

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of revision to Sebring Rider, Rate Schedule SR-1, by Progress Energy Florida, Inc. | DOCKET NO. 060342-EI
ORDER NO. PSC-06-0592-TRF-EI
ISSUED: July 7, 2006

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
J. TERRY DEASON
ISILIO ARRIAGA
MATTHEW M. CARTER II
KATRINA J. TEW

ORDER APPROVING REVISION TO SEBRING RIDER TARIFF

BY THE COMMISSION:

BACKGROUND

On April 12, 2006, Progress Energy Florida (Progress Energy) filed a petition for Commission approval of revisions to its Sebring Rider (SR-1) tariff.

The Sebring Rider was approved in Commission Order No. PSC-92-1468-FOF-EU, issued on December 17, 1992, in Docket No. 920949-EU, In Re: Joint Petition of Florida Power Corporation and Sebring Utilities Commission for Approval of Certain Matters in Connection with the Sale of Assets by Sebring Utilities Commission to Florida Power Corporation. Prior to 1992, the City of Sebring operated a municipal utility under the Sebring Utility Commission. Faced with bankruptcy due to escalating debt obligations, the city approved the sale of the utility and its assets. Tampa Electric Company purchased the generating assets, and Progress Energy (then Florida Power Corporation) agreed to purchase the utility assets and take over the remaining debt, making Sebring customers customers of Progress Energy. Since the debt had been incurred by the Sebring Utility Commission on behalf of the residents of the City, Progress Energy argued that the cost of the purchase price above the net book value of the assets acquired, plus the 'going concern' value, should not be spread to the remainder of Progress Energy's ratepayers. Instead, Progress Energy petitioned for a special 15 year surcharge or rider that would recoup this debt from the residents of the City of Sebring. At the time, even with the Sebring Rider added to Progress Energy's existing rates, residents of Sebring were paying less than they did under the Sebring Utility Commission's management. The terms of the agreement required that all customers of Sebring as of the date of closing and all future customers in Sebring's service territory would be subject to the rider. The Sebring Rider is scheduled to terminate at the end of March 2008. As of February 2006, Progress Energy had

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recovered some \$42.7 million out of \$50.5 million that was approved to be recovered through the rider.

The Commission recognized that the Sebring Rider might need to be adjusted over time to match the rider revenues to the debt service requirements as closely as possible. Therefore, the Commission retained jurisdiction over all aspects of the rider and directed Progress Energy to review the rider on an annual basis and submit the results of the review to the Commission. In Order No. PSC-96-1194-FOF-EI, issued September 23, 1996, in Docket No. 960905-EI, In Re: Petition for approval to revise Sebring Rider, Rate Schedule SR-1, by Florida Power Corporation, the Commission ordered a change from the annual review of the Sebring Rider to a three year review cycle to allow identification of trends more representative of future performance and permit better calibration in setting the level of the rider. To comply with the revised 3-year filing requirement of the rider, Progress Energy filed its petition.

We have jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, Florida Statutes, and as explained below, we approve Progress Energy's request to adjust the Rider rate from 1.524 cents per kWh to 1.293 cents per kWh.

DECISION

The Sebring Rider is a formula rate similar to other rates that the Commission has established. The amount of the Sebring Rider is simply the total dollars to be recovered divided by the total number of kWh sales forecasted over a fifteen year time period.

As noted above, the rider was to be collected from all customers of Sebring as of the date of closing, and all future customers in Sebring's service territory would also be subject to the rider. During the most recent review of the rider, Progress Energy discovered it had made errors in identifying customers who should be paying the rider in the former Sebring service territory. Progress Energy stated that some 932 customers that should have been paying the rider were not, and some 55 customers were paying the rider who should not have been. Progress Energy asserted that the errors were caused by inaccurate and ill-defined service territory maps received from the former Sebring utility commission and changes to some of the street names and roadways within the former Sebring service territory.

Progress Energy stated it was in the process of crediting the 55 customers who overpaid for a period of overpayment up to two years in the past, for a total amount of \$16,000 including interest, or approximately \$291 per customer. The two year period is set by the availability of customer billing records maintained by Progress Energy. Progress Energy also stated that it intended to back bill the 932 customers who should have paid the rider approximately \$314,000, or approximately \$337 per customer, representing one year's past billing. Pursuant to Rule 25-6.106, Florida Administrative Code, a utility may not back bill for a period greater than 12 months when the undercharge was a result of the utility's mistake.

In response to staff inquiries, Progress Energy provided spreadsheets showing the actual back bill amounts per customer, which ranged from \$.05 to \$22,555. The spreadsheets raised a concern that some of the commercial and larger residential customers would be adversely

affected if large back bill amounts of thousands of dollars were collected over a period of one year. After discussions with our staff, Progress Energy has agreed to collect the back bill amount from all 932 customers over a period of two years.

To synchronize the financial effects from the differing time periods for refunds and back billed amounts, Progress Energy has said that it will absorb \$253,836, which represents the second years' back bill the company could not collect from customers per Commission Rule 25-6.106. The total amount to be collected through the rider will thus be reduced by \$253,836.

To avoid future errors, Progress Energy states it has developed a more accurate geographic information system (GIS) map showing exact streets and properties subject to the rider. It has also changed its work order format to include a check-off option to indicate if an installation or turn on of electric service is subject to the rider. Progress Energy also indicated it is developing a closer working relationship with both the City of Sebring and Highlands County to ensure that any changes in road and street names are more quickly communicated to the utility to keep its records up to date.

We agree that the rider should be revised. Using an updated sales forecast through the end of the rider's 15 year term, Progress Energy has calculated a revised rider of 1.293 cents per kWh compared to the current rider of 1.524 cents per kWh. Attachment A to this Order shows the calculation and comparison of the rider from its initiation through the present. The attachment was prepared and developed by Progress Energy as part of its initial filing in this docket.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the petition for approval of revision to Sebring Rider, Rate Schedule SR-1, by Progress Energy Florida, Inc. is granted. It is further

ORDERED that the revised tariff shall be effective on the first billing cycle of August 2006. It is further

ORDERED that if a protest is filed within 21 days of issuance of the Order, the current tariff shall remain in effect with any revenues 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.

By ORDER of the Florida Public Service Commission this 7th day of July, 2006.

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

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

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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 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 July 28, 2006.

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.