ORIGINAL
FILE COPY 22

Florida Power
CORPORATION

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 970096-EQ

Petition for Expedited Approval of an Agreement to Purchase the Tiger Bay Cogeneration Facility and Terminate Related Purchase Power Contracts

DIRECT TESTIMONY AND EXHIBITS OF

JOHN SCARDINO, JR.

ACK ______
AFA ______
APP ______
CAF ______
CMU ______
CTR ______
EAG ______
LEG ______
LI ______
OPC ______
RCH ______
SEC ______
WAS ______
OTH ______

For Filing January 29, 1997

01128 JAN 29 5

FPSC-RECORDS/REPORTING

FLORIDA POWER CORPORATION
DOCKET NO. 970096-EQ

DIRECT TESTIMONY OF
JOHN SCARDINO, JR.

Q. Please state your name and business address.

A. My name is John Scardino, Jr. My business address is P. O. Box 14042, St. Petersburg, Florida 33733.

Q. By whom are you employed and in what capacity?

A. I am employed by Florida Power Corporation (Florida Power or the Company) in the capacity of Vice President and Controller. In addition, I also hold the position of Vice President and Controller of Florida Progress Corporation, the holding company of Florida Power Corporation.

Q. Would you please describe your educational background and work experience?

A. I graduated from the University of South Florida in 1972 with a Bachelor's Degree in Business Administration, majoring in Accounting. I began my employment with Florida Power in 1970. Since then, I have held the following accounting positions within the Controller's Department: Manager of Accounting Research and Analysis, Manager of General Accounting, Director of General Accounting and Budgets, and Assistant Controller. My responsibilities prior to becoming Assistant Controller included maintenance of the general records of the Company, fuel accounting, customer accounting, financial and regulatory reporting, coordinating the preparation of all accounting schedules required in the Company's base rate proceedings before the Federal Energy Regulatory Commission (FERC) and the Florida Public Service Commission (FPSC), and corporate budgeting process. As Assistant Controller, my supervisory responsibilities expanded to include the following departments: Accounts Payable and Disbursements Accounting, Plant and Depreciation Accounting, Systems and Procedures, Payroll, Tax, and Regulatory Accounting and Financial Reporting. I was elected to the position of Vice President and Controller at Florida Power Corporation in April, 1991. In addition to my work experience, I have completed the 1994 Stanford Executive Program and the Edison Electric Institute Executive Management Program. I also have attended a variety of courses on management and finance sponsored by the Company, the Southeastern Electric Exchange, Edison Electric Institute and others. In addition, I currently serve on the Chief Accounting Officer Committee of the Edison Electric Institute, am a member of the EEI-FERC Accounting Liaison Committee and am a member of the Institute of Management Accountants.

Q. What are the responsibilities of your present position as they relate to Florida Power Corporation?

A. As Chief Accounting Officer, I am responsible for the Company's accounting policies and procedures, and its general books and related accounting records, including the preparation of monthly financial statements, quarterly and annual reporting to the Securities and Exchange Commission (10Q and 10K), FERC Annual Form 1 Report, and the

Company's monthly Rate of Return report required by the FPSC under its continuing surveillance authority. I have testified before the FPSC in various accounting related matters.

Q. What is the purpose of your testimony?

A. Florida Power has entered into an agreement with the Tiger Bay Limited Partnership for the purchase of the Tiger Bay cogeneration facility and the termination of the Purchase Power Agreements (PPAs) served by that facility. The purpose of my testimony is to describe the proposed accounting and ratemaking treatment associated with this transaction. The direct testimony of Mr. Robert Dolan contains a description of the overall contractual arrangement and its expected benefits to Florida Power's customers.

