State of Florida

Public Service Commission

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DATE: APRIL 11, 2002

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (SLEMKEWICZ, MCNULTY, WHEELER, E. DRAPER, BOHRMANN) OFFICE OF THE GENERAL COUNSEL (HELTON, C. KEATING) JDJ

RE: DOCKET NO. 000824-EI - REVIEW OF FLORIDA POWER CORPORATION'S EARNINGS, INCLUDING EFFECTS OF PROPOSED ACQUISITION OF FLORIDA POWER CORPORATION BY CAROLINA POWER & LIGHT.

DOCKET NO. 020001-EI - FUEL AND PURCHASED POWER COST RECOVERY CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR.

AGENDA: 04/23/02 - REGULAR AGENDA - DECISION ON STIPULATION PRIOR TO HEARING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\000824.RCM
ATTACHMENT 1 IS NOT AVAILABLE

CASE BACKGROUND

The Commission opened Docket No. 000824-EI on July 7, 2000, to review the earnings of Florida Power Corporation (FPC) and the effects of the acquisition of FPC by Carolina Power & Light Company (CPL). The acquisition was consummated on November 30, 2000. By Order No. PSC-01-1348-PCO-EI, issued June 20, 2001, in Docket No. 000824-EI, the Commission directed FPC to file Minimum Filing Requirements (MFRs) to provide the Commission and all other interested parties the data necessary to begin an evaluation of FPC's level of earnings on a going-forward basis. In addition, FPC

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was ordered to hold $113.9 million subject to refund pending a final disposition in Docket No. 000824-EI. The amount held subject to refund was subsequently reduced to $98 million by Order No. PSC-01-2313-PCO-EI, issued November 26, 2001.

FPC filed its initial set of MFRs and testimony on September 14, 2001, with subsequent filings on October 15, 2001, and November 15, 2001, and rebuttal testimony on February 11, 2002, and March 4, 2002. The intervenors began filing testimony on January 17, 2002, and staff pre-filed testimony on January 28, 2002. Discovery ended March 13, 2002. The hearing was scheduled to begin on March 20, 2002. On that date, however, the parties filed a Joint Motion To Postpone Scheduled Hearings to afford the parties the opportunity to finalize the terms of a settlement stipulation. The motion was granted by Order No. PSC-02-0411-PCO-EI, issued March 26, 2002. By Order No. PSC-02-0412-PCO-EI, issued March 26, 2002, the Commission suspended the hearing schedule.

On March 27, 2002, FPC filed a Joint Motion for Approval of Stipulation and Settlement and Further Postponement of Hearings and a Stipulation and Settlement. (Attachment 1) FPC subsequently filed a Petition To Reduce Its Fuel Adjustment Factors on April 8, 2002. This recommendation addresses both of these filings.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve the proposed Stipulation and Settlement, including Exhibit A?

RECOMMENDATION: Yes, the Commission should approve the proposed Stipulation and Settlement, including Exhibit A. (SLEMKEWICZ, MCNULTY, WHEELER, E. DRAPER)

STAFF ANALYSIS: All parties have proffered the proposed Stipulation (Attachment 1) as a complete resolution of all matters pending in Docket No. 000824-EI. The Stipulation and Settlement was signed by all of the parties in the proceeding; however, the Office of Public Counsel and the Florida Retail Federation have taken no position on the cost of service and rate design matters discussed in Section 16 of the Stipulation. The major elements contained in the Stipulation are as follows:

- $125 million permanent base rate reduction effective May 1, 2002 (9.25% base rate reduction) (Section 2)

- $35 million in interim revenues to be refunded through the fuel cost recovery clause (Section 14)

- Implementation of a revenue cap and revenue sharing plan for the remainder of 2002 and calendar years 2003, 2004, and 2005 (Section 6)

- Recovery of the Hines Unit 2 depreciation expense and capital costs, up to the level of fuel savings associated with Hines Unit 2, through the fuel adjustment clause until December 31, 2005 (Section 9)

- Suspension of the accruals for nuclear decommissioning and fossil dismantlement, an annual $62.5 million reduction of depreciation expense and the discretionary ability to reverse all, or part of, the $62.5 million annual depreciation expense reduction (Section 10)

- Discretionary ability to accelerate the amortization of certain specified regulatory assets (Section 11)

- Potential $3 million refund to FPC's customers due to the continued implementation of the Company's Commitment to Excellence Reliability Plan if certain performance levels are not achieved during 2004 and 2005 (Section 13)

- Revisions to certain cost of service and rate design matters (Section 16 and Exhibit A)

As part of the Stipulation, FPC has filed a petition for an $85 million ($83.7 million retail) mid-course correction to reduce its fuel cost recovery factors for the remainder of 2002, effective with May Cycle 1 billings. The mid-course correction consists of a $50 million ($48.7 million retail) reduction due to decreased fuel costs and the $35 million interim refund. That petition is addressed in Issue 2.

The proposed Stipulation consists of 18 sections of agreement among the signatories to the Stipulation. Most of the sections are self-explanatory, but staff believes that several of the sections merit comment or clarification. These are as follows:

Section 2: The proposed Stipulation provides for a 9.25% reduction in base rates for all rate classes. As further discussed in Section 16, certain Lighting Service (LS-1) lighting fixture and pole charges will be increased, as will FPC's Service Charges.

The proposed percentage reduction in all base rate charges differs from previous rate stipulations that allocated the reduction on an energy (per kilowatt-hour) basis. Staff believes the percentage reduction in base rates is a better method of allocating a decrease in this case because all classes are treated equally. Under an energy allocation, a larger percentage of the total reduction is allocated to large commercial and industrial customers at the expense of residential and small commercial customers.

Order No. PSC-01-1348-PCO-EI, requiring FPC to file minimum filing requirements (MFRs) states that one of the reasons for requiring MFRs was to ensure proper rate-making and cost allocations among the rate classes to reflect changes that have occurred since the company's last rate case. FPC's most recent fully allocated cost of service study was filed in 1991, and utilized a projected 1993 test year. Since that time, significant changes have taken place in the company's operations, and cost shifting among the rate classes has occurred.

The Commission has historically sought to establish rates that recover the cost to serve each rate class. Stated differently, the Commission has attempted to set the rate of return for each rate class as close as practicable to the system-wide rate of return. Staff recognizes, however, that a Stipulation is a negotiated document, and all participants have made concessions. While the proposed across-the-board percentage reduction does not improve FPC's rate structure, it does not worsen it. Accordingly, staff believes that the across-the-board reduction is reasonable.

Section 3: Per the terms of this section, FPC will no longer have an authorized Return on Equity (ROE) range for the purpose of addressing earnings levels. However, FPC will still have a currently authorized ROE range of 11.00% to 13.00%, with a 12.00% midpoint, for all other purposes, such as cost recovery clauses and AFUDC.

Section 6: This section addresses the revenue sharing plan. The following delineate the sharing threshold and revenue cap points by year:

YEAR	THRESHOLD (millions)	CAP (millions)
2002	$1,296	$1,356
2003	$1,333	$1,393
2004	$1,370	$1,430
2005	$1,407	$1,467

Section 9: This section permits the recovery of the capital costs and the depreciation expense, up to the level of fuel savings, associated with Hines Unit 2 through the fuel adjustment clause. However, the Stipulation is silent on the methodology to be utilized to estimate the fuel savings. Although staff recommends approval of the recovery mechanism in Section 9, it is staff's opinion that the resolution of the definition of "fuel savings" is an issue that should more appropriately be addressed in Docket No. 020001-EI.

