

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Proposed Rules 25-) DOCKET NO. 941138-PU
4.1353, 25-6.1353, and 25-) ORDER NO. PSC-94-1368-NOR-PU
7.1353, F.A.C., Relating to) ISSUED: November 10, 1994
Forecasted Earnings Surveillance)
Reports)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF RULEMAKING

NOTICE is hereby given that the Florida Public Commission, pursuant to Section 120.54, Florida Statutes, has initiated rulemaking to adopt Rule No. 25-6.1353, Florida Administrative Code, relating to Forecasted Earnings Surveillance Report.

The attached Notice of Rulemaking will appear in the November 18, 1994 edition of the Florida Administrative Code Weekly.

If timely requested, a hearing will be held at the following time and place:

Florida Public Service Commission
9:30 a.m., January 19, 1995
Room 122, Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0850

Written requests for hearing and written comments or suggestions on the rules must be received by the Director, Division of Records and Reporting, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, FL 32399-0870, no later than December 9, 1994.

DOCUMENT NUMBER-DATE

11400 NOV 10 94

FPSC-RECORDS/REPORTING

ORDER NO. PSC-94-1368-NOR-PU
DOCKET NO. 941138-PU
PAGE 2

By Order of the Florida Public Service Commission, this 10th
day of November, 1994.

BLANCA S. BAYÓ, Director
Division of Records & Reporting

by: Kay Jeyan
Chief, Bureau of Records

(S E A L)

ORDER NO. PSC-94-1368-NOR-PU
DOCKET NO. 941138-PU
PAGE 3

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 941138-PU

RULE TITLE: RULE NO.:

Forecasted Earnings Surveillance 25-6.1353

Report

PURPOSE AND EFFECT: The purpose of this rule is to enable the Commission to monitor investor-owned electric utilities' earnings on a prospective basis so that it may identify sooner when a utility will earn outside its authorized range.

SUMMARY: The rule requires investor-owned electric utilities to submit annual forecasted earnings surveillance reports and to notify the Commission of certain changes in their forecasts.

RULEMAKING AUTHORITY: 350.127(2), 366.05(1), F.S.

LAW IMPLEMENTED: 350.117(1), 366.04(2)(f), 366.05(1), F.S.

WRITTEN COMMENTS OR SUGGESTIONS ON THE PROPOSED RULE MAY BE SUBMITTED TO THE FPSC, DIVISION OF RECORDS AND REPORTING, WITHIN 21 DAYS OF THE DATE OF THIS NOTICE FOR INCLUSION IN THE RECORD OF THE PROCEEDING.

HEARING: IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE HELD AT THE DATE AND PLACE SHOWN BELOW:

TIME AND DATE: 9:30 A.M., January 19, 1995.

PLACE: Room 122, 101 East Gaines Street, Tallahassee, Florida.

THE PERSON TO BE CONTACTED REGARDING THIS RULE AND THE ECONOMIC IMPACT STATEMENT IS: Director of Appeals, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32399.

THE FULL TEXT OF THE RULE IS:

25-6.1353 Forecasted Earnings Surveillance Report.

(1) Each investor-owned electric utility that is not under an incentive regulation plan or not subject to an earnings cap shall file with the Commission its forecasted financial information on Commission Form PSC/AFA 22 (/) which is incorporated into this rule by reference. Form PSC/AFA 22, entitled "Investor-Owned Electric Utility Forecasted Earnings Surveillance Report", may be obtained from the Commission's Division of Auditing and Financial Analysis. The report shall be verified by the responsible officer of the utility making the report. The report shall be due on or before March 1 of each year, and shall contain the forecasted financial information for that calendar year.

(2) A utility may file a written request for an extension of time with the Division of Auditing and Financial Analysis no later than March 1. One extension of 15 days will be granted upon request. A request for a longer extension must be accompanied by a statement of good cause and shall specify the date by which the report will be filed.

(3) If during the course of the forecast year the utility should revise its forecasted financial information as a result of

a change in a forecast assumption such that its forecasted annual Return on Equity changes by more than 25 basis points, whether as a result of a single or several events or assumptions, the utility shall provide the Commission with the following information within 30 days of the revised forecast:

(a) A description of the revised forecast assumptions or other events that caused the forecasted return on equity to be revised.

(b) An estimate of the revised annual Return on Equity.