Q. Do you have any exhibits to your testimony?

A. Yes. I have prepared Exhibit No. ___ (JS-1 through JS-5), which is attached to my prepared testimony.

Q. Why does the Company believe that it should recover the entire purchase price from its customers?

A. As demonstrated in Mr. Dolan's Exhibit No. ___ (RDD-4), page 1 of 4, an economic evaluation of the Tiger Bay purchase shows that the overall transaction would produce net savings of at least $1.9 billion compared to the payments that would have been made under the Tiger Bay PPAs. However, from the customers' perspective, the Tiger Bay transaction produces even greater savings (between $2.0 and $2.4 billion), since Florida Power will initially absorb through existing base rates all of the non-fuel cost associated with the acquisition and operation of the Tiger Bay facility other than the retail portion of the estimated purchase price ($421 million) plus related financing costs ($67 million) (collectively referred to as the purchase cost). *See*, RDD-4, pages 2 and 3 of 4. These other non-fuel costs include the facility's operation and maintenance expenses, site lease payments, property taxes, insurance, and the carrying cost of the deferred taxes associated with the purchase and are expected to initially total approximately $10 million annually. The Company has no plans to seek an increase in its base rates in the foreseeable future. Since the customers will receive all of the savings from the Tiger Bay purchase, and since Florida Power will initially absorb in base rates significant costs resulting from the purchase, I believe it is entirely appropriate and fair that the customers provide a current recovery of the purchase price portion of the total costs associated with the acquisition.

Q. What is Florida Power's proposed ratemaking treatment for the Tiger Bay transaction?

A. The Company is seeking approval in this proceeding to recover the retail portion of the Tiger Bay purchase cost from its customers over a period not to exceed five years through the capacity cost recovery (CCR) clause. In addition, the Company is asking for approval to recover purchased gas cost associated with the Tiger Bay facility through the fuel adjustment clause (FAC) for the duration of the gas supply contract.

Q. Florida Power's petition asks that the Company be given some latitude to manage the collection of the purchase cost in a manner that best mitigates the impact of the recovery on the overall cost of electricity to customers. What form do you envision this latitude taking?

A. I see this latitude encompassing possible variations in either the level of purchase cost recovery over the five-year recovery period or variations in the commencement of the recovery period. With respect to the former, Exhibit B to the petition can be viewed as somewhat of a "base case." Pages 2 and 3 of Exhibit B show the rate impact on customers under two scenarios; one, with the non-fuel costs of operating the Tiger Bay facility absorbed within existing base rates for five years, and the other with the those costs absorbed permanently. In both scenarios, however, the purchase cost is shown as a levelized annual cost collected from customers over a five-year period beginning in mid-1997. Exhibit B is also contained in Mr. Dolan's testimony as Exhibit No. ___ (RDD-4), where it is discussed in greater detail.

My Exhibit No. ___ (JS-1) is a variation on Exhibit B's Scenario 1 (page 2 of 4), which shows a methodology the Company suggests as a means to mitigate the impact of recovering the Tiger Bay purchase cost on the overall cost to our customers. Under this methodology, the purchase cost is collected over the five-year period on a "constant purchasing power" basis by escalating the "per unit" recovery price (*i.e.*, cents per kWh) using a 3% inflation factor from the CPI forecast. The calculation also incorporates the Company's forecasted energy sales growth rate of 3.1% in 1997, declining to 1.9% in 2002. In addition, my exhibit shows the recovery period in effect for the last three months of 1997 through the first nine months of 2002 in order to more accurately reflect the regularly scheduled changes to the Company's adjustment clauses. As can be seen in column (4) of JS-1, the carrying costs of delaying the commencement of the recovery period by three months and the shifting of costs toward the end of the period increase the total purchase cost by approximately $10 million compared to Exhibit B.

The other kind of latitude that may prove helpful in mitigating the rate impact on the customers' overall bills is the flexibility to consider deferring the start of the five-year recovery period from the date of the transaction closing to a date in the future not later than October 1998. As was the case in JS-1, the carrying costs of deferring the recovery period would increase the total purchase cost recoverable through the CCR.