Section 14: This section provides for a $35 million refund of the interim revenues collected subject to refund since March 13, 2001. This represents a thirteen and one half month period from the beginning of the interim until its conclusion on April 30, 2002. The Stipulation, however, is silent regarding the apportionment of the refund during the interim period. Unless there is specific evidence to the contrary, it is normally assumed that the amount to be refunded has been accumulated on an even monthly basis during the interim period. This is an important consideration in determining the appropriate level of revenues that will be subject to the revenue threshold and cap for 2002. Staff recommends that only $10,370,000 of the total refund of $35 million ($35,000,000 ÷ 13.5 x 4) is attributable to revenues collected subject to refund during the January 1, 2002, through April 30, 2002 period.

Section 15: This provision states that FPC's IS-1 and IST-1 Interruptible rates, and its CS-1 and CST-1 Curtailable rates will remain open to existing customers and retain their current demand credits until reviewed in a general rate case. These demand credits are given to non-firm customers to compensate them for allowing FPC to interrupt at times of capacity shortfall, and are recovered through the Conservation Cost Recovery Clause. The rates will continue to remain closed to new customers, as they have been since April 1996.

In its MFR filing, FPC had proposed to close the rates and require the existing customers to transfer to the IS-2, IST-2, CS-2 and CST-2 non-firm rates because the company did not believe that the current IS-1, IST-1, CS-1 and CST-1 credits were cost effective.

Section 16: Section 16 addresses certain rate design and cost of service matters that were agreed to as a part of the proposed Stipulation. These matters are discussed in an attached Exhibit A to the Stipulation containing nine numbered paragraphs. The Office of Public Counsel and Florida Retail Federation took no position on these matters, and thus they do not oppose or support them.

Initial Levelized Residential Rate

The Stipulation includes a reduction in the base rate charges for all rate classes of 9.25%. For the residential class, this results in a reduction in the monthly customer charge from $8.85 to $8.03, and a reduction in the non-fuel energy charge from 4.020 cents per kwh to 3.648 cents per kwh. In addition, the residential fuel factor will decrease from 2.692 cents per kwh to 2.367 cents per kwh due to the fuel mid-course correction. The mid-course correction includes a $48.7 million ($50 million system) reduction due to decreased fuel costs, and a $35 million reduction that represents the stipulated interim refund.

As shown on page 1 of Attachment 2, Impact of Proposed Stipulation and Settlement on Monthly 1,000 kWh Residential Bill, these reductions will result in a $7.99 decrease in the 1,000 kwh residential bill, from the current $91.65 to $83.66. These rates will be in effect beginning with the first billing cycle in May 2002 through the end of June 2002.

Inverted Residential Rate

Pursuant to paragraph 1 of Exhibit A, all residential customers will be billed under an inverted rate that will be implemented in July 2002. Under this rate the non-fuel energy charge will be 3.315 cents per kwh for usage up to 1,000 kilowatt hours per month, and 4.315 cents per kwh for all usage above 1,000 kilowatt hours.

The Stipulation states that the inverted rate is to be designed to be revenue neutral to the levelized rate. This means that it should recover on an annual basis the same revenues as the new levelized rate effective in May 2002. A staff review of the rate design workpapers confirms that the proposed inverted rate achieves this goal.

As a result of the inverted rate design, the 1,000 kwh residential bill will decrease by an additional $3.41 in July 2002, to $80.25, as shown on page 1 of Attachment 2. Staff would note that this change is an artifact of the inverted rate design, and does not represent an additional overall rate reduction. Under the inverted rate, customers who use less than 1,500 kwh per month will see a reduction in their bill relative to the levelized rate, while those who use above that level will see an increase.

Interruptible and Curtailable Rate Schedules

Pursuant to paragraph 2 of Exhibit A, the billing demand credits for FPC's IS-2 and IST-2 Interruptible rates will be raised from their current level of $2.82 to $3.08 per kw. The credits for its CS-2 and CST-2 Curtailable rates will be raised from $1.50 to $2.31 per kw.

These credits are given to non-firm customers to compensate them for allowing FPC to interrupt at times of capacity shortfall, and are recovered through the Conservation Cost Recovery Clause. The revised credits represent the cost-effective level proposed by FPC in its MFR filing.

Paragraph 3 of Attachment A states that a 500 kw minimum billing demand provision will be added to the IS-2, IST-2, CS-2 and CST-2 rate schedules. This means that customers will be billed for a minimum of 500 kw of demand, even if their actual measured demand falls below that level for the month.

The Stipulation states that for existing customers whose billing demands have been below 500 kw in any of the 12 billing periods prior to May 1, 2002, the minimum billing provision will not apply if they give the required 36 months' notice for returning to firm service. FPC indicated to staff that there are three existing customers who will be affected by the new minimum billing demand provision.

Service Charges

Paragraph 8 of Exhibit A states that the Service Charges proposed by FPC in its filing will be adopted. Service Charges recover the costs of activities such as the initial connection or reconnection of service, and temporary service. The new charges will result in an annual increase in revenues to FPC of approximately $11 million.

Lighting Service (LS-1) Rate Schedule

As noted above, all rate classes will receive a 9.25% base rate reduction, including the non-fuel energy and customer charges under the Lighting Service (LS-1) rate schedule. The Stipulation provides, however, in paragraph 9 of Exhibit A, that certain of the lighting fixture and pole charges will be increased. These charges are monthly rental fees that recover the cost of optional FPC-provided lighting fixtures and poles. The revised fixture charges will result in an annual revenue increase to FPC of approximately $3 million.

The maintenance charges, which recover the cost of maintaining the lighting fixtures, will remain unchanged from their current levels. The addition and deletion of certain lighting fixture offerings proposed by FPC in its initial filing are also incorporated as part of the stipulation.

City of Sebring Capacity Charges

Paragraph 5 of Exhibit A states that the base rate charges to which the parties have stipulated do not reflect the recovery of any purchased power capacity costs. Consequently, the credit currently reflected in FPC's Capacity Cost Recovery clause (CCRC) for base rate production capacity costs associated with sales to FPC's customers in the territory formerly served by the Sebring Utilities Commission (Sebring) will be discontinued.

The CCRC credit was established in 1993 following FPC's acquisition of the electric distribution assets of Sebring. As a result of that transaction, FPC began serving those electric customers who were formerly served by Sebring. (See Order No PSC-92-1468-FOF-EU, issued December 17, 1992, in Docket No. 920949-EU.)

The credit is made to avoid the double recovery through base rates of production capacity costs associated with the former customers of Sebring that are now served by FPC. The Stipulation specifies that FPC's revised base rates do not include any purchased power costs, and it therefore proposes to eliminate the credit now included in FPC's CCRC effective May 1, 2002. The elimination of this credit will result in an approximate $4.4 million annual increase in the level of costs recovered by FPC through the CCRC.

Conclusion

Staff has reviewed the terms of the Stipulation. The proposed $125 million base rate reduction and $35 million refund afford FPC's ratepayers immediate relief. The Stipulation also implements a revenue sharing plan that could result in future refunds to FPC's ratepayers. There is also the potential for an additional $3 million refund if FPC fails to achieve certain performance levels during 2004 and 2005. In addition, FPC's ratepayers will not be subject to an increase in base rates when Hines Unit 2 is placed into service in late 2003. The major costs of Hines Unit 2 will be recovered by offsetting the fuel savings associated with that unit. Staff recommends that the proposed Stipulation and Settlement provides a reasonable resolution of the issues regarding FPC's level of earnings and base rates, and should be approved by the Commission.

