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PLEASE REPLY TO:

Tallahassee
September 18, 1992

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Mr. Steven C. Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399-0870

920949-EL

Re: Joint Petition of Florida Power Corporation
and Sebring Utilities Commission for Approval
of Certain Matters in Connection with Sale of
Assets by Sebring Utilities Commission to
Florida Power Corporation

FPC - E1801
SUC - 111877

Dear Mr. Tribble:

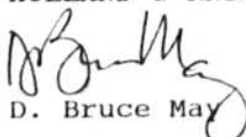
Enclosed for filing in the above-referenced docket are the original and fifteen copies of the Joint Petition of Florida Power Corporation and Sebring Utilities Commission.

For the convenience of the Commission and its staff, the exhibits referenced in the Joint Petition are included in Exhibit 1 (attached). Exhibit 1 also contains the Agreement for Purchase and Sale of the Electric System, as well as all of the schedules that accompany this Agreement. All of the documents contained in Exhibit 1 eventually will be sponsored by the FPC and SUC witnesses prefiling testimony in this case.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Thank you for your assistance.

Sincerely,

HOLLAND & KNIGHT


D. Bruce May

RECEIVED & FILED

FEDERAL BUREAU OF RECORDS

Exhibit 1 fld. w/transcript
receiving exhibits. Jew
DBM/cft

Enclosure
TAL-14976

FILED DATE

1992 SEP 18 1992

FPC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re

Joint Petition of Florida Power)
Corporation and Sebring Utilities) DOCKET NO:
Commission for Approval)
of Certain Matters in Connection) Filed: September 18, 1992
with Sale of Assets by Sebring)
Utilities Commission to Florida)
Power Corporation)
_____)

**JOINT PETITION FOR APPROVAL OF AMENDMENT TO
TERRITORIAL AGREEMENT AND TERMINATION OF
SETTLEMENT AGREEMENT, DEPRECIATED NET
BOOK VALUE AND ANY GOING-CONCERN OR FRANCHISE VALUE,
TRANSITION RATE AND RATE SCHEDULE, ASSIGNMENT OF TERRITORIAL
AGREEMENT WITH GLADES ELECTRIC COOPERATIVE, INC.,
PRUDENCE OF INVESTMENT, AND CAPACITY COST RECOVERY**

Florida Power Corporation ("FPC") and Sebring Utilities Commission ("SUC") jointly petition the Commission for approval of: (a) an Amendment to Territorial Agreement and Termination of Settlement Agreement dated as of August 28, 1992 (the "Amendment"), between FPC and SUC; (b) the depreciated net book value of the Rate Base Assets, as defined in paragraph 14 below; (c) any additional amount determined by the Commission, pursuant to Section 366.06 (1), Florida Statutes, to be allocated to Rate Base Assets as a prudent investment by FPC for "going-concern" or "franchise value" for which payment is made (the "Additional Amount"); (d) a transition rate to be collected by FPC from certain retail electric customers in the Sebring area following the pending sale of SUC's electric transmission and distribution

assets by SUC to FPC, and approval of Rate Schedule SR-1, Sebring Rider, with respect thereto, a copy of which is attached hereto as Schedule 1 (the "SR-1 Rate Schedule"); (e) the assignment by SUC to FPC of SUC's entire right, title, and interest in the Territorial Agreement dated February 19, 1987, between SUC and Glades Electric Cooperative, Inc. ("Glades"); (f) the purchase by FPC of the Rate Base Assets under the terms set forth in this Petition as a prudent investment; and (g) FPC's right to recover the Capacity Cost Recovery, as defined in and under the terms of paragraph 23 below.

In support of their Joint Petition, FPC and SUC state as follows:

1. FPC is an investor owned electric utility subject to regulation by the Commission. FPC's principal place of business is located in St. Petersburg, Florida. SUC is a body corporate and politic created pursuant to Chapter 23535, Laws of Florida, Special Acts of 1945 (the "Act"). SUC operates a water system (the "Water System") and an electrical transmission and distribution system (the "Electric System") in Sebring, Florida, and portions of Highlands County, Florida. Certain of SUC's operations are subject to regulation by the Commission, including regulation of its territorial agreements. SUC's principal place of business is located in Sebring, Florida.

