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A LIMITED LIABILITY PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

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October 11, 2001

Blanca S. Bayo, Director
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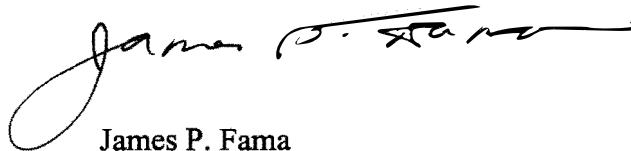
Re: *In re: Review of Florida Power Corporation's earnings.*
Docket No. 000824-EI

Dear Ms. Bayo:

Please find enclosed an original and seven copies of Florida Power Corporation's Late Filed Exhibit No. 12, to be entered in the above docket. Kindly date stamp the extra copy and return it to the undersigned in the self-addressed stamped envelope provided.

Please contact me at 202-986-8053 should you have any questions.

Very truly yours,



James P. Fama
Attorney for Florida Power Corporation

- APP _____
- CAF _____
- CMP _____
- COM ST *og*
- CTR _____
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Enclosure

Exhibit placed with hearing exhibits
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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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DISTRIBUTION CENTER

Potential Financial Vulnerability Due to FERC Sanctions
Proposed In the Memorandum of September 26, 2001, Exhibit No. 5

FERC Chairman Wood's September 26, 2001 memorandum identifies three FERC responses to a utility's failure to join an RTO within the appropriate time period: (1) FERC will revoke the authority of the utility and its corporate affiliates to engage in wholesale sales of electricity at market based rates; (2) FERC will not approve any Section 203 application for merger involving that utility; and (3) FERC will take a "hard look" at the transmission rates that the utility is permitted to charge "to ensure that they are just and reasonable and recognize the interdependence of the power grid." The financial vulnerability associated with each of these courses of action is discussed below:

1. Market-based Sales

The FERC has authorized FPC to engage in wholesale sales of electricity at market based rates outside of peninsular Florida. FPC's revenues from short-term sales of electricity at wholesale made under its market based rate authority for the three year period from July 1, 1998 to June 30, 2001 as reported to the FERC totaled \$53.9 million. In circumstances where FPC resources are utilized, FPC credits a major portion of these revenues to its retail ratepayers. Thus, the loss of revenues associated with wholesale sales could lead to an increase in retail rates.

While it is difficult to predict with any real certainty what level of cost-based rates would be approved by FERC as a substitute for existing market based rates, based on a preliminary analysis, FPC and its affiliates could expect revenues to be reduced.

2. Merger Approval

FPC has no pending applications for Section 203 approval and cannot quantify the effect, if any, the loss of the ability to seek Section 203 approval of a transaction would mean in the future.

3. Transmission Rates

Chairman Wood's memorandum suggests that entities not participating in RTOs by the FERC's deadline will face the prospect of having their wholesale transmission rates subjected to scrutiny in a rate case proceeding and may face a reduction in the FERC-approved rate of return for their transmission assets. While impossible to quantify at this point in time, the reduction in the approved rates certainly could have a negative impact on FPC's wholesale revenues, its ability to attract investment and the value of the Company to its shareholders, which could in turn have a detrimental effect on FPC's retail ratepayers.

Henry I. Southwick
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Late Filed Exhibit No. 12, filed on behalf of Florida Power Corporation has been furnished by overnight delivery (*) or U. S.

Mail on this 11th day of October, 2001 to the following:

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