



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

RECORDED AND REPORTING
AUG 17 AM 10:23
RECEIVED FPSC

DATE: AUGUST 17, 2000

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ECONOMIC REGULATION (SLEMKEWICZ, KUMMER) JS DM
DIVISION OF LEGAL SERVICES (C. KEATING) WCK RVE

RE: DOCKET NO. 991695-EI - REQUEST BY FLORIDA POWER CORPORATION FOR AUTHORITY TO ESTABLISH A REGULATORY LIABILITY TO DEFER 1999 EARNINGS FOR DISPOSITION IN 2000.

AGENDA: 08/29/00 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\991695.RCM

CASE BACKGROUND

On November 2, 1999, Florida Power Corporation (FPC) filed a request to defer 1999 earnings for disposition in 2000. By Order No. PSC-99-2437-PAA-EI, issued December 13, 1999, FPC was authorized to create a regulatory liability for the purpose of deferring certain discretionary 1999 revenues. FPC was required to file a plan for the disposal of these deferred revenues by August 1, 2000. Absent the filing of a plan, FPC would be required to immediately apply those deferred earnings, plus interest, to accelerate the amortization of the Tiger Bay regulatory asset.

The Tiger Bay regulatory asset was created pursuant to a stipulation approved in Order No. PSC-97-0692-S-EQ, issued June 9, 1997, concerning FPC's purchase of the Tiger Bay Limited Partnership cogeneration facility and the termination of the related purchased power contracts. This regulatory asset is being amortized by using the savings realized from the early termination

DOCUMENT NUMBER-DATE

10006 AUG 17 8

FPSC RECORDS/REPORTING

of the contract, although FPC has the discretion to accelerate the amortization when earnings permit.

On August 1, 2000, FPC filed a motion for an extension of time to file a proposal for the disposition of the deferred 1999 earnings. This recommendation addresses this motion. As of July 31, 2000, the amount of FPC's deferred 1999 earnings was \$46,038,073, including interest.

The Commission is vested with jurisdiction over this matter through several provisions of Chapter 366, Florida Statutes, including §366.04, §366.05 and §366.06.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant Florida Power Corporation's motion for an extension of time to file a proposal for the disposition of the deferred 1999 earnings by October 2, 2000?

RECOMMENDATION: Yes, the motion for an extension of time to file a proposal for the disposition of the deferred 1999 earnings by October 2, 2000, should be granted. However, if a proposal is not filed by that date, FPC should be directed to immediately apply the deferred 1999 earnings, plus interest, against the Tiger Bay regulatory asset. (SLEMKEWICZ, KUMMER)

STAFF ANALYSIS: In its motion filed August 1, 2000, FPC stated that it is currently engaged in negotiations with several potential intervenors regarding the disposition of the deferred 1999 earnings. FPC further stated that it believes that a successful conclusion of the negotiations could result in the enhancement of the benefits that customers would otherwise receive from the deferred earnings. FPC also asserts that despite the best efforts of the participants to conclude the negotiations and file a joint proposal, they were unable to do so by the August 1, 2000, deadline imposed in Order No. PSC-99-2437-PAA-EI. FPC claims that its request for a two-month extension to file a proposal has the support of the unnamed participants in the negotiations.

Staff notes that FPC, in its November 9, 1999, request to defer 1999 earnings, asked that the Commission allow FPC to file a

proposal anytime before October 1, 2000. The Commission denied this request, stating that an October 1, 2000, filing date "may not provide adequate time for this Commission or potential intervenors to evaluate the proposal, conduct any required discovery, and be prepared to have this matter decided prior to the end of 2000." The Commission ordered FPC to file its proposal, if any, by August 1, 2000, to provide adequate time for preparation of the proposal and evaluation of the proposal.

Since the Commission's original decision in this docket, FPC has already had eight months to formulate a proposal for the disposition of the deferred 1999 earnings. However, Staff agrees that if an extension of time allows the pending negotiations to be concluded successfully, the possibility of an adversarial proceeding would be minimized. Further, Staff agrees with FPC's assertion that a further delay until October 2, 2000, will not have any adverse effects on the ratepayers because the deferred earnings will continue to accrue interest until their final disposition is determined by the Commission. Therefore, Staff recommends that the Commission grant FPC's request for a two-month extension of time to file a proposal for the disposition of the deferred 1999 earnings. Staff further recommends that if a proposal is not filed by October 2, 2000, FPC be directed to immediately apply the deferred 1999 earnings, plus interest, to the Tiger Bay regulatory asset.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. This docket should remain open pending the review of any proposal timely filed by FPC for the final disposition of the deferred 1999 earnings. However, if FPC does not file a proposal by October 2, 2000, this docket should be administratively closed. (C. KEATING, SLEMKEWICZ)

STAFF ANALYSIS: This docket should remain open pending the review of any proposal timely filed by FPC for the final disposition of the deferred 1999 earnings. However, if FPC does not file a proposal by October 2, 2000, this docket should be administratively closed.