2. All notices and pleadings in this matter should be

served upon the following:

FOR FLORIDA POWER CORPORATION

Mr. Pete Dagostino
Vice President
Eastern, Mid-Fla/Ridge
Division
Florida Power Corporation
1150 Orange Avenue
Winter Park, FL 32790

Mr. James P. Fama
Senior Counsel
Florida Power Corporation
Post Office Box 14042 (A5D)
St. Petersburg, FL 33733

FOR SEBRING UTILITIES COMMISSION

Mr. Joseph Calhoun
General Manager
Sebring Utilities Commission
321 Mango Street
Sebring, FL 33871

Mr. D. Bruce May
Attorney at Law
Holland & Knight
315 South Calhoun, Ste. 600
Tallahassee, FL 32301

3. FPC provides retail electric service to certain residents and businesses in Highlands County, Florida.

4. Pursuant to the Act, as amended by Chapter 90-474, Laws of Florida, Special Acts 1990, SUC is authorized and empowered to sell, convey, transfer, and lease its assets, including the transfer of its customers and service area, with the approval and consent of the majority of the members of the City Council of the City of Sebring ("City").

5. In order to eliminate and prevent overlapping service territories and duplication of facilities by FPC and SUC, on December 11, 1986, SUC and FPC entered into a Territorial Agreement (the "Territorial Agreement"), a copy of which is attached hereto as Exhibit A. The Territorial Agreement was approved by the Commission by Order No. 18018 issued on August 20, 1987, in Docket

No. 861596-EU. The Territorial Agreement, which is for a term of approximately 20 years: (a) allocates to FPC certain areas in Highlands County as FPC's retail electric service territory; (b) allocates to SUC other areas in Sebring and Highlands County as SUC's retail electric service territory; and (c) specifies under what circumstances FPC and SUC each retain the right and obligation to continue to provide retail electric service at existing points of delivery or meters which were in the retail service areas of the other party at the time the Territorial Agreement became effective.

6. The Territorial Agreement also provides for FPC to continue, until January 1, 1990, to serve all customers, existing or new, in the separate Sebring Utilities retail service area in and around the Sebring Airport. If, on January 1, 1990, the Sebring Airport was not owned or controlled by City, then under the Territorial Agreement, FPC would continue to provide all electric service in the separate Sebring Utilities retail service area in and around the Sebring Airport for the balance of the term of the Territorial Agreement. If, however, on January 1, 1990, the Sebring Airport was owned or controlled by City, SUC had the right to elect, within 30 days after January 1, 1990, to acquire FPC's customers and facilities in that area. On December 4, 1990, the Commission issued Order No. 23823, in Docket No. 89-1034-EU, ruling that SUC does not have the right, under the Territorial Agreement, to acquire FPC's customers and facilities in the Sebring Airport area. SUC then filed an appeal of the Order to the Supreme Court of Florida, Case No. 77,197 (the "Appeal"). SUC has filed a Motion

to Stay Proceedings on the grounds that "[s]ubsequent to the filing of the notice of appeal, circumstances have developed that may affect [SUC's] desire to contest the Commission's Order. Specifically, [SUC] has sold its generating capacity to Tampa Electric Company, and is engaged in ongoing discussions with the Sebring Airport Authority that may resolve the underlying problem without the need for further judicial action or review.... If those discussions produce a satisfactory solution, [SUC] will dismiss the [A]ppeal." The Motion to Stay Proceedings was granted by the Supreme Court on March 14, 1991, and the stay is still in effect. SUC has agreed to dismiss the Appeal on and as of the Closing Date, as defined in the Purchase and Sale Agreement described in paragraph 11 below (the "Closing Date").