Specific Authority: 350.127(2), 366.05(1), F.S.

Law Implemented: 350.117(1), 366.04(2)(f), 366.05(1), F.S.

History: New _____.

NAME OF PERSON ORIGINATING PROPOSED RULE: Paul Stallcup, Division of Auditing and Financial Analysis.

NAME OF SUPERVISOR OR PERSON(S) WHO APPROVED THE PROPOSED RULE: Florida Public Service Commission.

DATE PROPOSED RULE APPROVED: November 8, 1994

If any person decides to appeal any decision of the Commission with respect to any matter considered at the rulemaking hearing, if held, a record of the hearing is necessary. The appellant must ensure that a verbatim record, including testimony and evidence forming the basis of the appeal is made. The Commission usually makes a verbatim record of rulemaking hearings.

ORDER NO. PSC-94-1368-NOR-PU
DOCKET NO. 941138-PU
PAGE 6

Any person requiring some accommodation at this hearing because of a physical impairment should call the Division of Records and Reporting at (904) 488-8371 at least five calendar days prior to the hearing. If you are hearing or speech impaired, please contact the Florida Public Service Commission using the Florida Relay Service, which can be reached at: 1-800-955-8771 (TDD).

FLORIDA PUBLIC SERVICE COMMISSION

INVESTOR-OWNED ELECTRIC UTILITY
FORECASTED EARNINGS SURVEILLANCE REPORT

PSC/AFA 22 (/)

INVESTOR-OWNED ELECTRIC UTILITY
FORECASTED EARNINGS SURVEILLANCE REPORT

The forecasted earnings surveillance report (FESR) consists of the following schedules:

- SCHEDULE 1 - Forecasted Earnings Surveillance Report Summary
- SCHEDULE 2 - Forecasted Average Rate of Return
- SCHEDULE 3 - Forecasted Capital Structure
- SCHEDULE 4 - Forecasted Financial Integrity Indicators
- SCHEDULE 5 - Forecast Assumptions

The above schedules represent the data that is to be filed by each electric utility. An investor-owned electric utility may, at its own option, include any additional schedules that it deems appropriate or necessary for further explanation or clarification of the data reported.

Requests for extension of time in which to file must be submitted in writing prior to the due date for the data to the following:

Florida Public Service Commission
Division of Auditing and Financial Analysis
Bureau of Revenue Requirements

SCHEDULE 1
FORECASTED EARNINGS SURVEILLANCE REPORT SUMMARY

The purpose of this schedule is to summarize the results of the calculations required by the other schedules. This summary also provides a composite overview of the utility's forecasted earnings on a single page.

Although this schedule only summarizes other schedules, it is necessary to define a few of the terms utilized in the schedule. These are as follows:

Forecasted Per Books - This term means that the amounts reported represent the amounts expected to be recorded into the accounting records of the utility.

Forecasted per books rate base would include construction work in progress (CWIP) and/or nuclear fuel in process (NFIP) on which allowance for funds used during construction (AFUDC) is not charged and projects which are ineligible for AFUDC treatment per FPSC Rules. The working capital allowance should be adjusted only to exclude those amounts that are includible in the capital structure.

Forecasted per books net operating income (NOI) would be computed

consistent with the per books rate base determination. Since the forecasted per books rate base includes the total amount of CWIP and NFIP, a portion of which may be accruing AFUDC, the per books earned rate of return calculated using this rate base and the per books NOI could be materially distorted. In order to calculate a more appropriate per books earned rate of return, the forecasted per books NOI should be adjusted to include the earnings from AFUDC. The FPSC Adjustments column should reflect the reversal of the AFUDC earnings related to the adjustments to CWIP and NFIP to reduce these amounts to the last authorized level included in rate base. A footnote is provided in the income statement schedules for reporting the earnings from AFUDC.

Forecasted FPSC Adjustments - The adjustments reflected in this column should represent all of the adjustments expected to be required to adjust the per books amounts in accordance with Commission policies, practices, and adjustments made in the utility's most recent rate case. This includes the adjustments made by the utility that were not in dispute, but were accepted by the Commission without direct reference in the order. However, those adjustments that can be considered to be annualizing or pro forma should not be included.