ISSUE 2: Should the Commission approve Florida Power Corporation's petition for an adjustment to reduce its fuel and purchased power cost recovery factors?

RECOMMENDATION: Yes, the Commission should approve FPC's petition for an adjustment to reduce its fuel and purchased power cost recovery factors by $85 million ($83.7 million retail). FPC will reduce its levelized fuel and purchased power cost recovery factor to 2.363 cents per kilowatt-hour, effective with the May 2002 Cycle 1 billings. (BOHRMANN)

STAFF ANALYSIS: On April 8, 2002, FPC filed a petition with the Commission to reduce its collections through the fuel and purchased power cost recovery clause (fuel clause) by $85 million during the last 8 months of 2002. This $85 million reduction is comprised of two parts: 1) $50 million to reflect lower than expected fuel costs, and 2) $35 million to refund interim revenues held subject to refund in Docket No. 000824-EI as set forth in Section 14 of the Settlement and Stipulation. Staff believes that the fuel clause is a reasonable mechanism for returning the $35 million interim refund to FPC's ratepayers. FPC proposes to reduce its levelized fuel adjustment factor to 2.363 cents per kwh, effective with the May Cycle 1 billings. In conjunction with the change in FPC's base rates, the monthly bill of a residential ratepayer who uses 1,000 kwh per month will decrease to $83.66 (refer to Attachment 2). The proposed factors by FPC rate schedule are shown on Attachment 3, Fuel and Purchased Power Cost Recovery Factors.

Absent the $50 million reduction, FPC would experience an end-of-period (December 2002) net over-recovery amount of approximately $58.9 million. This amount represents six percent of FPC's total fuel and net power transactions costs as forecasted in its projection testimony in Docket No. 010001-EI. Since FPC filed its projection testimony in Docket No. 010001-EI, its forecasted 2002 fuel cost of system net generation has decreased by $59.3 million. Staff attributes this reduction primarily to a 21.9 percent drop in the projected natural gas price and secondarily to a 7.1 percent drop in the projected coal price. Although total costs were reduced by $50 million, it should be noted that only $48.7 million of that reduction has been allocated to the retail ratepayers.

In the interest of matching fuel revenues with fuel costs, staff supports FPC's proposal to return part of its over-recovery balance to its ratepayers sooner rather than later. However, staff has not yet analyzed the prudence of FPC's actual or projected 2002 fuel costs. The Commission shall determine the prudence of FPC's

2002 fuel costs at the evidentiary hearing scheduled in Docket No. 020001-EI, commencing November 20, 2002.

ISSUE 3: Should Docket No. 000824-EI be closed?

RECOMMENDATION: Yes, Docket No. 000824-EI should be closed. (HELTON)

STAFF ANALYSIS: If staff's recommendation on Issue 1 is approved, the signatories to the Stipulation and Settlement have asked that the Order Approving the Stipulation and Settlement be issued as a final action. With the issuance of the Commission's final order, no further action by the Commission will be necessary. Therefore, absent a timely Notice of Appeal, this docket should be closed.

ISSUE 4: Should Docket No. 020001-EI be closed?

RECOMMENDATION: No. Docket No. 020001-EI is an ongoing docket and should remain open. (C. KEATING)

STAFF ANALYSIS: Docket No. 020001-EI is an ongoing docket and should remain open.

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

STIPULATION AND SETTLEMENT

Florida Power Corporation, the Office of Public Counsel, the Florida Industrial Power Users Group, the Florida Retail Federation, Publix Super Markets, Inc., and Buddy Hansen and Sugarmill Woods Civic Association (collectively, the Stipulating Parties), hereby enter into this Stipulation and Settlement for the purpose of reaching an informal resolution of all outstanding issues in Docket No. 000824-EI pending before the Florida Public Service Commission (the Commission) and, accordingly, stipulate and agree as follows:

1. Upon approval and final order of the Commission, this Stipulation and Settlement will become effective on May 1, 2002 (the "Implementation Date"), and continue through December 31, 2005, except as otherwise provided in Sections 6, 7 and 15 hereof.

2. Florida Power Corporation (FPC) will reduce its revenues from the Sale of Electricity by a permanent annual amount of $125 million. This reduction will be reflected on FPC's customer bills by reducing all base rate charges for each rate schedule by 9.25%. All other cost of service and rate design matters will be determined in accordance with Section 16. FPC will begin applying the lower base rate charges required by this Stipulation and Settlement to meter readings made on and after the Implementation Date.

3. Effective on the Implementation Date, FPC will no longer have an authorized Return on Equity (ROE) range for the purpose of addressing earnings levels, and the revenue sharing mechanism herein described will be the appropriate and exclusive mechanism to address earnings levels.

4. No Stipulating Party will request, support, or seek to impose a change in the application of any provision hereof. The Stipulating Parties other than FPC will neither seek nor support any additional reduction in FPC's base rates and charges, including interim rate decreases, that would take effect prior to December 31, 2005 unless such reduction is initiated by FPC. FPC will not petition for an increase in its base rates and charges, including interim rate increases, that would take effect prior to December 31, 2005, except as provided in Section 7.

5. During the term of this Stipulation and Settlement, revenues which are above the levels stated herein will be shared between FPC and its retail electric utility customers -- it being expressly understood and agreed that the mechanism for revenue sharing herein established is not intended to be a vehicle for "rate case" type inquiry concerning expenses, investment, and financial results of operations.

6. Commencing on the Implementation Date and for the remainder of 2002 and for calendar years 2003, 2004 and 2005, and for each calendar year thereafter until terminated by the Commission, FPC will be under a Revenue Sharing Incentive Plan as set forth below. For purposes of this Revenue Sharing Incentive Plan, the following retail base rate revenue threshold amounts are established:

I. Revenue Cap - All retail base rate revenues above the retail base rate revenue cap will be refunded to retail customers on an annual basis. The retail base rate revenue cap for 2002 will be $1,356 million. For 2002 only, the refund to customers will be limited to 67.1% (May 1 through December 31) of the retail base rate revenues exceeding the cap. The retail base rate revenue caps for calendar year 2003 and for each calendar year thereafter in which this Plan is in effect will be increased by $37 million over the prior year's revenue cap. Section 8 explains how refunds will be paid to customers.

II. Sharing Threshold - Retail base rate revenues between the sharing threshold amount and the retail base rate revenue cap will be divided into two shares on a 1/3, 2/3 basis. FPC's shareholders shall receive the 1/3 share. The 2/3 share will be refunded to retail customers. The sharing threshold for 2002 will be $1,296 million in retail base rate revenues. For 2002 only, the refund to the customers will be limited to 67.1% (May 1 through December 31) of the 2/3 customer share. The retail base rate revenue sharing threshold amounts for calendar year 2003 and for each calendar year thereafter in which this Plan is in effect will be increased by $37 million over the prior year's revenue sharing threshold. Section 8 explains how refunds will be paid to customers.

7. If FPC's retail base rate earnings fall below a 10% ROE as reported on an FPSC adjusted or pro-forma basis on an FPC monthly earnings surveillance report during the term of this Stipulation and Settlement, FPC may petition the Commission to amend its base rates notwithstanding the provisions of Section 4. The other Stipulating Parties are not precluded from participating in such a

proceeding. This Stipulation and Settlement shall terminate upon the effective date of any Final Order issued in such proceeding that changes FPC's base rates.

