

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request to accelerate ) DOCKET NO. 960671-EI  
the amortization of certain ) ORDER NO. PSC-96-0843-FOF-EI  
regulatory assets, by Florida ) ISSUED: July 1, 1996  
Power Corporation. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman  
J. TERRY DEASON  
JOE GARCIA  
JULIA L. JOHNSON  
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING AMORTIZATION OF CERTAIN  
REGULATORY ASSETS BY FLORIDA POWER CORPORATION

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 April 10, 1996, Florida Power Corporation (FPC) requested authorization to accelerate the amortization of three regulatory assets outstanding on its balance sheet as of December 31, 1995. The details of each item are discussed in the attachment. The first asset relates to the Sebring "Going Concern" Value. FPC was authorized to amortize this asset pursuant to Order No. PSC-94-0152-FOF-EI, issued February 8, 1994. As of December 31, 1995, this asset had a net book value of \$1.8 million. At the end of 1996, the remaining balance will be only approximately \$360,000 which also represents the amount that could be accelerated during 1996.

The second asset concerns the Unamortized Accumulated Carrying Costs - Extended Cold Shutdown Units. During FPC's rate case in Docket No. 830470-EI, we ordered that certain generating units be placed in extended cold standby. These units were removed from rate base and were allowed to accumulate a carrying cost until such time as the units were returned to service. As of December 31, 1995, the remaining balance of these costs to be amortized is \$6.7

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million, which is currently being amortized at a rate of \$700,000 per year.

The final asset concerns Interest on Tax Deficiencies. In Docket No. 910890-EI, FPC was authorized a three year amortization of the interest on certain income tax deficiencies that were the result of aggressive, but reasonable, income tax strategies. These income tax strategies were shown to be cost effective to the ratepayers. Since that time, FPC has incurred additional interest on other deficiencies resulting in a \$4.2 million balance at December 31, 1995 relating to base rate items. The reasons that gave rise to the additional interest have been reviewed and appear to be reasonable. Approval of this item is for the current balance only and does not extend to any additional future amounts.

Upon consideration, we find that FPC's request is in the public interest and should be approved. FPC's request is consistent with previous Commission decisions. For example, by Order No. PSC-95-1230-FOF-EI, dated October 3, 1995, we authorized the recording of additional amortization of the remaining balance associated with FPC's canceled 500KV Lake Tarpon-Kathleen transmission line project. We ordered that the company could record increased amortization above the annual amounts calculated using a four year amortization period, as long as its earnings were sufficient to absorb the increased expense. FPC has asked for the same discretion with regard to this request. The company has agreed to practice good judgment in determining the amount of increased amortization and the order by which each asset will be affected. In addition, the company will highlight each occurrence of accelerated amortization when filing its monthly surveillance report.

Based on the foregoing, it is

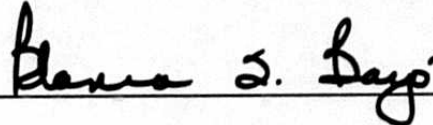
ORDERED by the Florida Public Service Commission that Florida Power Corporation shall be authorized to record additional amortization for certain regulatory assets as described in the body of this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, 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 or Judicial Review" attached hereto. It is further

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ORDERED that in the event this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission, this 1st day of July, 1996.



BLANCA S. BAYO, Director  
Division of Records and Reporting

( S E A L )

VDJ

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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 22, 1996.

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.

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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 substantially 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 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.



**Florida  
Power**  
CORPORATION

John Scardino, Jr.  
VICE PRESIDENT AND  
CONTROLLER

April 10, 1996

Mr. Tim Devlin  
Director of Auditing and Financial Analysis  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

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Dear Mr. Devlin:

Florida Power Corporation (Company) requests authorization from the Florida Public Service Commission (Commission) to accelerate the amortization of certain regulatory assets currently outstanding on its balance sheet as of December 31, 1995. The Company's request to record increased amortization expense originates from similar action taken by this Commission in Docket No. 9500270-EI, Order No. PSC-95-1230-FOF-EI, dated October 3, 1995. The Company was authorized in that Order to record additional amortization of the remaining regulatory asset associated with the canceled 500KV Lake Tarpon-Kathleen transmission line project above the annual amounts calculated using a four year amortization period as long as the Company's earnings are sufficient to absorb the increased expense.

**Regulatory Assets that would qualify for accelerated amortization:**

**Sebring Going Concern Value:**

The Company is continuing to amortize the Sebring "Going Concern" value as authorized in Docket No. 931150-EI, Order No. PSC-94-0152-FOF-EI, dated February 8, 1994. This regulatory asset has a net book value of \$1.8 million at the end of December 31, 1995 and is expected to be fully amortized by the end of March 1997. If you recall, in 1994 as part of our agreement with Staff, the Company agreed to accelerate the write-off of this asset in the event our FPSC adjusted return on equity exceeded 12.50%. In the discussions leading up to our agreement, Staff expressed the position that this asset was of little significance and should be written off as quickly as possible, preferably in one year.

**Unamortized Accumulated Carrying Costs - Extended Cold Shutdown Units**

The Company is currently amortizing the AFUDC equivalent accumulated on the net book value of certain peaking units that were placed in extended cold shutdown in 1984 and returned to service beginning in 1988. The accumulation of the AFUDC carrying cost on these units was in accordance with state and federal regulatory decisions from 1984. The annual amortization is calculated based on the remaining life of the associated peaking unit. As of December 31, 1995, the unamortized balance related to these costs is \$6.7million. The Company recorded \$.7 million in amortization expense for the twelve months ended December 31, 1995.

**Interest on Tax Deficiencies:**

The Company is currently amortizing interest on tax deficiencies over a three year period as authorized in Docket No. 910890-EI, Order No. PSC-92-1197-FOF-EI, dated October 22, 1992. The unamortized balance as of December 31, 1995 is \$4.4 million. This interest expense arises from the accrual and amortization of interest for actual and potential tax deficiencies. After reviewing a cost/benefit analysis prepared by the Company in our last base rate proceeding, the Commission concluded that interest on tax deficiencies was an appropriate cost of service item because it benefited our ratepayers through the avoidance of cost-based external financing. The Company's proposal affects only the \$4.4 million unamortized balance at December 31, 1995 and does not include any adjustments to the \$4.4 million or new items giving rise to income tax deficiencies in subsequent years.

**Company's commitment is to remain competitive and financially strong:**

The Company believes this request in no way harms its ratepayers but quite the contrary, assures them that their utility will remain competitive and financially healthy in a rapidly changing environment. It is for this reason that the Company desires to have this request placed before the Commission with support by the Staff. If the Staff cannot support this request as presented here, then please notify the Company and we will withdraw it without prejudice. If the Staff would like to offer alternative suggestions for our consideration, I would be available to meet with you or other members of Staff at your earliest possible convenience.

Finally, if the Staff concurs with the Company's request, Florida Power agrees to practice good judgment in determining the amount of increased amortization and the order by which each asset will be affected. In an effort to keep the Staff apprised of our actions, Florida Power Corporation will footnote each occurrence of accelerated amortization in the cover letter accompanying our monthly surveillance report.

Sincerely,



JS:kf

cc: Office of Public Counsel