Q. Is the Company's proposal to recover the entire purchase cost through the CCR, instead of allocating the recovery between the CCR and the FAC, consistent with recent Commission precedent?

A. Yes. The Company's proposal to recover the Tiger Bay purchase cost entirely through the CCR may appear at first blush to be inconsistent with recent Commission precedent, but in fact, it is completely consistent with the allocation principle explained by the Commission and its staff in the earlier Cypress Energy and Orlando Cogen cases. That principle requires that allowable contract transaction costs be recovered through the CCR and the FAC in a way that approximates, as closely as possible, the ratio of cost recovery between these two clauses that existed before the transaction. The reason for this is to prevent a major shift in customer responsibility for those costs which are assigned to customer classes based on a relationship to class demands (i.e., kW) and those costs which are assigned based on a relationship to energy (i.e., kWh). In this case, that principle can only be satisfied by recovering the purchase cost entirely through the CCR.

Q. Please explain why the principle would be violated in this case by recovering some portion of the transaction cost through the fuel adjustment instead of entirely through the CCR.

A. Under the Tiger Bay arrangement, Florida Power will replace the energy charges incurred under the existing PPAs with fuel costs incurred under Tiger Bay's natural gas contract, resulting in an increase in costs recovered through the fuel adjustment clause. This is because it is necessary for Florida Power to acquire Tiger Bay's existing gas supply contract in order to realize the more substantial capacity savings achievable through the purchase. Even before any recovery of the purchase cost, these higher fuel costs, under the Company's proposal, will flow through the FAC and increase the ratio of energy versus capacity cost recovery. Placing a portion of the purchase cost in the fuel adjustment as well would exacerbate the relative shift in fuel cost responsibility from the capacity side to the energy side. The shift that already results from acquiring the Tiger Bay gas contract can be offset (but not eliminated) only by including the purchase cost on the capacity side, i.e., the CCR. Even by including all of the purchase cost in the CCR, the shift toward a more heavily weighted energy recovery cannot be completely reversed, unless a portion of the fuel costs were allowed to be recovered through the CCR.

Q. Can you illustrate your point numerically?

A. Certainly. Currently, Florida Power recovers the Tiger Bay contract costs in a capacity-to-energy ratio of about 78%-to-22%, as shown on my Exhibit No. ___ (JS-2). With the Tiger Bay purchase, as I have said, the total capacity costs will decrease, while the total energy costs will increase. The result is that the capacity-to-energy ratio becomes about 41%-to-59% even with 100% of the purchase cost recovered in the CCR. If the Commission were to require that <u>any</u> of the purchase cost be recovered on an energy basis, then this shift would be exaggerated; it would <u>not</u> be reversed. The Company's proposal to put all of the purchase cost in the CCR comes as close as possible to replicating the capacity-to-energy ratio that would exist before the transaction without shifting a portion of the Tiger Bay fuel costs to the CCR. In fact, to maintain the prior capacity-to-energy ratio, 64% of the fuel cost would have to be recovered on a capacity basis. Therefore, the Company's proposed recovery methodology is as consistent with the principle stated in the Cypress Energy and Orlando Cogen cases as can be achieved, absent an energy-to-capacity shift.

Q. Has the Commission previously approved the recovery of QF contract buyout costs through the CCR?

A. Yes. In approving the contract buyout provision in Florida Power's settlement agreement with Auburndale Power Partners, the Commission stated that "[t]he restructuring payments are largely capacity related. As such, they should be collected through the Capacity Cost Recovery Clause." Order No. PSC-95-1041-AS-EQ in Docket No. 950567-EQ, page 4. The Auburndale purchase power agreements were almost identical in pricing structure to Tiger Bay PPAs.

Q. Does the Company's proposed recovery method assign the benefits and costs of the Tiger Bay purchase to customers in a consistent way?

