

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for a rate) DOCKET NO. 910890-EI
increase by Florida Power) ORDER NO. PSC-93-0796-FOF-EI
Corporation.) ISSUED: May 24, 1993

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
THOMAS M. BEARD
SUSAN F. CLARK
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION
ORDER ON FPC'S PROPOSED WORK FORCE REDUCTION

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 adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

In November of 1992, shortly after Florida Power Corporation's (FPC) new rates became effective, Commission staff learned from newspaper reports that FPC intended to reduce approximately 200 jobs from its work force by the end of 1993. These reports were inconsistent with FPC's rate case testimony, which projected an increase in work force. Accordingly, our staff conducted a field audit and investigation concerning FPC's intended work force reduction. During the course of the investigation, we learned that Mr. Allen Keesler, FPC's president, did in fact state that it was his goal to reduce FPC's work force by approximately 200 positions by January 1, 1994.

Through discovery, however, a common theme emerged among FPC's senior management. Although the members of the PACE team charged with planning the work force reduction developed and evaluated different scenarios to meet the president's goals, they did not believe it was practical to implement any of the plans they developed. In fact, it even appears that PACE team members attempted to convince Mr. Keesler it was not possible to meet the goals he had established. In their view, Mr. Keesler was simply expressing his concern over the growth in the number of employees employed by FPC. This viewpoint was noted in the March 19, 1993 issue of THE VALUE LINE Investment Survey, in which it was stated that "Florida Power claims that it had not actually planned to trim

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the staff, but had used the threat as a management tool to slow the growth in new positions."

Whatever Mr. Keesler's actual motives were, it appears that his senior staff never seriously intended to meet any specific numerical goals. Instead, the emphasis seemed to be on evaluating the need to fill any current or future vacancies on a case-by-case basis. In some situations, the work previously performed by FPC personnel would not actually be eliminated; instead, the work would simply be contracted out and be performed by non-FPC personnel. While this would reduce FPC's work force, it might not necessarily result in any significant decrease in expenses.

If FPC's earnings are significantly impacted from any work force reductions, the effects can be monitored through our earnings surveillance program and appropriate action can be taken at that time. It does not appear necessary to incur any additional expenses to further investigate this matter at this time. We find, therefore, no further action should be taken regarding this matter.

It is, therefore,

ORDERED by the Florida Public Service Commission that no further action should be taken in Docket No. 910890-EI. It is further

ORDERED that this Order shall become final and this docket shall be closed unless an appropriate petition for formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

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By ORDER of the Florida Public Service Commission this 24th
day of May, 1993.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)
MAH:bmi

Chairman Deason dissents as follows:

I voted to reduce Florida Power Corporation's rates by \$3.2 million because I am concerned about the process of setting rates in a projected test year environment. This case is not one of second guessing, fine tuning, relitigating or Monday morning quarterbacking. The sole issue is whether the Commission was deprived of crucial information about the company's work force when that information existed before and during the time the Commission was holding hearings on FPC's rate increase request.

The fact is that the Commission has accepted the use of fully projected test years in rate cases. While this could result in a more accurate matching of revenues to the costs to be incurred during the period rates will be in effect, the potential downside is that the Commission must place a large degree of reliance on the utilities' internal budgets (and related plans and assumptions). This reliance mandates that those budgets be as accurate as possible and contain all relevant information supporting (or even impeaching) the projections contained in the company's case.

In the case before us, FPC requested an increase in rates based, in part, on their stated assumptions that the work force would increase by 4.7% in 1993 and 1994. However, in May -- about two months before the hearing -- a process was initiated at the highest levels of the company to explore reducing the work force to 1/1/91 levels. I believe that this information would have been relevant to test the reasonableness of the work force increase assumptions presented.

I feel that our decision sends the wrong signal to all utilities that perhaps company plans that would affect the assumptions utilized in the MFRs need not be shared with the Commission. The Commission should send the strongest possible signal that the work force reduction plans are the very type of information needed to provide reliability and legitimacy to the use of projected test years.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on June 14, 1993.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in

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the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting 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 of the effective date 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.