

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval to provide optional Premier Power Service Rider, Rate Schedule PPS-1, for general service customers by Florida Power Corporation.

DOCKET NO. 010373-EI
ORDER NO. PSC-01-1648-TRF-EI
ISSUED: August 13, 2001

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING EXPERIMENTAL PREMIER POWER SERVICE RIDER

BY THE COMMISSION:

On March 29, 2001, Florida Power Corporation ("FPC") filed a petition for approval of an experimental Premier Power Service Rider, Rate Schedule PPS-1. By letter dated May 8, 2001, FPC voluntarily waived the 60-day file and suspend period set forth in Section 366.06(3), Florida Statutes. We have jurisdiction over the subject matter of FPC's petition pursuant to Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

Customers requiring on-site generators to serve as a back-up electric supply currently have the option of buying a generator or leasing a generator from an equipment vendor. The Premier Power Service Rider ("Rider") proposed by FPC would allow FPC's general service customers the option of having FPC install a minimum of 200 kW of generation at the premises of firm commercial and industrial customers. FPC would own, maintain, and operate the generators for a fixed monthly charge. The Rider is designed for customers who require improved service reliability but wish to avoid ownership and maintenance of back-up generation. Examples of such customers

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include hospitals, municipal water and waste-water facilities, and financial institutions.

Eligible customers who request service under the Rider will be required to execute a Premier Power Service Contract ("Contract") with a minimum term of 10 years. The Contract will contain a customer-specific monthly charge which reflects the total cost incurred by FPC to provide the generator. Specifically, the charge reflects FPC's installed cost of the generator plus expenses. Expenses include O&M expenses, fuel expenses, and depreciation expenses. These costs are levelized to provide for equal monthly payments over the initial 10-year term of the Contract.

The cost of fuel included in the monthly charge represents the cost to run the generator 100 hours per year, which represents the annual average number of hours the generator is expected to operate. This assumption is partially based on experience gained by Carolina Power & Light Company, who offers a similar rider.

FPC provided sample papers that demonstrate the calculation of the customer-specific charge. Inputs such as equipment costs, installation costs, and contract term will vary from customer to customer. Other inputs such as the weighted average cost of capital, depreciation rates, and tax rates will be adjusted annually and/or when this Commission authorizes a change. This will ensure that the monthly charge for the generator reflects FPC's actual costs at the time the Contract is signed. Once a Contract is signed, the monthly payment is fixed for the entire term of the Contract. We find that the method for calculation of the customer-specific charge is reasonable.

The generators installed under the Rider will serve primarily as an alternate supply of electricity to customers in the event that the normal electric supply is interrupted. In addition, FPC will have the ability to install remote dispatch controls on selected generators to provide additional capacity to FPC's system during periods of capacity shortage. The customer, however, will always have first call on the generator for back-up purposes. FPC states that it will evaluate each generator to determine whether to install remote dispatch equipment based on economic and safety factors.

FPC estimates the cost of the remote dispatch equipment to be \$35,000 per installation. The cost of the dispatch equipment represents a cost to the general body of ratepayers because it will not be included in the monthly charge to the customers receiving service under the Rider. However, the general body of ratepayers will benefit from FPC's ability to dispatch the generators during periods of capacity shortage.

An additional benefit to the general body of ratepayers occurs because they incur no fuel costs for the power provided from the generators during periods of capacity shortage. The cost of the fuel for 100 run hours per year is recovered through the monthly charge from the customer taking service under the Rider. In the event that FPC dispatches a generator in excess of the 100 hours, FPC states that it will not recover the cost of additional fuel through the Fuel and Purchased Power Cost Recovery clause ("fuel clause"). Any additional fuel purchased for dispatch will be booked to FERC expense account 587 (customer installation expense) and will not impact other ratepayers between rate cases.

FPC proposes a 5-year experimental period during which customers can request service under the Rider. FPC indicates it will submit annual reports to this Commission regarding participation levels and the amount of generation installed. FPC also indicates that at least 60 days prior to the expiration of the rider, FPC will submit either a petition to this Commission to extend or modify the Rider or a report describing the basis for allowing the Rider to expire. We find these terms reasonable.

Upon review, we find that FPC's proposed Premier Power Service Rider is reasonable. The Rider provides an optional service to customers who request a higher degree of reliability. Because customers requesting service under the Rider will be responsible for the total cost of the back-up generation, the general body of ratepayers will be protected. Accordingly, we approve FPC's proposed experimental Premier Power Service Rider. The Rider is effective as of July 24, 2001, the date of our vote on this matter.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power Corporation's petition for approval of an experimental Premier Power Service Rider, Rate Schedule PPS-1, is granted. It is further

ORDERED that Florida Power Corporation's experimental Premier Power Service Rider, Rate Schedule PPS-1, is effective as of July 24, 2001, the date of our vote on this matter. It is further

ORDERED that Florida Power Corporation shall submit annual reports to this Commission regarding the level of customer participation and the amount of generation installed under its experimental Premier Power Service Rider, Rate Schedule PPS-1. It is further

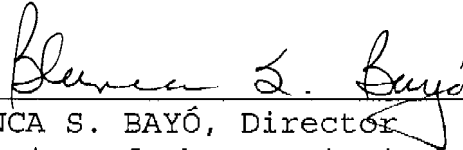
ORDERED that Florida Power Corporation shall, at least 60 days prior to the expiration of its experimental Premier Power Service Rider, Rate Schedule PPS-1, submit either a petition to this Commission to extend or modify the Rider or a report to our staff describing the basis for allowing the Rider to expire. It is further

ORDERED that if a protest is filed within 21 days of issuance of this Order, the tariff shall remain in effect with any charges held subject to refund pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

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By ORDER of the Florida Public Service Commission this 13th
day of August, 2001.



BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

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NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review 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 Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida

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Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 3, 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.