8. All revenue sharing refunds will be paid with interest at the 30-day commercial paper rate as specified in Rule 25-6.109, Florida Administrative Code, to retail customers of record during the last three months of each applicable refund period based on their proportionate share of base rate revenues for the refund period. For purposes of calculating interest only, it will be assumed that revenues to be refunded were collected evenly throughout the preceding refund period at the rate of one-twelfth per month. All refunds with interest will be in the form of a credit on the customers' bills beginning with the first day of the first billing cycle of the third month after the end of the applicable refund period. Refunds to former customers will be completed as expeditiously as reasonably possible.

9. Beginning with the in-service date of Hines Unit 2 through December 31, 2005, FPC will be allowed to recover through the fuel cost recovery clause a return on average investment and straight-line depreciation expense (but no other non-fuel expense) for Hines Unit 2, to the extent such costs do not exceed the unit's cumulative fuel savings over the recovery period. All costs associated with Hines Unit 2, including those described in this section, are subject to Commission review for prudence and reasonableness as a condition for recovery through the fuel cost recovery clause. The investment for Hines Unit 2 upon which a return is recovered under this section will be excluded from rate base for surveillance reporting purposes during the recovery period.

10. Beginning with the Implementation Date through December 31, 2005, FPC will suspend accruals to its reserves for nuclear decommissioning and fossil

dismantlement. For each calendar year during this period, FPC will also record $62.5 million as a credit to depreciation expense and a debit to the bottom line depreciation reserve and may, at its option, record up to an equal annual amount as an offsetting accelerated depreciation expense and a credit to the bottom line depreciation reserve. Any such reserve amount will be applied first to reduce any reserve excesses by account, as determined in FPC's depreciation studies filed after the term of this Stipulation and Settlement, and thereafter will result in reserve deficiencies. Any such reserve deficiencies will be allocated to individual reserve balances based on the ratio of the net book value of each plant account to total net book value of all plant. The amounts allocated to the reserves will be included in the remaining life depreciation rate and recovered over the remaining lives of the various assets. Additionally, depreciation rates as addressed in Order No. PSC-98-1723-FOF-EI, Docket No. 971570-EI, will not be changed for the term of this Stipulation and Settlement.

11. FPC will be authorized, at its discretion, to accelerate the amortization of the regulatory assets for FAS 109 Deferred Tax Benefits Previously Flowed Through, Unamortized Loss on Reacquired Debt, and Interest on Income Tax Deficiency over the term of this Stipulation and Settlement.

12. Beginning with meter readings made on and after the Implementation Date, FPC shall effect a mid-course correction of its fuel cost recovery clause to reduce the fuel clause factor based on projected over-recoveries, in the amount of $50 million, for the remainder of calendar year 2002. The fuel cost recovery clause shall continue to operate as normal, including but not limited to, any additional mid-course adjustments that may become necessary and the calculation of true-ups to

actual fuel clause expenses. FPC will not use the various cost recovery clauses to recover new capital items which traditionally and historically would be recoverable through base rates, except as provided in Section 9.

13. FPC will continue the implementation of its four-year Commitment to Excellence Reliability Plan, including its objective of a 20% improvement in FPC's System Average Interruption Duration Index (SAIDI), measured on a calendar-year basis, by no later than 2004. FPC will provide a $3 million refund to customers in the event this SAIDI improvement is not achieved for calendar years 2004 and 2005. Any such refunds will be paid in equal amounts to the 10% of FPC's total retail customers served by FPC's worst performing distribution feeder lines based on each feeder line's SAIDI performance. SAIDI levels will be calculated consistent with the Commission's reliability reporting procedures, but SAIDI performance levels during 2004 and 2005 will be adjusted for extraordinary weather conditions that may occur during those years. Any disputes concerning the existence or extent of extraordinary weather conditions will be resolved by the Commission.

14. Effective on the Implementation Date, FPC will refund to customers $35 million of the interim revenues collected subject to refund since March 13, 2001, through a credit to the fuel cost recovery clause in conjunction with the mid-course correction provided in Section 12. No other interim revenues collected by FPC during this period will continue to be held subject to refund.

15. The billing demand credits for Interruptible and Curtailable customers currently receiving service under FPC's IS-1, IST-1, CS-1 and CST-1 rate schedules shall remain in effect for the term of this Stipulation and Settlement, and thereafter until these rate schedules are reviewed in a general rate case, provided,

however, that these rate schedules shall continue to be closed to new customers, as defined in the stipulation approved by the Commission in Docket No. 950645-EI.

16. The cost of service and rate design matters identified in Exhibit A to this Stipulation and Settlement will be treated in the manner described therein. The Office of Public Counsel and the Florida Retail Federation have taken no position on the cost of service and rate design issues in this proceeding and, therefore, neither support nor oppose the cost of service and rate design provisions set forth in Exhibit A.

17. The provisions of Sections 1 through 15 of this Stipulation and Settlement are contingent on approval of these sections in their entirety by the Commission. The treatment of the cost of service and rate design matters identified in Exhibit A in accordance with Section 16 of this Stipulation and Settlement is contingent on approval of these matters in their entirety by the Commission. Approval of this Stipulation and Settlement in its entirety will resolve all matters in this Docket pursuant to and in accordance with Section 120.57(4), Florida Statutes (2001). This Docket will be closed effective on the date the Commission Order approving this Stipulation and Settlement is final.

18. This Stipulation and Settlement dated as of March 27, 2002 may be executed in counterpart originals, and a facsimile of an original signature shall be deemed an original.

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In Witness Whereof, the Stipulating Parties evidence their acceptance and agreement with the provisions of this Stipulation and Settlement by their signature.

Florida Power Corporation

By_______________________

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By Jack Shreve

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EXHIBIT A
Stipulation and Settlement

Cost of Service and Rate Design Matters[1]

1. The current flat-rate energy charge for Rate Schedules RS-1, RSS-1, RSL-1, and RSL-2 shall be redesigned using an inverted rate design. Such inverted rate design shall provide: (a) two rate blocks consisting of a unit charge for the first 1000 kWh and a unit charge for all additional kWh, (b) the second rate block shall have a unit charge of one cent per kWh more than the first rate block, (c) the first rate block shall reflect 66.7% and the second block shall reflect 33.3% of the annual energy sales of these rate schedules for the test period, and (d) the total revenues produced shall be the same amount as that which would have been produced by a flat rate energy charge for the test period as applied to the annual energy sales of these rate schedules. Because of implementation time requirements, the inverted residential rate schedules described above will be effective beginning with cycle 1 meter readings for July 2002.

2. The billing demand credits for Rate Schedule CS-2, Curtailable General Service, and Rate Schedule CST-2, Curtailable General Service Optional Time of Use Rate, are $2.31 per kW of load factor adjusted demand. The billing demand credits for Rate Schedule IS-2, Interruptible General Service, and Rate Schedule IST-2, Interruptible General Service Optional Time of Use Rate, are $3.08 per kW of load factor adjusted demand.

3. A 500 kW minimum billing demand provision shall be added to Rate Schedules IS-2, IST-2, CS-2, and CST-2. Any existing customer under any of these rate schedules who established a billing demand of less than 500 kW in any of the 12 billing months preceding the implementation of this provision shall be advised by FPC that the minimum demand of 500 kW would not apply in the event the customer gives FPC written notice requesting to transfer to a firm rate schedule.

4. The CIAC payment option for the additional installed cost of a time of use meter shall be $132 for Rate Schedules RST-1 and GST-1. No CIAC payment is required for any other time of use rate schedule.

