

FLORIDA PUBLIC SERVICE COMMISSION
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MEMORANDUM JUL 01 1997

July 2, 1997

FPSC-Records/Reporting

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)
FROM: DIVISION OF AUDITING & FINANCIAL ANALYSIS (JONES) *ALM*
DIVISION OF LEGAL SERVICES (ELIAS) *RVE* *mc* *197*

RE: DOCKET NO. ~~96-0000-01~~ - FLORIDA POWER CORPORATION -
APPLICATION OF FLORIDA POWER CORPORATION TO AMEND
AUTHORITY TO ISSUE AND SELL SECURITIES DURING THE TWELVE
MONTHS ENDING DECEMBER 31, 1997

AGENDA: 07/15/97 - REGULAR AGENDA - FINAL AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\AFR\WP\961216A.RCM

CASE BACKGROUND

Florida Power Corporation (FPC or Company) filed an application on October 9, 1996 seeking Commission approval to issue and sell short-term unsecured promissory notes not to exceed \$400 million and long-term debt and equity securities not to exceed \$700 million during the year ending December 31, 1997. In addition, FPC requested to have \$400 million of short-term secured promissory notes outstanding.

Staff's preliminary analysis of the FPC's financial condition indicated that the issuance and sale of the above discussed securities, within the limits described, would not impair the ability of FPC to perform the services of a public utility. In Order No. PSC-96-1521-POF-GU, issued December 16, 1996, the Commission approved the Company's application.

On June 6, 1997, FPC filed an application to amend its authority to issue and sell securities as provided by Order No. PSC-96-1521-POF-GU. This recommendation addresses the amended application.

DOCUMENT NUMBER-DATE

06563 JUL-15

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DISCUSSION OF ISSUES

ISSUE 1: Should Florida Power Corporation be allowed to amend its application for authority to issue and sell securities during the year ending December 31, 1997?

RECOMMENDATION: Yes, the application to amend authority to issue and sell additional securities during the year ending December 31, 1997 should be granted. (JONES)

STAFF ANALYSIS: In its original application, FPC requested authority to issue and sell short-term unsecured promissory notes not to exceed \$400 million and long-term debt and equity securities not to exceed \$700 million during the year ending December 31, 1997. In addition, FPC requested to have \$400 million of short-term secured promissory notes outstanding. Its application was approved in Order No. PSC-96-1521-POF-GU, issued December 16, 1996.

On June 6, 1997, FPC filed a petition to amend its application for authority to issue and sell securities approved in Order No. PSC-96-1521-POF-EI. FPC is requesting authority to permit the issuance of additional securities in connection with the Tiger Bay Transaction. In Order No. PSC-97-0652-S-EQ, issued June 9 1997, the Commission approved FPC's petition in Docket No. 970096-EI regarding the Company's acquisition of the Tiger Bay cogeneration facility located in Polk County, Florida (Tiger Bay Transaction). In the amended application, the Company states when the original application was filed the Company did not anticipate closing the Tiger Bay Transaction, and did not account for the issuance of long-term and possibly short-term securities to finance the transaction. At this time, FPC requests additional authority to permit the issuance of securities in connection with the Tiger Bay Transaction. The purchase price of the Tiger Bay Transaction is approximately \$445 million.

Specifically, the Company requests to increase the amount of long-term securities and debt obligations that the Company is authorized to issue and sell or otherwise incur during 1997 from \$1.1 billion to \$1.55 billion and increase the amount of short-term unsecured borrowings and commercial paper that the Company is authorized to issue, sell and have outstanding at any given time during 1997 from \$400 million to \$850 million. Because of the timing difference between the receipt of the proceeds from the sale of medium-term notes and the closing of the Tiger Bay Transaction, the Company believes it may need authority to incur not only \$450 of additional long-term debt in the form of medium-term notes, but also up to an additional \$450 million of short-term debt in the form of bridge loan financing in order to complete the Tiger Bay Transaction. FPC's request in the original application to have \$400 million of short-term secured promissory notes outstanding will not be affected by the amended application. Pursuant to Rule 25-8.009, Florida Administrative Code, the Company will file its

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consummation report within 90 days following the end of its fiscal year for all securities except those relating to the Tiger Bay Transaction. For securities relating to the Tiger Bay Transaction, the Company has agreed to provide its consummation report within 90 days after the issuance of the securities.

Commission approval of the proposed issuance of securities by PPC does not indicate specific approval of any rates, terms, or conditions associated with the issuance. Such matters are properly reserved for review by the Commission within the context of a rate proceeding. It is recommended that the subject financing be approved subject to the Commission's retention of the right to disallow any of the costs incurred for rate making purposes.

Based upon this representation, staff believes PPC's application for modification of authority to issue and sell securities during the year ending December 31, 1997 should be granted.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. Following the receipt and review of the Company's consummation reports, this docket shall be closed administratively. (ELIAS)

STAFF ANALYSIS: This docket should remain open to monitor activity during the authorized twelve-month period and allow 90 days after the end of its fiscal year for the Company to file its consummation report with the Commission. Pursuant to Rule 25-8.009, Florida Administrative Code, the Company will file its consummation report within 90 days following the end of its fiscal year for all securities except those relating to the Tiger Bay Transaction. For securities relating to the Tiger Bay Transaction, the Company has agreed to provide its consummation report within 90 days after the issuance of the securities.