7. In October, 1990, in order to eliminate any remaining overlap of service territories and duplication of facilities, FPC and SUC entered into a Settlement Agreement, in Commission Docket No. 891034-EU, pursuant to which FPC and SUC agreed to: (a) terminate the May 12, 1988 Joint Plan to Resolve Overlapping Services approved in Docket No. 850605-EU; and (b) resolve all outstanding issues in Docket No. 891034-EU, except those issues concerning the Sebring Airport Authority. FPC and SUC further agreed to eliminate duplication of facilities and to provide for the exchange of accounts. A copy of the Settlement Agreement is attached hereto as Exhibit B. The Settlement Agreement was approved by the Commission by Order No. 23823, issued on December 4, 1990.

8. SUC, having sold its electric generating plants in 1991, has decided to sell its electric distribution system because its residential electric rates, at \$109.87 per 1,000 kWh, are the highest in the State of Florida and among the highest in the nation. SUC's high retail electric rates are required primarily to fund debt service on approximately \$88,462,000.00 (in principal amount) of its outstanding system revenue bonds (the "Bonds"). As a consequence, by a Request for Proposals dated May 15, 1991 (the "RFP"), SUC requested interested parties to submit proposals for the purchase of the assets of SUC's electric distribution system and/or the Water System.

9. Chapter 91-343, Laws of Florida, Special Acts, 1991, sets forth a method for the disposition of the Electric System by SUC that provides for retirement of the Bonds. Chapter 91-343, which requires approval by a majority vote of those qualified electors residing within the area affected by Chapter 91-343, has not been submitted to a vote of such electors, and, therefore, has never taken effect. Chapter 91-343 does, however, reflect legislative intent and directive that any surcharge, or similar provision such as the Transition Rate, arising from the sale of the Electric System "permit [SUC] to meet all covenants and make all payments required under the resolutions authorizing the issuance of outstanding revenue bonds of [SUC]. . . ." Chapter 91-343, Laws of Florida, Section (1). Chapter 91-343 further contains an express legislative finding that the collection of a surcharge such as the Transition Rate is "[i]n the best interest of . . . the bondholders

of [SUC]," and that funds produced from the collection of such a surcharge should "be held, invested, and the net amount thereof applied by or for [SUC] to the payment of its outstanding revenue bonds" (Legislative findings section of Chapter 91-343, supra). The RFP is consistent with these legislative findings.

10. On June 28, 1991, FPC delivered to SUC a response to the RFP, in which it proposed to purchase the Electric System. After reviewing the proposals submitted by FPC and others, SUC determined that it would negotiate with FPC for the sale and purchase of the Electric System.

11. FPC and SUC have entered into an Agreement for Purchase and Sale of Electric System (the "Purchase and Sale Agreement"), dated as of August 28, 1992, pursuant to which SUC will sell to FPC the assets of the Electric System. A copy of the Purchase and Sale Agreement is attached hereto as Exhibit C. City and SUC have entered into an agreement for the purchase by City of the assets of the Water System dated as of the date of the Purchase and Sale Agreement (the "Water System Agreement").

12. The assets being purchased by FPC under the Purchase and Sale Agreement (collectively referred to therein as the "Acquired Assets") include, among others, the exclusive right, as between SUC and FPC, to operate an electrical distribution system in SUC's service territory. (Section 1.1 of the Purchase and Sale Agreement). In connection with the granting of that exclusive right, SUC and FPC have entered into, subject to the Commission's approval, the Amendment, a copy of which is attached hereto as

Exhibit D. Under the Amendment, FPC will, for a period of 15 years after the Closing Date, have the exclusive right, as between SUC and FPC, to operate an electric distribution system in the service territory heretofore allocated to SUC in the Territorial Agreement. The purchase of the Acquired Assets is expressly conditioned upon the complete defeasance of SUC's Outstanding Bonds, as described in paragraph 13 (a)(1) below, and the payment in full thereof within 35 days after the Closing Date. FPC and SUC hereby agree to terminate the Settlement Agreement effective on and as of the Closing Date and SUC hereby agrees to dismiss the Appeal effective on and as of the Closing Date.

