive code of conduct. Enron respectfully requests that Staff reconsider its initial comments regarding cost allocation rules and further consider adopting a comprehensive code of conduct that would include appropriate cost allocation rules.

Respectfully submitted by,

A handwritten signature in black ink that reads "Lara Leibman". The signature is written in a cursive, flowing style.

Lara Leibman
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cc: Kathleen Magruder