5. FPC's revised base rate charges do not reflect any cost recovery for purchased power capacity costs. Therefore, the credit in the present Capacity

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[1] The Office of Public Counsel and the Florida Retail Federation neither support nor oppose the cost of service and rate design provisions set forth in this exhibit.

Cost Recovery clause that recognizes a base rate contribution for production capacity costs associated with sales resulting from the acquisition of retail customers in and near the City of Sebring shall terminate effective with the Implementation Date.

6. The 12 Coincident Peak and 1/13 Average Demand (12 CP & 1/13 AD) methodology will continue to be used for the allocation of FPC's production capacity costs to its retail customer classes during the term of this Stipulation and Settlement.

7. The monthly charge for additional equipment that the Company may optionally provide to a customer under its general service rate schedules is not subject to the base rate reduction and shall remain at the rate of 1.67% per month of the installed cost.

8. The service charges for Rate Schedules SC-1 and TS-1 are as follows:

Initial Service	$61.00
Re-establishment of service	$28.00
Re-establishment of service for customers with a Leave Service Active agreement	$10.00
Reconnection after disconnection for non-pay during normal business hours	$40.00
Reconnection after disconnection for non-pay outside of normal business hours	$50.00
Temporary service extension	$ '04.00

9. The charges for lighting fixtures, maintenance, and poles, as well as the additions, deletions, and restrictions of certain fixture and pole types, shall be those set forth in FPC's proposed Rate Schedule LS-1, Lighting Service (attached).

Florida Power
A Progress Energy Company

SECTION NO. VI
FOURTEENTH REVISED SHEET NO. 6.280
CANCELS THIRTEETHTH REVISED SHEET NO. 6.280

RATE SCHEDULE LS-1
LIGHTING SERVICE

Availability:

Available throughout the entire territory served by the Company.

Applicable:

To any customer for the sole purpose of lighting roadways or other outdoor land use areas; served from either Company or Customer owned fixtures of the type available under this rate schedule.

Character of Service:

Continuous dusk to dawn automatically controlled lighting service (i.e., photoelectric cell); alternating current, 60 cycle, single phase, at the Company's standard voltage available.

Limitation of Service:

Availability of certain fixture or pole types at a location may be restricted due to accessibility.

Standby or resale service not permitted hereunder. Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate Per Month:

Customer Charge:

Unmetered:	$1.20 per line of billing
Metered:	$3.45 per line of billing

Energy and Demand Charge:

Non-Fuel Energy Charge:	1.746¢ per kWh
plus Energy Conservation Cost Recovery Factor:	See Sheet No. 6.105
plus Capacity Cost Recovery Factor:	See Sheet No. 6.106

Per Unit Charges:

I. Fixtures:

BILLING TYPE	DESCRIPTION	LAMP SIZE LUMENS	WATTS[2]	kWh	CHARGES PER UNIT FIXTURE	MAINTENANCE	NON-FUEL ENERGY[3]	TOTAL
	Incandescent:[1]							
110	Roadway	1,000	92	32	$0.94	$3.29	$0.56	$4.79
115	Roadway	2,500	189	66	1.48	3.33	1.15	5.96
170	Post Top	2,500	206	72	18.69	1.21	1.26	21.16
	Mercury Vapor:[1]							
205	Open Bottom	4,000	125	44	2.34	0.93	0.77	4.04
210	Roadway	4,000	125	44	2.70	0.93	0.77	4.40
215	Post Top	4,000	125	44	3.18	0.93	0.77	4.88
220	Roadway	8,000	203	71	3.06	0.92	1.24	5.22
225	Open Bottom	8,000	203	71	2.29	0.93	1.24	4.46
235	Roadway	21,000	450	158	3.70	0.95	2.76	7.41
240	Roadway	62,000	1,102	386	4.85	1.10	6.74	12.69
245	Flood	21,000	450	158	4.85	0.95	2.76	8.56
250	Flood	62,000	1,102	386	5.68	1.10	6.74	13.52

(Continued on Page No. 2)

ISSUED BY: Mark A. Myers, Vice PPresident, FinanceEFFECTIVE:

Florida Power
A Progress Energy Company

SECTION NO. VI
SEVENTEENTH REVISED SHEET NO. 6.281
CANCELS SIXTEENTH REVISED SHEET NO. 6.281

RATE SCHEDULE LS-1
LIGHTING SERVICE
(Continued from Page No. 1)

I. Fixture: (Continued)

BILLING TYPE	DESCRIPTION	LAMP SIZE LUMENS	WATTS[2]	kWh	CHARGES PER UNIT FIXTURE	MAINTENANCE	NON-FUEL ENERGY[3]	TOTAL
	Sodium Vapor:							
305	Open Bottom1	4,000	60	21	2.33	$1.28	$0.0.37	3.98
310	Roadway1	4,000	60	21	2.86	1.28	0.37	4.51
313	Open Bottom1	6,500	82	29	3.84	1.74	0.51	5.82
314	Hometown II	9,500	121	42	3.73	1.47	0.73	5.93
315	Post Top - Colonial/Contemp1	4,000	60	21	4.35	1.28	0.37	6.00
316	Colonial Post Top1	4,000	97	34	3.71	1.28	0.59	5.58
318	Post Top1	9,500	121	42	2.29	1.28	0.73	4.30
320	Roadway-Overhead Only	9,500	121	42	2.90	1.28	0.73	4.91
321	Deco Post Top - Monticello	9,500	140	49	10.89	1.47	0.86	13.22
322	Deco Post Top - Flagler	9,500	140	49	14.86	1.47	0.86	17.19
323	Roadway-Turtle OH Only	9,500	121	42	3.96	1.47	0.73	6.16
325	Roadway-Overhead Only	16,000	185	65	3.01	1.30	1.13	5.44
326	Deco Post Top – Sanibel	9,500	140	49	15.13	1.47	0.86	17.46
330	Roadway-Overhead Only	22,000	249	87	3.34	1.32	1.52	6.18
335	Roadway	27,500	297	104	3.31	1.32	1.82	6.45
336	Roadway-Bridge1	27,500	297	104	6.18	1.32	1.82	9.32
337	Roadway-DOT1	27,500	297	104	5.38	1.32	1.82	8.52
338	Deco Roadway–Maitland	27,500	297	104	8.70	1.47	1.82	11.99
339	Deco Roadway-Maitland	50,000	482	169	9.36	1.47	2.95	13.78
340	Roadway-Overhead Only	50,000	482	169	4.01	1.33	2.95	8.29
341	HPS Flood-Sebring1	16,000	185	65	3.72	1.32	1.13	6.17
342	Roadway-Turnpike1	50,000	479	168	7.57	1.27	2.93	11.77
343	Roadway-Turnpike1	27,500	309	108	7.42	1.22	1.89	10.53
345	Flood-Overhead Only	27,500	293	103	4.28	1.32	1.80	7.40
346	Deco Post Top-Ocala II	9,500	140	49	8.74	1.47	0.86	11.07
350	Flood-Overhead Only	50,000	485	170	4.47	1.33	2.97	8.77
351	Underground Roadway	9,500	121	42	4.96	1.28	0.73	6.97
352	Underground Roadway	16,000	185	65	6.95	1.30	1.13	9.38
353	Underground Roadway	22,000	249	87	7.44	1.32	1.52	10.28
354	Underground Roadway	27,500	309	108	7.42	1.32	1.89	10.63
356	Underground Roadway	50,000	479	168	7.81	1.33	2.93	12.07
357	Underground Flood	27,500	309	108	8.09	1.32	1.89	11.30
358	Underground Flood	50,000	479	168	8.19	1.33	2.93	12.45
359	Underground Turtle Rwy	9,500	121	42	5.58	1.47	0.73	7.78
360	Deco Roadway Rect1	9,500	134	47	9.98	1.28	0.82	12.08
365	Deco Roadway Rectangular	27,500	309	108	9.98	1.32	1.89	13.19
366	Deco Roadway Rect	50,000	479	168	9.98	1.32	2.93	14.23
370	Deco Roadway Round	27,500	309	108	12.28	1.32	1.89	15.49
375	Deco Roadway Round	50,000	479	168	12.29	1.33	2.93	16.55
380	Deco Post Top – Acorn1	9,500	141	49	7.00	1.28	0.86	9.14
381	Deco Post Top1	9,500	140	49	3.71	1.28	0.86	5.85
383	Deco Post Top-Biscayne	9,500	140	49	12.76	1.28	0.86	14.90
385	Deco Post Top – Salem	9,500	141	49	5.96	1.28	0.86	8.10
393	Deco Post Top1	4,000	60	21	7.00	1.28	0.37	8.65
394	Deco Post Top1	9,500	140	49	16.64	1.40	0.86	18.90
	Metal Halide							
327	Deco Post Top-MH Sanibel	12,000	211	74	15.34	1.47	1.29	18.10
371	MH Deco Rectangular	38,000	454	159	12.78	3.08	2.78	18.64
372	MH Deco Circular	38,000	454	159	15.12	3.08	2.78	20.98
373	MH Deco Rectular5	110,000	1080	378	12.73	4.75	6.60	24.08
386	MH Flood 5	110,000	1080	378	11.86	4.75	6.60	23.21
389	MH Flood-Sportslighter5	110,000	1080	378	11.92	4.75	6.60	23.27
390	MH Deco Cube	38,000	454	159	15.04	3.08	2.78	20.90
396	Deco PT MH Sanibel Dual5	24,000	423	148	29.97	6.14	2.58	38.69
397	MH Post Top-Biscayne	12,000	211	74	12.85	3.07	1.29	17.21
398	MH Deco Cube5	110,000	1080	378	18.28	4.75	6.60	29.63
399	MH Flood	38,000	454	159	9.89	3.08	2.78	15.75