13. The purchase price for the Acquired Assets, as set forth in Section 2.1 of the Purchase and Sale Agreement (the "Purchase Price"), consists of the sum of the following:

(a) Base Purchase Price. A base purchase price (the "Base Purchase Price") equal to an amount, not to exceed Fifty-Four Million Dollars (\$54,000,000.00), that is necessary to:

(1) pay in full, or cause the payment in full of, in accordance with the Bond Resolution defined in paragraph 13(a)(2) below, all of SUC's Series 1986A and 1986B bonds (the "Bonds") (originally issued as part of \$115,116,010.13 Sebring Utilities Commission (Sebring, Florida) Utilities System Revenue Refunding Bonds) that are outstanding on the

Closing Date (the "Outstanding Bonds"), and accrued interest thereon to and including a date not more than 35 days after the Closing Date; and

- (2) cause all right, title, and interest of the owners of the Bonds (secured by the Master Bond Resolution with respect to the Bonds, adopted May 23, 1985, and amended and restated February 27, 1986, and all resolutions of SUC amending or supplementing the Master Bond Resolution (collectively, the "Bond Resolution")), in the Revenues, Funds, and Accounts mentioned in the Bond Resolution, to cease, determine, and become void on and as of the Closing Date (the "Defeasance");

after taking into account and applying in full to the payment or redemption of the Outstanding Bonds and the Defeasance:

- (3) the total purchase price, which shall not be less than Twenty-One Million Five Hundred Thousand Dollars (\$21,500,000.00), for SUC's water production, transmission, and distribution system pursuant to the Water System Agreement; and
- (4) the balance of all cash and investments in all Funds and Accounts mentioned in the Bond

Resolution, except to the extent that cash is to be transferred to City pursuant to Schedule 1.1(f) of the Purchase and Sale Agreement.

(b) Additional Purchase Price. An additional purchase price equal to the sum of:

(1) the lesser of:

(A) Seven Hundred Fifty Thousand Dollars (\$750,000.00); or

(B) such amount as will be necessary, as reasonably determined by SUC with the consent of FPC, which will not be unreasonably withheld or delayed, to pay the following items (excluding, however, all items which City is obligated to pay under the Water System Agreement), after applying in full to the payment of such items SUC's remaining cash (other than the cash and customer deposits to be transferred to City under Schedule 1.1(f) of the Purchase and Sale Agreement), cash equivalents, and securities from whatever source derived, including, without limitation, those items described in Schedule 1.1(f) of the Purchase and Sale Agreement:

- (i) all of SUC's ordinary costs and expenses of operation, including, without limitation, general and administrative costs and expenses, legal, accounting, consulting, fiscal, actuarial, and other ordinary and necessary expenses to wind up SUC's operations, and supplies, equipment, and services;
- (ii) reasonable fees and costs of SUC's attorneys, certified public accountants, and financial and other advisors in connection with the Purchase and Sale Agreement;
- (iii) other reasonable miscellaneous expenses necessary to wind-up SUC's operations, including, without limitation: (1) salaries, vacation pay, and sick pay, subject to the terms of Schedule 5.1 of the Purchase and Sale Agreement; and (2) severance pay under the terms

of Schedule 2.1-A of the Purchase and Sale Agreement; and

- (2) the amount due and owing by SUC to Tampa Electric Company ("TECO") as of the Closing Date with respect to purchases of electric power and energy under the Tampa Electric Company Agreement for Full Requirements Electric Service for Resale to Sebring Utilities Commission Under Rate Schedule FR-1, dated January 29, 1991, between TECO and SUC (the "Power Purchase Agreement"); and
- (3) (i) any debts liabilities, claims, or judgments against, or expenses of, SUC which FPC shall elect to pay after the Closing Date, and (ii) periodic costs and expenses of wind-up similar to those incurred by SUC prior to the Closing, not to exceed Four Thousand Dollars (\$4,000.00) per year for the four (4) consecutive full calendar years immediately following the Closing Date, or a one time aggregate amount for such expenses of Sixteen Thousand Dollars (\$16,000.00) payable within such four (4) calendar years; provided, however, that nothing in this item (3) shall be construed to constitute an agreement by FPC

to assume any matter not expressly assumed by FPC under Section 1.3 of the Purchase and Sale Agreement; and

- (c) Customer Deposits. The obligations of SUC to repay certain of its electric customer deposits which FPC has assumed under Section 1.3(a) of the Purchase and Sale Agreement.

