

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to eliminate Sebring Rider, Rate  
Schedule SR-1, by Progress Energy Florida,  
Inc.

DOCKET NO. 080128-EI  
ORDER NO. PSC-08-0261-FOF-TP  
ISSUED: April 28, 2008

The following Commissioners participated in the disposition of this matter:

MATTHEW M. CARTER II, Chairman  
LISA POLAK EDGAR  
KATRINA J. McMURRIAN  
NANCY ARGENZIANO  
NATHAN A. SKOP

BY THE COMMISSION:

ORDER CANCELING TARIFF

BACKGROUND

By Order No. PSC-92-1468-FOF-EU,<sup>1</sup> we established Rate Schedule SR-1, Sebring Rider, a rate adjustment applied to Progress Energy Florida (PEF) customers residing in areas previously served by the Sebring Utility Commission (Sebring). Over a number of years, Sebring had accumulated significant debt to provide electric service to its residents. Because Sebring had become unable to service its debt and comply with its bond covenants, Sebring was forced to sell its utility system to PEF (then Florida Power Corporation). As part of the purchase and sale agreement, PEF agreed to pay Sebring an amount sufficient to retire the outstanding debt, and to refinance the debt as part of PEF's own medium-term financing program. PEF then requested a surcharge to recover this approximately \$30.6 million debt cost. We approved a surcharge (surcharge or Sebring Rider surcharge) to recover that debt from the Sebring customers over a fifteen year period beginning in April 1993. By Order No. PSC-92-1468-FOF-EU, the surcharge was determined not to be discriminatory under the statute because of the circumstances:

The record of this proceeding makes it perfectly clear, despite many Sebring customers' wish that it be otherwise, that the cost of the Sebring debt is a cost to serve the Sebring customers. That cost attaches to that class of customers, and distinguishes it from other classes of customers, no matter who provides the electric service ... We find that the Sebring rider rate appropriately identifies the additional cost to serve Sebring customers, appropriately allocates that cost to

<sup>1</sup> Order No. PSC-92-1468-FOF-EU, issued 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.

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those customers, and appropriately insulates Florida Power Corporation's general body of ratepayers from the costs that were not incurred for their benefit.

The initial cost projections were modified in Order PSC-93-1519-FOF-EI to reflect the finalized debt and interest figures to determine the total amount to be collected over the life of the Rider.<sup>2</sup>

The adjustment factor was applied on a kilowatt hour basis for usage by customers residing in the designated territory and was adjusted to reflect actual usage on a going-forward basis. Initially, PEF was required to submit a review of the collections to date on an annual basis to ensure that the recovery was proceeding on target to recover the appropriate amount within the fifteen year time frame. In 1996, PEF was permitted to go to a three year review cycle.<sup>3</sup> In 2006, PEF discovered that errors in the application of the Rider to certain customers, due to inaccuracies in the map originally provided by Sebring at the time of purchase. PEF filed a petition to issue refunds to some customers and back bill others to remedy these errors.<sup>4</sup>

On April 1, 2008, the fifteen year period expired, and PEF ceased collecting the surcharge, pursuant to the provisions of Order No. PSC-92-1468-FOF-WU. Accordingly, PEF filed for cancellation of the Sebring Rider as provided for in the Order. Sebring residents shall now pay only the otherwise applicable PEF rates, resulting in a rate reduction for these customers.

We have jurisdiction pursuant to Sections 366.03, 366.04, 366.05 and 366.06, Florida Statutes.

### DECISION

As discussed above, in 1992 PEF acquired the Sebring municipal utility system which was heavily in debt and in danger of default on its municipal utility bonds. As part of the purchase agreement, PEF agreed to refinance the difference between the purchase price and the depreciated net book value of the Rate Base Assets, plus any going concern value determined to be a prudent investment. PEF requested, and we approved, the Sebring Rider surcharge, a separate incremental charge to customers living within the territory previously served by the municipal utility to recover this cost. The charge was to be structured to recover the debt amount over no more than a fifteen year time frame.

Over the past 15 years, PEF has filed for adjustments in the rider level to reflect the difference between projected and actual usage. Supporting documentation filed with the petition indicates that PEF realized a very small under recovery of approximately \$7,000. PEF has not requested recovery of this amount through any other mechanism.

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<sup>2</sup> Order PSC-93-1519-FOF-EI, issued October 15, 1993, in Docket No. 930868-EI, In re: Joint Petition of Florida Power Corporation to Revise Its Sebring Rider Rate Schedule SR-1

<sup>3</sup> 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

<sup>4</sup> Order No. PSC-06-0592-TRF-EI, issued July 7, 2006, in Docket No. 060342-EI, In re: Petition for Approval Revise Sebring Rider, Rate Schedule SR-1 by Progress Energy Florida

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Pursuant to the provisions of Order No. PSC-92-1468-FOF-EU, PEF has demonstrated that it has collected the specified amount within the allotted time frame and has ceased collecting the Sebring Rider surcharge as of April 1, 2008. We find that Tariff Sheet 6.340 shall therefore be canceled and the Sebring Rider surcharge shall be eliminated. All customers who were subject to the surcharge shall now pay only the otherwise applicable PEF rates.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tariff Sheet 6.340 shall be canceled and the Sebring Rider surcharge shall be eliminated. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 28th day of April, 2008.



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ANN COLE  
Commission Clerk

( S E A L )

JEH

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 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.

Any party adversely affected by the Commission's final action in this matter may request:

- 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or
- 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Office of Commission Clerk, and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.