(Continued on Page 3)

ISSUED BY: Mark A. ers, Myers, Vice President, Finance
EFFECTIVE:

Florida Power
A Progress Energy Company

SECTION NO. VI
TWELFTH REVISED SHEET NO. 6.282
CANCELS ELEVENTH REVISED SHEET NO. 6.282

RATE SCHEDULE LS-1
LIGHTING SERVICE
(Continued from Page No. 2)

II. Poles:

BILLING TYPE	DESCRIPTION	CHARGES PER UNIT
425	Wood, 14' Laminated 1	1.82
420	Wood, 30/35'	1.66
480	Wood, 40/45'	4.28
415	Concrete, Curved1	4.37
450	Concrete, 1/2 Special	1.60
410	Concrete, 15' 1	2.12
405	Concrete, 30/35'	3.86
406	16' Deco Conc – Single Sanibel	8.93
407	16' Decon Conc – Double Sanibel	9.63
408	26' Aluminum DOT Style Pole	38.10
409	36' Aluminum DOT Style Pole	48.25
411	16' Octagonal Conc1	2.00
412	32' Octagonal Deco Conc	12.44
413	25' Tenon Top Concrete	9.09
466	16' Deco Con Vic II – Dual Mount	13.79
467	16' Deco Conc Washington – Dual	20.73
468	16' Deco Conc Colonial – Dual Mt	10.19
471	22' Deco Conc	11.45
472	22' Deco Conc Single Sanibel	12.24
473	22' Deco Conc Double Sanibel	13.18
474	22' Deco Conc Double Mount	14.31
476	25' Tenon Top Bronze Concrete	13.39
477	30' Tenon Top Bronze Concrete	14.52
478	35' Tenon Top Bronze Concrete	16.06
479	41' Tenon Top Bronze Concrete	19.40
485	Concrete, 40/45'	8.82
435	Aluminum, Type A1	6.04
439	Black Fiberglass 16'	18.13
440	Aluminum, Type B1	6.72
445	Aluminum, Type C1	13.13
455	Steel, Type A1	3.77
460	Steel, Type B1	4.04
465	Steel, Type C1	5.65
430	Fiberglass, 14', Black1	1.92
437	Fiberglass, 16', Black, Fluted, Dual Mount1	20.11
449	Deco Fiberglass, 16', Black, Fluted, Anchor Base1	15.90
436	Deco Fiberglass, 16', Black, Fluted1	17.87
438	Deco Fiberglass, 20', Black1	5.36
434	Deco Fiberglass, 20', Black, Deco Base 1	11.22
446	Deco Fiberglass, 30', Bronze1	10.60
433	Deco Fiberglass, 35', Bronze1	10.84
432	Deco Fiberglass, 35', Bronze, Anchor Base1	25.19
428	Deco Fiberglass, 35', Bronze, Reinforced1	17.51
447	Deco Fiberglass, 35', Silver, Anchor Base1	19.61
431	Deco Fiberglass, 41', Bronze1	14.32
429	Deco Fiberglass, 41', Bronze, Reinforced1	24.08
448	Deco Fiberglass, 41', Silver1	16.50
469	35' Tenon Top Quad Floor Mount	12.23
481	30' Tenon Top Concrete, Single Flood Mount	7.76
482	30' Tenon Top Conc, Double Flood Mount/Inc Bracket	10.77
483	46' Tenon Top Conc, Triple Flood Mount/Includes Bracket	14.96
484	46' Tenon Top Conc Double Flood Mount/Includes Bracket	14.70
486	Tenon Style Concrete 46' Single Flood Mount	11.69
487	35' Tenon Top Conc, Triple Flood Mount/Includes Bracket	$12.08
488	35' Tenon Top Conc, Double Flood Mount/Includes Bracket	11.81
489	35' Tenon Top Concrete, Single Flood Mount	8.80
490	Special Concrete 13' 1	15.94
491	30' Tenon Top Conc, Triple Flood Mount/Includes Bracket	11.04
492	16' Smooth Decorative Concrete/The Colonial	6.87
493	19' White Aluminum 1	23.71

(Continued on Page 4)

ISSUED BY: Mark A. Myers, Vice President, FinanceEFFECTIVE:

Florida Power
A Progress Energy Company

RATE SCHEDULE LS-1
LIGHTING SERVICE
(Continued from Page No. 3)

494	46' Tenon Top Concrete/Non-Flood Mount/1-4 Fixtures	12.68
496	30' Tenon Top Concrete/Non-Flood Mount/1-4 Fixtures	9.81
497	16' Decorative Concrete w/decorative base/The Washington	16.92
498	35' Tenon Top Concrete/Non-Flood Mount/1-4 Fixtures	10.26
499	16' Decorative Concrete-Vic II	9.98

III. Additional Facilities

Electrical Pole Receptacle4 2.32

Notes:

(1) Restricted to existing installations.
(2) Includes ballast losses.
(3) Shown for information only. Energy charges are billed by applying the foregoing energy and demand charges to the total monthly kWh.
(4) Available only on certain decorative poles. Electric use allowed only from Oct. through Jan. Energy charged separately.
(5) Special applications only.