14. Pursuant to the Purchase and Sale Agreement, sufficient funds, together with other funds of SUC, including proceeds from the sale of the Water System, would be available to allow the complete payment of the Outstanding Bonds. Since the amount required to achieve payment of the Outstanding Bonds greatly exceeds the depreciated net book value of the Rate Base Assets, as defined below, the Purchase and Sale Agreement provides that the portion of the Purchase Price in excess of the depreciated net book value of the Rate Base Assets (together with any Additional Amount), would be recovered by FPC over a period of approximately, but not to exceed, 15 years, through a transition rate to be approved by the Commission (the "Transition Rate").

The Transition Rate would apply only to certain retail electric customers in the Sebring area, thus insulating FPC's general body of ratepayers from any adverse economic effects of the repayment of the Outstanding Bonds. The financial burden for repayment of the Outstanding Bonds should be imposed directly on the customers of SUC, which issued the Bonds for the benefit of SUC's operations, rather than spreading such repayment of the

Outstanding Bonds to all customers of FPC who did not benefit from the issuance of the Bonds.

Only the portion of the Purchase Price representing the depreciated net book value of the Rate Base Assets (together with any Additional Amount), would be included in FPC's rate base, pursuant to Section 2.2 of the Purchase and Sale Agreement.

At the same time, the Sebring area customers who would be subject to the Transition Rate (in addition to FPC's standard rates) would receive a substantial immediate reduction in their monthly electric rates compared with current SUC rates, and an additional reduction when the Transition Rate expires. For residential customers, the immediate reduction would be approximately \$17.00 per 1, 000 kWh, plus additional reductions of up to \$14.00 per month for customers participating in FPC's load management program (based on FPC's and SUC's rates in effect as of the date of the filing of this petition).

The term "Rate Base Assets" (as defined in Section 3.16 of the Purchase and Sale Agreement) means all of the Acquired Assets other than those described in Section 1.1(a), (g) [except for (g)(1)], (h), (i), and (j) of the Purchase and Sale Agreement.

15. The Closing is subject to the Commission's approval of the Transition Rate authorizing FPC to recover from the Affected Customers, as defined in paragraph 17 below, over a period commencing on the Closing Date and extending for approximately, but not exceeding, 15 years after the Closing Date (the "Transition Period"), the following amounts (the "Transition Amount"):

- (a) the difference between:
- (1) the Purchase Price; and
 - (2) the depreciated net book value of the Rate Base Assets, as reflected in the supplementary schedule of the depreciated net book value of the Rate Base Assets contained in the Final Audited Financial Statement, as defined in Section 3.16 of the Purchase and Sale Agreement (together with any Additional Amount);
- (b) FPC's costs incurred in issuing its medium term notes (the "Notes"), in the amount of the difference described in paragraph 15(a) above, for the purchase of the Acquired Assets;
- (c) FPC's interest expenses with respect to the Notes; and
- (d) regulatory assessment fees, gross receipts taxes, and other revenue related taxes (but not income taxes) with respect to the amounts described in paragraph 15(a), (b), and (c) above.

Attached hereto as Exhibit E is SUC's audited financial statement as of, and for the one year period ended, September 30, 1991, including, without limitation, a supplementary schedule of the Rate Base Assets as of such date.

16. FPC and SUC estimate that the Transition Amount will be approximately \$68,976,000.00 (without taking into account any

Additional Amount). The Transition Amount will be recovered from the Affected Customers, as defined in and under the terms of paragraph 17 below, by the Transition Rate, which is to be charged in addition to FPC's regular retail electric rate. The initial Transition Rate (which includes the applicable gross receipts tax thereon) is estimated initially to be \$21.80 per 1,000 kWh (and a proportionate amount thereof for a fractional portion of 1,000 kWh). The Transition Rate will be subject to increase or decrease, as determined by the Commission, consistent with the terms of the Purchase and Sale Agreement, to the extent necessary to reflect adjustments to the amounts described in paragraphs 15(a), (b), (c) and (d) of this petition, including, without limitation, FPC's actual interest rate in issuing the Notes, and the forecast from time to time of sales of electricity to Affected Customers under the terms of paragraph 17 hereof, so that the Transition Amount will be amortized and collected in full by FPC during the Transition Period.