A. Yes. The benefits to be achieved from this purchase are all capacity-related. As I have already explained, in order to realize the capacity benefit, it is necessary to incur an energy-related cost. Another reason why it is appropriate to recover the entire transaction cost through the CCR is that this approach assigns cost responsibility for the purchase cost on the same capacity-related basis as the benefits that will be realized, since 100% of the benefits result from avoided capacity payments under the Tiger Bay PPAs.

Q. How is the $445 million Tiger Bay purchase price allocated between the acquisition of the plant and related assets and the termination of the Tiger Bay PPAs?

A. I have presented the allocation of the Tiger Bay purchase price in my Exhibit No. __ (JS-3). The $445 million estimate consists of approximately $162.7 million for the facility's plant, inventory and equipment, and $282.3 million for the termination of the Tiger Bay PPAs. This allocation is pending the Company's review of Tiger Bay's financial statements detail to assure that capitalized costs are in compliance with the Commission's Uniform System of Accounts. The Commission's Uniform System of Accounts requires that electric plant constituting an operating unit or system be recorded at its original cost. This assumes that the electric plant being purchased was recorded under the guidelines established by the Commission, which is not the case here. Florida Power made preliminary adjustments to the orginal cost to remove items which the Company believes the Commission would not have allowed to be capitalized.

Q. How is Florida Power proposing to account for the Tiger Bay transaction on its books?

A. The total Tiger Bay purchase cost should be recorded in accordance with Generally Accepted Accounting Principles (GAAP) and the Commission's Uniform System of Accounts. My Exhibit No. ___ (JS-4) presents the proposed accounting for the initial recording of the transaction. The purchase cost is segregated into a facility cost component and a component for the cost of terminating the Tiger Bay PPAs. As my exhibit shows, the original cost of the Tiger Bay facility will be recorded in Account 102 - Electric Plant Purchased or Sold, the accumulated depreciation to date will be recorded in Account 108 - Accumulated Provision for Depreciation, and the inventory acquired by the transaction will be recorded in Account 154 - Plant materials and Operating Supplies. The portion of the purchase price related to the PPA termination payment will be recorded in Account 114 - Electric Plant Acquisition Adjustments. After obtaining regulatory approval, the facility costs will be transferred to Account 101 - Electric Plant in Service.

For book purposes, it is Florida Power's intention to amortize the cost of the PPA termination payment over five years and to depreciate the Tiger Bay facility over its remaining useful life. For reasons described below, Account 254 - Other Regulatory Liabilities, will be established to record the unearned revenues caused by the timing difference between the five-year collection of revenues and the depreciation of the Tiger Bay facility over the remainder of its useful life (approximately 27 years).

Q. How will the transaction be handled for purposes of surveillance reporting?

A. For "FPSC Adjusted" surveillance reporting purposes, Florida Power intends to amortize the cost of the PPA termination payment and the Tiger Bay facility consistent the book treatment of these components. Account

254 would be included as a reduction to rate base through the Company's working capital allowance.

Q. Please explain why Account 254-Other Regulatory Liabilities should be established.

A. According to Statement 71 issued by the Financial Accounting Standards Board (FASB-71), "In the event that the regulator includes in its regulated rates amounts that are intended to recover expected future costs which must be accounted for, a liability is created equal to the amount of revenue collected for the expected future costs. The amount of revenue collected for the expected future costs is recorded as unearned revenue until the expected future costs are actually incurred." It is the Company's opinion that by obtaining full recovery of the purchase price through the CCR over five years and depreciating the facility over its useful life, a liability has been substantiated and is properly recorded in Account 254.

Q. How will the transaction be financed?

A. The Company is still evaluating the most economical method of debt financing for this transaction, which could be through instruments such as medium-term notes, bank loans, commercial paper, etc., or a combination of financing instruments. For illustrative purposes in its exhibits, Florida Power has included financing costs based on a series of five medium-term notes that will mature in one through five years of the closing date of the Tiger Bay purchase.

