

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request by Florida Power Corporation for authority to establish a regulatory liability to defer 1999 earnings for disposition in 2000.

DOCKET NO. 991695-EI  
ORDER NO. PSC-99-2437-PAA-EI  
ISSUED: December 13, 1999

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman  
J. TERRY DEASON  
SUSAN F. CLARK  
E. LEON JACOBS, JR.

NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING AUTHORITY TO ESTABLISH REGULATORY LIABILITY

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On November 2, 1999, Florida Power Corporation ("FPC" or "Company") submitted a request to defer 1999 earnings for disposition in 2000. FPC's request is similar to a request it submitted last year to defer 1998 earnings for disposition in 1999. We approved that request in Order No. PSC-98-1750-FOF-EI, issued December 22, 1998, in Docket No. 981635-EI. The 1998 deferred earnings were subsequently applied to accelerate the amortization of the Tiger Bay regulatory asset, which is described below.

Pursuant to Order No. PSC-97-0652-S-EQ, issued June 9, 1997, we approved a stipulation concerning the disputed issues and the accounting treatment related to FPC's purchase of the Tiger Bay Limited Partnership cogeneration facility and the termination of the related purchased power contracts. As a result, a regulatory asset of approximately \$370 million, related to the termination of

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the contracts, was created ("Tiger Bay regulatory asset"). The regulatory asset is being amortized by using the savings realized from the early termination of the contracts. It is expected that the regulatory asset will be fully amortized by 2008 using this methodology. The stipulation also provides, however, that FPC has the discretion to accelerate the amortization if and when earnings permit. FPC's ratepayers will not receive any of the savings associated with termination of the contracts until the entire Tiger Bay regulatory asset is fully amortized.

FPC estimates that its 1999 earnings level will be sufficient to allow it to increase the amount of the Tiger Bay regulatory asset amortization. As an alternative, however, FPC states that it desires the opportunity to consider other unspecified options that might allow its ratepayers to receive the benefit of 1999 earnings sooner than if additional Tiger Bay amortization is booked. In order to accomplish this, FPC requests that it be allowed to defer an unspecified amount of 1999 earnings. This deferral would create a regulatory liability to be disposed of in the future. FPC has agreed that interest will be accrued on these deferred earnings.

Since no proposal for disposition of the deferred 1999 earnings has been presented, we cannot presently determine whether the deferral will, in fact, result in a more immediate benefit to FPC's ratepayers. However, we believe it is not in the best interests of FPC's ratepayers to preclude FPC from offering any plan or proposal that might accomplish this end. Given FPC's assurances that the deferred 1999 earnings, plus interest, will be applied against the Tiger Bay regulatory asset if a proposal is either not filed or is not approved by this Commission, we find that FPC's request should be approved.

In its request, FPC stated that it would file with this Commission either a proposal, or a notification that no proposal would be filed, by October 1, 2000. Due to the unspecified nature of any proposal that might be offered by FPC and the time required to adequately review any such proposal, we are concerned about the proposed filing deadline. FPC's suggested filing date, October 1, 2000, may not provide adequate time for this Commission or potential intervenors to evaluate the proposal, conduct any required discovery, and be prepared to have this matter decided prior to the end of 2000. Therefore, we direct FPC to file any proposal that it intends to offer by August 1, 2000. This deadline will provide FPC eight months from the date of our vote on this matter to more thoroughly evaluate and develop any alternative

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proposal for disposition of its 1999 deferred earnings. If a proposal is not filed by August 1, 2000, FPC shall immediately apply any 1999 deferred earnings, plus interest, to the Tiger Bay regulatory asset.

For earnings surveillance reporting purposes, we find that FPC's 1999 deferred earnings should be included in the capital structure as a separate line item using the actual interest rate applied to the deferred earnings. When working capital is computed, interest-bearing liabilities are excluded from the calculation. FPC's deferred earnings regulatory liability is interest bearing. In reconciling the rate base and the capital structure, the adjustment to exclude interest-bearing liabilities increases the total amount of capital. The capital structure can be increased on a pro rata basis over all sources of capital or on a specific basis over one or more sources of capital. If the reconciliation is made pro rata, the Company will earn its overall cost of capital on the balance of the deferred earnings. However, the Company would only be accruing interest at the commercial paper rate which is less than its overall cost of capital. Accordingly, we find that FPC's 1999 deferred earnings should be included in the capital structure as a separate line item using the actual interest rate applied to calculate the interest. This treatment is consistent with the treatment approved in Order No. PSC-98-1750-FOF-EI, concerning FPC's 1998 deferred earnings, and in numerous other cases before this Commission.

This docket shall remain open pending the review of any timely proposal for the final disposition of any 1999 deferred earnings. If FPC does not file a proposal by August 1, 2000, this docket shall be closed administratively.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power Corporation's request for authority to establish a regulatory liability to defer any 1999 earnings for disposition in 2000 is hereby granted. It is further

ORDERED that Florida Power Corporation shall file a proposal concerning the disposition of any 1999 deferred earnings by August 1, 2000, in this docket. If Florida Power Corporation does not file such a proposal by August 1, 2000, it shall immediately apply all 1999 deferred earnings, plus interest, toward amortization of the Tiger Bay regulatory asset. It is further

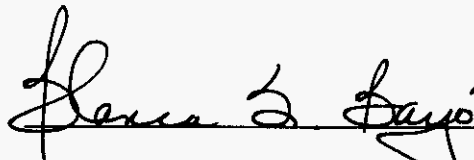
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ORDERED that, for earnings surveillance reporting purposes, Florida Power Corporation shall include any 1999 deferred earnings in its capital structure as a separate line item, using the actual interest rate applied to the deferred earnings. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that this docket shall remain open pending the review of any timely proposal filed by Florida Power Corporation concerning the final disposition of any 1999 deferred earnings. If Florida Power Corporation does not file a proposal by August 1, 2000, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 13th day of December, 1999.



BLANCA S. BAYÓ, Director  
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 3, 2000.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.