17. FPC and SUC hereby jointly request that each customer to which or to whom retail electric service is furnished by FPC or its successors or assigns (collectively, the "Utility") after the Closing Date at any one or more of the Affected Locations, as defined below (individually, an "Affected Customer" and collectively, the "Affected Customers"), shall be subject to the payment of the Transition Rate with respect to electric service furnished by the Utility to each of such Affected Locations. The term "Affected Locations" means:

- (a) all retail electric service locations within the SUC retail electric service territory (the "SUC Territory") and the FPC retail electric service territory in and near the City of Sebring, Florida, as described on Map I of Exhibit A of the Territorial Agreement that are served by SUC meters as of the Closing Date; and
- (b) all retail electric service meters at new locations within the SUC Territory at any time after the Closing Date, except for retail electric service meters in the "separate SEBRING UTILITIES retail service area in and around the Sebring Airport", within the meaning of such quoted phrase in the Territorial Agreement.

18. Because the Outstanding Bonds constitute a debt of SUC and because the Purchase and Sale Agreement provides for the payment in full of the Outstanding Bonds and the payment of certain close-out debts and expenses of SUC, and because the Bonds were issued for the benefit of SUC and its customers rather than for FPC and all of its customers, it is proper for SUC's customers to be charged rates that are different than the rates charged by FPC to its other customers.

19. FPC and SUC believe that it is in the best interest of the Affected Customers to minimize the cost of capital associated with financing the Transition Amount over the term of the Transition Period. Accordingly, FPC intends to issue debt on the

Closing Date in an amount by which the Purchase Price exceeds the depreciated net book value of the Rate Base Assets (together with any Additional Amount), and recover as a cost of capital only the net interest cost on such debt during the Transition Period. The principal amount and cost of such debt will be assigned fully and exclusively to the recovery of the Transition Amount from the Affected Customers and will not be associated in any way with the general body of FPC's customers. FPC will institute accounting procedures to insure that all receipts, disbursements, and transactions associated with the Transition Amount are traceable and comply with the above criteria. It is currently estimated that the interest rate to FPC on such debt will be approximately 8%, although this rate is subject to change based on market conditions at the time FPC obtains the financing.

20. Because the Transition Rate will constitute a portion of the retail electric rates to be charged by FPC and its successors and assigns to the Affected Customers, the Commission should approve the SR-1 Rate Schedule as a part of FPC's rate schedules.

21. SUC and Glades entered into a Territorial Agreement dated February 19, 1987, a copy of which is attached hereto as Exhibit F (the "Glades Agreement"), which has been approved by the Commission. Under the Purchase and Sale Agreement, SUC is to assign to FPC SUC's entire right, title, and interest under the Glades Agreement.

22. The purchase by FPC of the Acquired Assets, under the terms of the Purchase and Sale Agreement, will eliminate

duplication of facilities and improve service to both SUC's present customers and FPC's customers in the Sebring area.

SUC's service territory is in the middle of FPC's Avon Park and Lake Placid districts. FPC's service territory not only surrounds SUC's service territory but many of FPC's customers are also intermingled with SUC's customers. The present duplication of facilities results in additional costs and confusion for all customers. The record keeping and accounting requirements necessary to document consumptive load and the transfer of customers between the two utilities has become burdensome and inefficient. Removing this difficulty will not only benefit FPC and SUC but electric customers in the Sebring area as well. As a result of the purchase, duplicate power lines and other facilities will no longer be required. An additional benefit to customers will be the elimination of confusion when deciding which utility to call in storm emergencies and power restoration. Efficiencies in time and costs will enhance service to the customers.

For the FPC customers served from the Avon Park and Lake Placid district offices who reside in the Sebring area, additional benefits will be realized as a result of the purchase. The purchase of the Acquired Assets will include the acquisition of SUC's customer service office located in Sebring. Through that office, FPC's customers in the Sebring area will be able to receive more convenient service because of the more centralized location.