The weighted average rate of the bond series is estimated to be approximately 6.3%. Florida Power believes that the financing of this purchase should be viewed as a stand-alone project financing and, therefore, the customer would not be asked to finance this project at the Company's overall weighted cost of capital.

Q. How will the financing of the Tiger Bay purchase be addressed in Florida Power's monthly surveillance reporting?

A. The financing will be presented in Florida Power's monthly surveillance similar to all its other normal debt instruments; it will be presented at a face value of $445 million in the capital structure and its accrued interest will be included in working capital.

Q. What costs associated with the Tiger Bay facility will Florida Power initially absorb through its existing base rates and how will these costs be treated?

A. Other than the Tiger Bay purchase cost, all non-fuel costs associated with the acquisition and operation of the Tiger Bay facility will be initially absorbed by Florida Power's existing base rates. These other non-fuel costs consist of the facility's operation and maintenance expenses, property taxes, site lease payments, insurance, and the carrying costs of the deferred tax asset. As I stated earlier, these costs will initially amount to approximately $10 million annually. They will be treated as utility expenses and included in the monthly earnings surveillance reporting. For example, the Tiger Bay facility's annual O&M expenses, estimated at $5.5

million, will be recorded as production plant expenses on Florida Power's books.

My Exhibit No. __ (JS-5) presents the financial impact of the Tiger Bay transaction on the Company's financial return. The 1997 annualized impact of these costs on the financial return on equity is approximately 49 basis points. Florida Power will not seek recovery of these expenses currently and has no other plans to seek base rate relief in the foreseeable future.

Q. How will the fuel costs of the Tiger Bay facility's gas supply and transportation agreements be handled?

A. Tiger Bay's facility gas supply and transportation agreements will be treated as recoverable through the fuel adjustment clause in the same manner as any other fuel expense. As explained in Mr. Dolan's testimony, the gas supply costs under the Vastar Resources contract are relatively high compared to the Company's forecast of future gas supply costs. However, it is necessary to incur these fuel costs in order to achieve the significant net savings that the overall transaction will provide to our customers.

Q. How will Florida Power account for the revenues received from the sale of steam to the Tiger Bay facility's steam host, US Agri-Chemicals Corporation?

A. Steam revenues attributable to the Tiger Bay facility of approximately $500,000 per year will be credited to the fuel adjustment clause, consistent with the treatment of steam revenues approved by the Commission for Florida Power's University of Florida cogeneration facility.

Q. What tax ramifications are associated with the Tiger Bay transaction?

A. The transaction may result in the creation of a tax asset in the form of an Account 190 prepaid tax. The reason for this is that the recovery of the purchase cost over five years will constitute taxable income to Florida Power but the offsetting tax deduction will not match the receipt of revenues from customers. It is expected that the portion of the purchase price representing the fair market value of the Tiger Bay facility will be deductible for tax purposes over 20 years using Modified Accelerated Cost Recovery Schedule (MACRS) tax depreciation. The remainder of the $445 million purchase price representing the PPA termination payment may be deductible for tax purposes on a straight line basis over 15 years. Under this treatment, the resulting tax asset will grow through year five and then shrink to zero after 20 years. Florida Power hopes to obtain an I.R.S. ruling regarding the permissibility of deducting the PPA termination payment currently. If a current deduction is allowed for the termination payment, a deferred tax liability would be created, increasing the averall customer savings from the Tiger Bay transaction, Should a current deduction not be allowed, the carrying cost to fund the prepaid tax and to finance the resulting prepaid tax asset, will be absorbed in the Company's existing base rates.

Q. What separation factors will be used to derive the jurisdictional allocations of the Tiger Bay transaction?

A. The jurisdictional allocation will be derived using the separation factors based on the current cost of service study at the time the transaction is closed. For example, if the transaction were to be closed at the time this testimony was prepared, the retail separation factor for base load production plant is 94.56%.

