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June 12, 2001

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records and Reporting
Betty Easley Conference Center
4075 Esplanade Way
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RECORDS AND REPORTING

Re: Docket No.: 000824-EI

Dear Ms. Bayo:

On behalf of Florida Industrial Power Users Group, (FIPUG), enclosed for filing and distribution are the original and 15 copies of the following:

- ▶ Motion for Expedited Customer Rate Relief by Florida Industrial Power Users Group.

Please acknowledge receipt of the above on the extra copy of each and return the stamped copies to me. Thank you for your assistance.

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Enclosure

Sincerely,

Vicki Gordon Kaufman

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FPSC-BUREAU OF RECORDS

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of Florida Power Corporation's earnings, including effects of proposed acquisition of Florida Power Corporation by Carolina Power & Light

Docket No. 000824-EI

Filed: June 12, 2001

**MOTION FOR EXPEDITED CUSTOMER RATE RELIEF
BY FLORIDA INDUSTRIAL POWER USERS GROUP**

The Florida Industrial Power Users Group (FIPUG) moves the Florida Public Service Commission (Commission) to take action under the provisions of §366.076, *Florida Statutes*, to grant expedited rate relief to the customers of Florida Power Corporation (FPC) and as grounds for its motion states:

1. The Commission opened this docket on July 7, 2000 for the purposes enumerated in the caption of this pleading.
2. A 1997 Commission-approved base rate freeze expires June 30, 2001.
3. In FPC's last general rate case, Docket 910890-EI, the Commission authorized FPC to earn an after tax return of 12% on the equity component of its rate base. The Commission further allowed the return to float up to 13% as a "range of reasonableness."
4. This 1992 authorized return is 100 basis points higher than the current return set for Florida Power and Light Company in 1999 and exceeds the Commission staff model for utility industry ROE presented to the Commission on May 15th in Docket 010006-WS by 240 basis points. Using the staff model in that docket, the Commission established an "authorized

range of return on common equity of water and wastewater utilities.” The statewide authorized return for the current year for more risky water and wastewater utilities is “Return on Common Equity = 8.41% + 0.731/Equity Ratio.” The same criteria applied to FPC would result in a 2001 return of 9.6%.

5. A staff memorandum filed in this docket on May 3, 2001, based on discovery and official filings submitted by FPC, found that for the calendar year 2000, FPC earned far above the ceiling of the range of reasonableness afforded FPC in 1992, “approximately 17.02%,” on the equity component of its rate base after the payment of federal and state income taxes. This is 502 basis points over the Commission 1992 authorized return and 742 basis points over the 2001 staff model for the electric industry. Each 100 basis point increment for FPC is equivalent to \$31 million in after tax earnings. 742 basis points represents an after tax over earning of \$230 million. Customers pay \$372.6 million to enable the utility to earn \$230 million after taxes. Staff concluded in its memorandum that as of July 1, 2001, FPC will have after tax earnings of \$113,894,794.00 in excess of the 13% ceiling of the range of reasonableness established for FPC in 1992. The sum is unquestionably far more than current market conditions would justify.

6. On March 21, 2001 in Order No. PSC-01-0710-PCO-EI in Docket 010001-EI, the Commission authorized FPC to collect an additional \$132 million from customers through its fuel cost recovery clause on top of the \$190.8 million increase that became effective January 1, 2001. Under current law, utilities are guaranteed the full recovery of their fuel costs even when their base rates may be excessive.

7. Customers will feel the maximum brunt of this \$322.8 million fuel cost rate increase during the next four months.

8. On May 14, 2001, FPC filed a “Petition For Approval Of Proposal To Resolve Outstanding Issues” in which it acknowledged that for the year 2000 its base rates, after income taxes, garnered at least \$92,000,000 more than its target earnings and offered to temporarily reduce rates for customers by \$30 million of this amount beginning July 1, 2001. It would keep the rest under an accelerated accounting depreciation concept.

9. On May 15th, the Commission reacted to its Staff’s recommendation and FPC’s proposal by ordering FPC to file Minimum Rate Case Filing Requirements (MFRs) by September 15th using a **2002** test year. It further ordered that FPC retain \$113.8 million “subject to refund.” If the Commission follows its current policy on funds held subject to refund, FPC will be allowed to use the funds and charge customers interest on this portion of the excess rates customers have heretofore paid in anticipation that FPC may have to pay interest when and if the money is refunded.

10. In the event the Commission ultimately determines that utility earnings should be reduced to a “range of reasonableness” based on current market conditions, it will reduce base rates permanently and likewise order a one-time refund, including the interim interest collected from customers. This will cause base rates to go down and then to go up again after the refund credit is exhausted. The dual rate reduction will occur well after the current summer’s fuel cost crunch and may not happen at all if proposed legislation now pending before the legislature is enacted freezing base rates for all Florida utilities.

11. FIPUG, on behalf of all customers, strongly recommends to the Commission a simpler approach that will give customers immediate rate relief at a time when it will do the most good. A base rate reduction of \$113,894,794 divided by FPC’s projected annual sales amounts

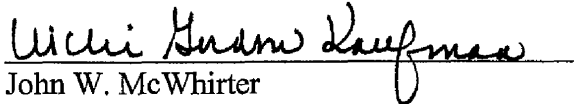
to .312 cents per kwh or \$3.12 per month for a residential customer with a modest summer consumption of 1000/kwh.

12. A current reduction in base rate over earnings to the ceiling of the 1992 authorized range of return on equity will effectively mitigate the \$3.71 fuel surcharge increase that became effective April 1, 2001.

13. The Commission has legal authority to order a rate reduction of this amount to take place July 1, 2001. The reduction can be flowed through the fuel clause.

14. If FPC concludes that the findings that justify such Proposed Agency Action (PAA) are unwarranted, it can request a hearing on the limited issues to protect its rights.

WHEREFORE, FIPUG petitions the Commission under the provisions of §366.076, *Florida Statutes*, to enter a PAA based on information in the record in this docket and generally known indisputable facts ordering FPC to reduce its base rates by \$3.12/mwh month beginning with the first billing period after July 1, 2001 and flow the reduction through the FPC fuel cost recovery clause.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail or (*) hand-delivery to the following parties on this 12th day of June, 2001.

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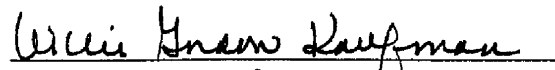
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