SCHEDULE 2

FORECASTED AVERAGE RATE OF RETURN

This schedule presents the data necessary to adjust the utility's forecasted per books amounts and calculate the average earned rate of return on a Per Books and FPSC Adjusted basis. This schedule consists of the following three pages:

- Page 1 - Forecasted Rate Base
- Page 2 - Forecasted Income Statement
- Page 3 - Forecasted System Adjustments

The terms "Per Books" and "FPSC Adjusted" have previously been defined in the explanation of SCHEDULE 1. Except for these items, SCHEDULE 2 is self explanatory.

In recognition of the fact that there may be numerous adjustments to the per books amount of working capital, only the total amount of the adjustments to working capital needs to be shown on Page 1, if an additional schedule is provided which shows each specific adjustment.

In addition, the FPSC Adjusted rate base should reflect the level of CWIP

and NFIP, that was otherwise eligible for AFUDC, allowed in the utility's most recent rate case or the actual amount, whichever is lower.

SCHEDULE 3

FORECASTED CAPITAL STRUCTURE

This schedule shows the computation of the average required rate of return on a FPSC Adjusted basis. Inherent in this computation is the reconciling of the amount of capital with the rate base using the same procedures employed by the Commission in the utility's last rate proceeding. The terms "Per Books" and "FPSC Adjusted" have previously been defined in the explanation of SCHEDULE 1. It is necessary, however, to explain the following terms:

Specific - Based on the adjustments made to the rate base, this column should reflect the cumulative effect of all the adjustments that were made to reconcile the rate base and the capital structure on a basis other than pro rata.

Pro Rata - Based on the adjustments made to the rate base, this column should reflect the cumulative effect of all the adjustments that were made to reconcile the rate base and capital structure on a pro rata basis.

Except for these two terms, this schedule is self explanatory.

SCHEDULE 4

FORECASTED FINANCIAL INTEGRITY INDICATORS

This schedule presents the data and calculations for developing the utility's financial integrity indicators. This schedule is self-explanatory.

SCHEDULE 5

FORECAST ASSUMPTIONS

The Forecast Assumptions for Customer and KWH Sales are to be supplied for the forecast year period and the year preceding the forecast year. Customers are to be calculated on an annual average basis. KWH Sales are annual totals.

The Other Forecast Assumptions include any assumptions that are expected to materially impact the Company's operations during the forecast year. Examples include major plant additions, work force reductions, and major accounting changes. Attach additional sheets if more space is needed.

FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT

SCHEDULE 1

Company: _____
Year 19__

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED
I. AVERAGE RATE OF RETURN (JURISDICTIONAL) NET OPERATING INCOME	\$ _____ (a)	\$ _____ (b)	\$ _____
AVERAGE RATE BASE	\$ _____	\$ _____	\$ _____
AVERAGE RATE OF RETURN	_____ %		_____ %

(a) INCLUDES AFUDC EARNINGS
(b) INCLUDES REVERSAL OF AFUDC EARNINGS

III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)	
LOW	_____ %
MIDPOINT	_____ %
HIGH	_____ %

IV. FINANCIAL INTEGRITY INDICATORS	
A. TIE WITH AFUDC	_____ (SYSTEM PER BOOKS BASIS)
B. TIE WITHOUT AFUDC	_____ (SYSTEM PER BOOKS BASIS)
C. AFUDC TO NET INCOME	_____ % (SYSTEM PER BOOKS BASIS)
D. INTERNALLY GENERATED FUNDS	_____ % (SYSTEM PER BOOKS BASIS)
E. LTD TO TOTAL INVESTOR FUNDS	_____ % (FPSC ADJUSTED BASIS)
F. STD TO TOTAL INVESTOR FUNDS	_____ % (FPSC ADJUSTED BASIS)
G. RETURN ON COMMON EQUITY	_____ % (FPSC ADJUSTED BASIS)

FLORIDA PUBLIC SERVICE COMMISSION
 ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
 AVERAGE RATE OF RETURN
 INCOME STATEMENT

SCHEDULE 2
 PAGE 2 OF 3

Company: _____
 Year 19__

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M FUEL & NET INTERCHANGE	O & M OTHER	DEPRECIATION & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	DEFERRED INCOME TAXES (NET)	INVESTMENT TAX CREDIT (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
SYSTEM PER BOOKS	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____ (a)
JURISDICTIONAL PER BOOKS	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____ (a)
FPSC ADJUSTMENTS:											
TOTAL FPSC ADJUSTMENTS	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
FPSC ADJUSTED	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