Q. Does this conclude your testimony?

A. Yes, it does.

Exhibit _____ (JS-1)

Savings Due to the Purchase of Tiger Bay
Scenario #3 - Proposed Methodology for Cost Recovery
($000)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Tiger Bay Transaction				(1)-(5)		
Year	Existing Contract Total	Fuel Cost	Base Rate Cost	Purchase Cost	Total	Net Customer Savings	Customer Cost	Customer Savings
1997	37,931	20,947	0	29,254	50,201	(12,270)	(12,270)	0
1998	78,447	41,486	0	84,559	126,045	(47,598)	(47,598)	0
1999	82,193	42,099	0	90,489	132,588	(50,395)	(50,395)	0
2000	87,804	44,580	0	96,577	141,157	(53,353)	(53,353)	0
2001	90,996	44,529	0	102,823	147,353	(56,357)	(56,357)	0
2002	95,054	45,903	0	94,818	140,721	(45,667)	(45,667)	0
2003	99,808	47,225	15,070	0	62,296	37,513	0	37,513
2004	105,228	48,703	16,780	0	65,483	39,745	0	39,745
2005	103,086	50,235	21,199	0	71,434	31,652	0	31,652
2006	108,359	51,723	13,769	0	65,492	42,868	0	42,868
2007	113,331	53,361	17,362	0	70,724	42,607	0	42,607
2008	119,336	55,064	18,868	0	73,932	45,404	0	45,404
2009	124,670	56,833	12,525	0	69,358	55,312	0	55,312
2010	131,228	58,670	17,157	0	75,827	55,401	0	55,401
2011	136,914	37,397	16,651	0	54,048	82,867	0	82,867
2012	144,557	37,975	11,566	0	49,541	95,016	0	95,016
2013	151,542	38,566	16,127	0	54,692	96,849	0	96,849
2014	159,419	39,168	15,408	0	54,576	104,844	0	104,844
2015	167,581	39,782	14,087	0	53,869	113,712	0	113,712
2016	176,286	40,409	15,281	0	55,689	120,597	0	120,597
2017	185,528	41,048	20,239	0	61,287	124,241	0	124,241
2018	195,302	41,699	12,789	0	54,488	140,813	0	140,813
2019	205,642	42,364	19,021	0	61,385	144,257	0	144,257
2020	216,603	43,042	24,622	0	67,664	148,939	0	148,939
2021	228,225	43,734	14,066	0	57,800	170,425	0	170,425
2022	240,527	44,439	20,154	0	64,593	175,934	0	175,934
2023	253,568	45,159	14,739	0	59,898	193,671	0	193,671
2024	267,396	45,893	15,478	0	61,371	206,025	0	206,025
2025	80,958	46,642	23,641	0	70,283	10,676	0	10,676
Total =	$4,187,620	$1,288,674	$386,600	$498,620	$2,173,794	$2,013,726	($265,640)	$2,279,366
NPV at 6/97	$1,285,202	$497,955	$107,172	$395,248	$1,000,375	$284,827	($210,866)	$495,693

Benefit/Cost Ratio (nominal dollars) = 8.6

Exhibit (JS - 2)

FLORIDA POWER CORPORATION
FUEL AND PURCHASE POWER COST RECOVERY CLAUSE
CAPACITY-TO-ENERGY RECOVERY RATIOS FOR
TIGER BAY CONTRACT VERSUS PURCHASE

LINE NO.		CAPACITY CLAUSE	ENERGY CLAUSE	TOTAL
1	Existing Contract Allocation:			
2				
3	Nominal Cost (000s)	$ 3,382,589	$ 931,106	$ 4,313,695 (A)
4				
5	Percent Allocation	78%	22%	100%
6				
7				
8				
9				
10				
11	Purchase Allocation:			
12				
13	Nominal Cost (000s)	$ 885,120	$ 1,288,674	$ 2,173,794 (B)
14				
15	Percent Allocation	41%	59%	100%
16				
17				
18				

(A) Total contract cost per Mr. Dolan's Exhibit RDD-4, page 4 of 4, column (3).
(B) Total transaction cost per Mr. Scardino's Exhibit JS-1, column (5).

