

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for authority to establish a regulatory liability to defer 2000 earnings for disposition in 2001 by Florida Power Corporation.

DOCKET NO. 001758-EI  
ORDER NO. PSC-01-0071-PAA-EI  
ISSUED: January 9, 2001

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
E. LEON JACOBS, JR.  
LILA A. JABER  
BRAULIO L. BAEZ  
MICHAEL A. PALECKI

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 December 6, 2000, Florida Power Corporation ("FPC" or "Company") submitted a request to defer 2000 earnings for disposition in 2001. FPC's request is similar to requests it submitted in Docket No. 981635-EI to defer 1998 earnings for disposition in 1999, and in Docket No. 991695-EI to defer 1999 earnings for disposition in 2000. We approved those requests in Order No. PSC-98-1750-FOF-EI, issued December 22, 1998, and Order No. PSC-99-2437-PAA-EI, issued December 13, 1999, respectively. The 1998 and 1999 deferred earnings were subsequently applied to accelerate the amortization of the Tiger Bay regulatory asset, which is described below.

DOCUMENT NUMBER-DATE

00351 JAN-95

FPC-RECORDS/REPORTING

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 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. The current balance is approximately \$230 million. It is expected that the regulatory asset will be fully amortized by 2007 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 2000 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 2000 earnings sooner than if additional Tiger Bay amortization is booked. To accomplish this, FPC requests that it be allowed to defer an unspecified amount of 2000 earnings. This deferral would create a regulatory liability to be disposed of in the future. FPC has agreed that interest will be accrued on the deferred earnings. Additionally, FPC has proposed that the deferred earnings be included in the Company's capital structure as a separate line item using the actual interest rate applied to the deferred earnings. This is consistent with our decision approving FPC's 1999 deferral request in Order No. PSC-99-2437-PAA-EI.

Because no proposal for disposition of the deferred 2000 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 2000 earnings, plus interest, will be

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applied against the Tiger Bay regulatory asset if a proposal is either not filed or is not approved by this Commission, we approve FPC's request.

In its request, FPC stated that it would file any alternative proposal for disposition of its 2000 earnings by April 2, 2001. FPC's proposed filing date should allow this Commission and any potential intervenors adequate time to evaluate the proposal, conduct any required discovery, and be prepared to have this matter decided prior to the end of 2001. Therefore, we approve FPC's proposed filing date of April 2, 2001, for any proposal that it intends to offer. If a proposal is not filed by April 2, 2001, FPC shall immediately apply all 2000 deferred earnings, plus interest, to the Tiger Bay regulatory asset.

This docket shall remain open pending the review of any timely proposal for the final disposition of any 2000 deferred earnings. If FPC does not file a proposal by April 2, 2001, 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 2000 earnings for disposition in 2001 is granted. It is further

ORDERED that Florida Power Corporation shall file a proposal concerning the disposition of any 2000 deferred earnings by April 2, 2001, in this docket. If Florida Power Corporation does not file such a proposal by April 2, 2001, it shall immediately apply all 2000 deferred earnings, plus interest, toward amortization of the Tiger Bay regulatory asset. It is further

ORDERED that, for earnings surveillance reporting purposes, Florida Power Corporation shall include any 2000 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

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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 2000 deferred earnings. If Florida Power Corporation does not file a proposal by April 2, 2001, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 9th Day of January, 2001.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

By: Kay Flynn  
Kay Flynn, Chief  
Bureau of Records

( S E A L )

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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 30, 2001.

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.