By combining resources, FPC will be able to better utilize its manpower, material, and transportation resources. In this regard,

the SUC employees that will be hired by FPC will be a valuable resource for FPC because of their knowledge and experience.

For the reasons set forth in this paragraph 22 above, FPC has concluded that the purchase by it of the Rate Base Assets, under the terms of the Purchase and Sale Agreement, is a prudent investment.

23. Under the Purchase and Sale Agreement, SUC will assign to FPC SUC's entire right, title, and interest under the Power Purchase Agreement, as defined in paragraph 13(b)(2) of this petition, and FPC will assume SUC's obligations thereunder.

SUC and FPC hereby request the Commission to approve FPC's right to recover, in Capacity Cost Recovery proceedings pursuant to FPSC Order No. 25773, as clarified by Order No. PSC-92-0414-FOF-EQ, in Docket No. 910794-EQ, the difference between the Demand charges provided for in the Power Purchase Agreement and the production component of FPC's retail cost of service as determined by the Commission in FPC's 1992 base rate case and included in FPC's base rates until such time as the Commission establishes new base rates for FPC (the "Capacity Cost Recovery").

24. The closing of the Purchase and Sale Agreement is conditioned, among other conditions, on the Commission's approval of (a) the Amendment; (b) the depreciated net book value of the Rate Base Assets, as set forth in Exhibit E attached hereto; (c) the imposition of the Transition Rate under the terms set forth in this Joint Petition; (d) the SR-1 Rate Schedule as a part of FPC's rate schedules; (e) the assignment by SUC to FPC of SUC's

entire right, title, and interest under the Glades Agreement; (f) the purchase by FPC of the Rate Base Assets, under the terms of the Purchase and Sale Agreement, as a prudent investment; and (g) the Capacity Cost Recovery.

Timely Commission approval will expedite the further elimination of overlap and duplication and will ensure that former SUC customers in the Sebring area are provided the best possible electric service at substantially lower rates at the earliest possible time.

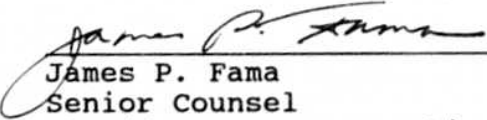
25. SUC and FPC believe that the granting of the approvals requested in this petition will serve the overall public interest by ending uneconomic and undesirable duplication of facilities and overlapping operations between utilities and thereby serve the policies which the Commission is charged with carrying out.

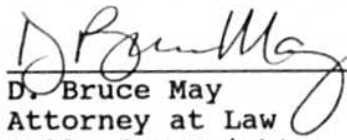
WHEREFORE, FPC and SUC respectfully request that the Commission approve:

1. the Amendment;
2. the depreciated net book value of the Rate Base Assets, as of September 30, 1991, in the amount of \$17,813,753.00 as set forth in Exhibit E attached hereto;
3. any amount in addition to the amount provided in paragraph 2 above that the Commission determines, pursuant to Section 366.06(1), Florida Statutes, to be allocated to Rate Base Assets as a prudent investment by FPC for "going-concern" or "franchise value" for which payment is made under the Purchase and Sale Agreement;

4. the imposition of the Transition Rate and the methodology for any changes thereto under the terms set forth in this Joint Petition, and retention of jurisdiction over the Transition Rate in accordance with the terms of this Joint Petition;
5. the SR-1 Rate Schedule as a part of FPC's rate schedules;
6. the assignment by SUC to FPC of SUC's entire right, title, and interest under the Glades Agreement;
7. the purchase by FPC of the Rate Base Asset, under the terms of the Purchase and Sale Agreement, as a prudent investment;
8. the Capacity Cost Recovery; and
9. grant such other relief as the Commission deems appropriate.

Respectfully submitted this 18th day of September,
1992, by:


James P. Fama
Senior Counsel
Florida Power Corporation
3201 - 34th Street, South
St. Petersburg, Florida 33733
(813) 866-5786


D. Bruce May
Attorney at Law
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