(a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE
 SYSTEM NOI BY \$ _____ AND THE JURISDICTIONAL NOI BY \$ _____

FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
AVERAGE RATE OF RETURN
SYSTEM ADJUSTMENTS

SCHEDULE 2
PAGE 3 OF 3

Company: _____
Year 19__

RATE BASE ADJUSTMENTS

AMOUNT

INCOME STATEMENT ADJUSTMENTS

AMOUNT

TAX EFFECT

FLORIDA PUBLIC SERVICE COMMISSION
 ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
 FINANCIAL INTEGRITY INDICATORS

SCHEDULE 4

Company: _____
 Year 19__

A. TIMES INTEREST EARNED WITH AFUDC

EARNINGS BEFORE INTEREST
 AFUDC - DEBT
 INCOME TAXES _____
 TOTAL
 INTEREST CHARGES (BEFORE
 DEDUCTING AFUDC - DEBT) _____
 TIE WITH AFUDC _____

B. TIMES INTEREST EARNED WITHOUT AFUDC

EARNINGS BEFORE INTEREST
 AFUDC - OTHER ()
 INCOME TAXES
 TOTAL
 INTEREST CHARGES (BEFORE
 DEDUCTING AFUDC - DEBT) _____
 TIE WITHOUT AFUDC _____

C. PERCENT AFUDC TO NET INCOME AVAILABLE
 FOR COMMON STOCKHOLDERS

AFUDC - DEBT
 X (1 - INCOME TAX RATE) _____
 SUBTOTAL
 AFUDC - OTHER _____
 TOTAL
 NET INCOME AVAILABLE FOR
 COMMON STOCKHOLDERS _____
 PERCENT AFUDC TO AVAILABLE
 NET INCOME _____

D. PERCENT INTERNALLY GENERATED FUNDS

NET INCOME ()
 PREFERRED DIVIDENDS ()
 COMMON DIVIDENDS ()
 AFUDC (DEBT & OTHER) ()
 DEPRECIATION & AMORTIZATION
 DEFERRED INCOME TAXES
 INVESTMENT TAX CREDITS
 OTHER (SPECIFY) _____
 TOTAL
 CONSTRUCTION EXPENDITURES
 (EXCLUDING AFUDC OTHER & DEBT) _____
 PERCENT INTERNALLY GENERATED FUNDS _____

E. LONG TERM DEBT AS PERCENT OF TOTAL INVESTOR CAPITAL

F. SHORT TERM DEBT AS PERCENT OF TOTAL INVESTOR CAPITAL

RECONCILED AVERAGE RETAIL AMOUNTS
 LONG TERM DEBT
 SHORT TERM DEBT
 PREFERRED STOCK
 COMMON EQUITY _____
 TOTAL _____
 % LONG TERM DEBT TO TOTAL _____
 % SHORT TERM DEBT TO TOTAL _____

G. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN
 ON COMMON EQUITY

FPSC ADJUSTED AVERAGE
 EARNED RATE OF RETURN _____
 LESS: RECONCILED AVERAGE RETAIL WEIGHTED
 COST RATES FOR:
 LONG TERM DEBT ()
 SHORT TERM DEBT ()
 PREFERRED STOCK ()
 CUSTOMER DEPOSITS ()
 TAX CREDITS - WEIGHTED COST (MIDPOINT) ()
 SUBTOTAL ()
 TOTAL
 DIVIDED BY COMMON EQUITY RATIO _____
 JURISDICTIONAL RETURN ON COMMON EQUITY _____

FLORIDA PUBLIC SERVICE COMMISSION
 ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
 FORECAST ASSUMPTIONS

SCHEDULE 5

Company: _____
 Year 19____

FORECAST ASSUMPTIONS

<u>Customers</u>	<u>Forecast Year</u>	<u>Prior Year</u>
Residential	_____	_____
Commercial	_____	_____
Industrial	_____	_____
Other	_____	_____
Total	=====	=====

<u>KWH Sales</u>	<u>Forecast Year</u>	<u>Prior Year</u>
Residential	_____	_____
Commercial	_____	_____
Industrial	_____	_____
Other	_____	_____
Total	=====	=====

OTHER MAJOR FORECAST ASSUMPTIONS

I am the person responsible for preparation of this document and I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 or s. 775.083.

_____	_____
Name	Signature
_____	_____
Title	Date