Additional Charges:

Fuel Cost Recovery Factor:	See Sheet No. 6.105
Gross Receipts Tax Factor:	See Sheet No. 6.106
Right-of-Way Utilization Fee:	See Sheet No. 6.106
Municipal Tax:	See Sheet No. 6.106
Sales Tax:	See Sheet No. 6.106

Minimum Monthly Bill:

The minimum monthly bill shall be the sum of the Customer Charge and applicable Fixture and Maintenance Charges.

Terms of Payment:

Bills rendered hereunder are payable within the time limit specified on bill at Company-designated locations.

Term of Service:

Except as provided in Special Provision No. 14, service under this rate schedule shall be for a minimum initial term of six (6) years from the commencement of service and shall continue thereafter until terminated by either party by written notice sixty (60) days prior to termination. Upon early termination of service under this schedule, the Customer shall pay an amount equal to the remaining monthly lease amount for the term of contract, applicable Customer Charges and removable cost of the facilities.

Special Provisions:

1. The Company will require a written contract from the Customer for service under this rate upon the Company's standard form.

2. Where the Company provides a fixture or pole type other than those listed above, the monthly charges, as applicable shall be computed as follows:

    I. Fixture
        (a) Fixture Charge: 1.46% of the Company's average installed cost.
        (b) Maintenance Charge: The Company's estimated cost of maintaining fixture.

    II. Pole
        Pole Charge: 1.67% of installed cost

3. The Customer shall be responsible for the cost incurred to repair or replace any fixture or pole which has been willfully damaged. The Company shall not be required to make such repair or replacement prior to payment by the Customer for damage.

(Continued on Page 5)

ISSUED BY: Mark A. Myers, Vice President, Finance
EFFECTIVE:

Florida Power
A Progress Energy Company

SECTION NO. VI
ORIGINAL SHEET NO. 6.284

RATE SCHEDULE LS-1
LIGHTING SERVICE
(Continued from Page No. 4)

4. Maintenance Service for Customer-owned fixtures at charges stated hereunder shall be restricted to fixtures being maintained as of November 1, 1992. For additional requests of the Company to perform maintenance of Customer-owned fixtures, the Company may consider providing such service and bill the Customer in accordance with the Company's policy related to "Work Performed for the Public."

5. kWh consumption for Company-owned fixtures shall be estimated in lieu of installing meters. kWh estimates will be made using the following formula:

$$\text{kWh} = \frac{\text{Unit Wattage (including ballast losses) x 350 hours per month}}{1{,}000}$$

6. kWh consumption for Customer-owned fixtures shall be metered. Installation of Customer-owned lighting facilities shall be provided for by the Customer. The Company may consider installing customer owned lighting facilities and will bill the Customer in accordance with the Company's policy related to "Work Performed for the Public." Any costs incurred by the Company to provide for consolidation of existing lighting facilities for the purpose of metering shall be at the Customer's expense.

6. No Pole Charge shall be applicable for a fixture installed on a Company-owned pole which is utilized for other general distribution purposes.

7. Replacement of lamps of Company maintained fixtures will be made by the Company within three (3) business days after the Customer notifies the Company that the lamp is burned out.

8. For a fixture type restricted to existing installations and requiring major renovation or replacement, the fixture shall be replaced by an available sodium vapor fixture of the Customer's choosing and the Customer shall commence being billed at its appropriate rate. Where the Customer requests the continued use of the same fixture type for appearance reasons, the Company will attempt to provide such fixture and the Customer shall commence being billed at a rate determined in accordance with Special Provision No. 2 for the cost of the renovated or replaced fixture.

9. The Customer will be responsible for trimming trees and other vegetation that obstruct the light output from fixture(s) or maintenance access to the facilities.

10. After December 31, 1998, all new leased lighting shall be installed on poles owned by the Company.

11. Alterations to leased lighting facilities requested by Customer after date of installation, (i.e. redirect, install shields, etc.), will be billed to the Customer in accordance with the Company's policy related to "Work Performed for the Public".

12. Service for street or area lighting is normally provided from existing distribution facilities. Where suitable distribution facilities do not exist, it will be the Customer's responsibility to pay for necessary additional facilities. Refer to section IV, paragraph 3.01 of the Company's General Rules and Regulations Governing Electric Service to determine the Contribution In Aid of Construction owed by the Customer.

13. The Customer shall have the option to make an up-front lump sum payment in lieu of paying the otherwise applicable monthly charges specified in this rate schedule, for those premium lighting fixtures and poles designated by the Company, subject to the following conditions:

    A. The Customer must execute the Company's standard form Up-Front Lease Agreement (UFLA) with an initial term of ten (10) years, after the initial term the then effective monthly fixture and pole charges will be applicable.

    B. The up-front lump sum payment shall be calculated based on the present value of the otherwise applicable monthly fixture and pole charges over the initial ten-year term of the UFLA, discounted at a rate equal to the interest rate paid on ten (10) ten-year Treasury Notes at the end of the month prior to execution of the UFLA, and shall be adjusted for Federal and State tax impacts from the receipt of a lump sum payment instead of monthly payments over a ten-year period.

    C. The minimum up-front lump sum payment is $50,000.

    D. A processing fee of $700 shall be paid upon execution of the UFLA to defray the costs of contract administration over the term of the UFLA.

    E. If the Customer requests multiple engineering estimates to determine the up-front lump sum payment that would be required under alternative lighting configurations, the Company may charge a fee to cover its reasonable costs to perform such estimates.

ISSUED BY: Mark A. Myers, Vice President, Finance
EFFECTIVE:

Attachment 2
Page 1 of 3

Impact of Proposed Stipulation and Settlement on Monthly 1,000 kWh Residential Bill
Florida Power Corporation
Docket No. 000824-EI

	Current	Effective May 2002		Effective July 2002		Difference July 2002 vs. Current
Customer Charge	$8.85	$8.03		$8.03		($0.82)
Non-Fuel Energy Charge	$40.20	$36.48	(1)	$33.15	(2)	($7.05)
Fuel Charge	$26.92	$23.67	(3)	$23.67		($3.25)
Energy Conservation Charge	$2.07	$2.07		$2.07		$0.00
Capacity Cost Recovery Charge	$11.32	$11.32		$11.32		$0.00
Gross Receipts Tax	$2.29	$2.09		$2.01		($0.28)
Total Bill	**$91.65**	**$83.66**		**$80.25**		**($11.40)**

(1) Proposed levelized residential non-fuel energy charge effective May - June 2002.
(2) Proposed inverted residential non-fuel energy charge, effective July 2002.
(3) Proposed fuel mid-course correction reduction of $83.7 million, including interim refund of $35 million.

Attachment 2
Page 2 of 3

RESIDENTIAL FUEL COST RECOVERY FACTORS FOR THE PERIOD: **May 2002 - June 2002**

NOTE: This schedule reflects a midcourse correction to Florida Power Corporation's fuel factors and a reduction to FPC's base rate charges resulting from a proposed stipulation and settlement in Docket No. 000824-EI. The settlement provides that residential customers will be billed a levelized non-fuel energy charge for the period May - June 2002, and an inverted non-fuel energy charge starting July 2002.