Exhibit (JS - 3)

FLORIDA POWER CORPORATION
ESTIAMTED ALLOCATION OF PURCHASE PRICE
OF
TIGER BAY LIMITED PARTNERSHIP

LINE NO.	Purchase Price Component	Allocation
1	Inventory, Plant and Equipment	$ 162,742,000
2		
3		
4		
5	Purchase Power Agreements	282,258,000
6		
7		
8		
9	Total Purchase Price	$ 445,000,000

Exhibit (JS - 4)

FLORIDA POWER CORPORATION
ACQUISITION OF TIGER BAY
(In Thousands)

LINE NO.		FERC ACCOUNT	SYSTEM (A) PURCHASE DATE	SYSTEM (B) REGULATORY APPROVAL
1	**BALANCE SHEET:**			
2				
3	EPIS	101	$ -	$ 173,347
4	ELECTRIC PLANT PURCHASED OR SOLD	102	173,347	-
5	ACCUM RESERVE	108	15,347	15,347
6	PLANT MATERIALS & OPERATING SUPPLIES	154	4,742	4,742
7	TIGER BAY ACQUISITION ADJUSTMENT	114	282,258	282,258
8	**TOTAL ASSETS & OTHER DEBITS**		$ 445,000	$ 445,000
9				
10				
11				
12	LONG-TERM DEBT	224	$ 445,000	$ 445,000
13	NET ACCUM DEFERRED INCOME TAXES	190/254	-	-
14	OTHER REGULATORY LIABILITY	254	-	-
15	**TOTAL LIABILITIES & OTHER CREDITS**		$ 445,000	$ 445,000

Exhibit ________(JS - 5)

FLORIDA POWER CORPORATION
PROFORMA OF IMPACT OF TIGER BAY TRANSACTION*
(In Thousands)

LINE NO.		SYSTEM (A) FPC 1997 BUDGET	(B) FPC PROFORMA OF TIGER BAY (ANNUALIZED)	(C) PROFORMA FPC 1997 BUDGET (A) - (B)
1	**INCOME STATEMENT:**			
2	REVENUES			
3	BASE REVENUES	$ 1,277,002	$ -	$ 1,277,002
4	FUEL & CCR REVENUES	919,847	124,867	1,044,714
5	OTHER PASS THROUGH REVENUES	180,376	-	180,376
6	OTHER REVENUES	70,606	-	70,606
7		2,447,831	124,867	2,572,698
8				
9	TOTAL OPERATING EXPENSE			
10	NON-FUEL O&M	491,800	8,731	500,531
11	FUEL EXPENSE	960,100	41,690	1,001,790
12	DEPRECIATION	326,600	5,838	332,438
13	AMORTIZATION OF ACQUISITION ADJ.	-	55,729	55,729
14	TAXES OTHER THAN INCOME	195,500	2,134	197,634
15		1,974,000	114,121	2,088,121
16				
17				
18	NET OTHER (INCOME) & DEDUCTIONS	3,900	-	3,900
19	NET INTEREST CHARGES	90,300	26,626	116,926
20	PREFERRED STOCK DIVIDEND	1,500	-	1,500
21				
22	PRETAX EARNINGS	378,131	(15,880)	362,251
23	INCOME TAXES	136,600	(6,126)	130,474
24				
25	AFTER TAX EARNINGS	$ 241,531	$ (9,754)	$ 231,777
26				
27				
28	COMMON STOCK EQUITY (Average)	$ 1,849,324	$ (4,877)	$ 1,844,447
29				
30				
31	FINANCIAL ROE	13.06%		12.57%
32				

* Illustrative presentation for first 12 months of FPC ownership using 1997 budget as a base period.