		Florida Power & Light Co.	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2) Marianna	Florida Public Utilities Co. (2) Fernandina Beach
Present (cents per kwh):	April 15, 2002 - April 30, 2002	2.635	2.692	3.313	2.239	4.060	3.983
Proposed (cents per kwh):	May 2002 - June 2002	**2.635**	**2.367**	**3.313**	**2.239**	**4.060**	**3.983**
	Increase/Decrease:	0.000	-0.325	0.000	0.000	0.000	0.000

TOTAL MONTHLY BILL - RESIDENTIAL SERVICE - 1,000 KILOWATT HOURS

PRESENT **April 15, 2002 - April 30, 2002**	Florida Power & Light Co.	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2) Marianna	Florida Public Utilities Co. (2) Fernandina Beach
Base Rate Charges	40.22	49.05	51.92	42.20	20.43	19.20
Fuel and Purchased Power Cost Recovery Clause	26.35	26.92	33.13	22.39	40.60	39.83
Energy Conservation Cost Recovery Clause	1.87	2.07	1.16	0.64	0.83	0.58
Environmental Cost Recovery Clause	0.00	N/A	1.59	1.02	N/A	N/A
Capacity Cost Recovery Clause	7.01	11.32	3.79	0.27	N/A	N/A
Gross Receipts Tax (1)	0.77	2.29	2.35	0.68	1.59	0.61
Total	**$76.22**	**$91.65**	**$93.94**	**$67.20**	**$63.45**	**$60.22**

PROPOSED **May 2002 - June 2002**	Florida Power & Light Co.	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2) Marianna	Florida Public Utilities Co. (2) Fernandina Beach
Base Rate Charges	40.22	44.51	51.92	42.20	20.43	19.20
Fuel and Purchased Power Cost Recovery Clause	26.35	23.67	33.13	22.39	40.60	39.83
Energy Conservation Cost Recovery Clause	1.87	2.07	1.16	0.64	0.83	0.58
Environmental Cost Recovery Clause	0.00	N/A	1.59	1.02	N/A	N/A
Capacity Cost Recovery Clause	7.01	11.32	3.79	0.27	N/A	N/A
Gross Receipts Tax (1)	0.77	2.09	2.35	0.68	1.59	0.61
Total	**$76.22**	**$83.66**	**$93.94**	**$67.20**	**$63.45**	**$60.22**

PROPOSED INCREASE / (DECREASE)	Florida Power & Light Co.	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2) Marianna	Florida Public Utilities Co. (2) Fernandina Beach
Base Rate Charges	0.00	-4.54	0.00	0.00	0.00	0.00
Fuel and Purchased Power Cost Recovery Clause	0.00	-3.25	0.00	0.00	0.00	0.00
Energy Conservation Cost Recovery Clause	0.00	0.00	0.00	0.00	0.00	0.00
Environmental Cost Recovery Clause	0.00	0.00	0.00	0.00	0.00	0.00
Capacity Cost Recovery Clause	0.00	0.00	0.00	0.00	0.00	0.00
Gross Receipts Tax (1)	0.00	-0.20	0.00	0.00	0.00	0.00
Total	$0.00	($7.99)	$0.00	$0.00	$0.00	$0.00

(1) Additional gross receipts tax is 1% for Gulf, FPL and FPUC-Fernandina Beach. FPC, TECO and FPUC-Marianna have removed all GRT from their rates, and thus entire 2.5% is shown separately. (2) Fuel costs include purchased power demand costs of 1.726 for Marianna and 1.888 cents/KWH for Fernandina allocated to the residential class.

Attachment 2
Page 3 of 3

RESIDENTIAL FUEL COST RECOVERY FACTORS FOR THE PERIOD: July 2002 - December 2002

NOTE: This schedule reflects the 1,000 kwh residential bill under Florida Power Corporation's inverted non-fuel energy charge. The inverted non-fuel energy charge is proposed in a stipulation and settlement in Docket No. 000824-EI, effective May 1, 2002. For the period May - June residential customers will be billed a levelized non-fuel energy charge.

		Florida Power & Light Co.	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2) Marianna	Florida Public Utilities Co. (2) Fernandina Beach
Present (cents per kwh):	May 2002 - June 2002	2.635	2.692	3.313	2.239	4.060	3.983
Proposed (cents per kwh):	July 2002 - December 2002	**2.635**	**2.367**	**3.313**	**2.239**	**4.060**	**3.983**
	Increase/Decrease:	0.000	-0.325	0.000	0.000	0.000	0.000

TOTAL MONTHLY BILL - RESIDENTIAL SERVICE - 1,000 KILOWATT HOURS

PRESENT **May 2002 - June 2002**	Florida Power & Light Co.	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2) Marianna	Florida Public Utilities Co. (2) Fernandina Beach
Base Rate Charges	40.22	44.51	51.92	42.20	20.43	19.20
Fuel and Purchased Power Cost Recovery Clause	26.35	23.67	33.13	22.39	40.60	39.83
Energy Conservation Cost Recovery Clause	1.87	2.07	1.16	0.64	0.83	0.58
Environmental Cost Recovery Clause	0.00	N/A	1.59	1.02	N/A	N/A
Capacity Cost Recovery Clause	7.01	11.32	3.79	0.27	N/A	N/A
Gross Receipts Tax (1)	0.77	2.09	2.35	0.68	1.59	0.61
Total	**$76.22**	**$83.66**	**$93.94**	**$67.20**	**$63.45**	**$60.22**

PROPOSED **July 2002 - December 2002**	Florida Power & Light Co.	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2) Marianna	Florida Public Utilities Co. (2) Fernandina Beach
Base Rate Charges	40.22	41.18	51.92	42.20	20.43	19.20
Fuel and Purchased Power Cost Recovery Clause	26.35	23.67	33.13	22.39	40.60	39.83
Energy Conservation Cost Recovery Clause	1.87	2.07	1.16	0.64	0.83	0.58
Environmental Cost Recovery Clause	0.00	N/A	1.59	1.02	N/A	N/A
Capacity Cost Recovery Clause	7.01	11.32	3.79	0.27	N/A	N/A
Gross Receipts Tax (1)	0.77	2.01	2.35	0.68	1.59	0.61
Total	**$76.22**	**$80.25**	**$93.94**	**$67.20**	**$63.45**	**$60.22**

PROPOSED INCREASE / (DECREASE)	Florida Power & Light Co.	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2) Marianna	Florida Public Utilities Co. (2) Fernandina Beach
Base Rate Charges	0.00	-3.33	0.00	0.00	0.00	0.00
Fuel and Purchased Power Cost Recovery Clause	0.00	0.00	0.00	0.00	0.00	0.00
Energy Conservation Cost Recovery Clause	0.00	0.00	0.00	0.00	0.00	0.00
Environmental Cost Recovery Clause	0.00	0.00	0.00	0.00	0.00	0.00
Capacity Cost Recovery Clause	0.00	0.00	0.00	0.00	0.00	0.00
Gross Receipts Tax (1)	0.00	-0.08	0.00	0.00	0.00	0.00
Total	$0.00	($3.41)	$0.00	$0.00	$0.00	$0.00

(1) Additional gross receipts tax is 1% for Gulf, FPL and FPUC-Fernandina Beach. FPC, TECO and FPUC-Marianna have removed all GRT from their rates, and thus entire 2.5% is shown separately. (2) Fuel costs include purchased power demand costs of 1.726 for Marianna and 1.888 cents/KWH for Fernandina allocated to the residential class.

ATTACHMENT 3

Florida Power Corporation
Fuel and Purchased Power Cost Recovery Factors
For the period: May through December 2002

	Levelized Factor (cents/kwh)	Time of Use On-Peak (cents/kwh)	Time of Use Off-Peak (cents/kwh)
Distribution Secondary	2.367	2.878	2.147
Distribution Primary	2.343	2.849	2.125
Transmission	2.319	2.820	2.103
Lighting Service	2.284	---	---