

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for authority to issue and sell securities during 12 months ending 12/31/03 pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code, by Florida Power Corporation.

DOCKET NO. 021029-EI
ORDER NO. PSC-02-1631-FOF-EI
ISSUED: November 25, 2002

The following Commissioners participated in the disposition of this matter:

LILA A. JABER, Chairman
J. TERRY DEASON
BRAULIO L. BAEZ
MICHAEL A. PALECKI
RUDOLPH "RUDY" BRADLEY

FINAL ORDER GRANTING APPROVAL FOR
AUTHORITY TO ISSUE AND SELL SECURITIES

BY THE COMMISSION:

Pursuant to Chapter 25-8, Florida Administrative Code, and Section 366.04, Florida Statutes, Florida Power Corporation (FPC) requests authority to issue, sell during 2003, equity securities and short-term and long-term debt securities and obligations, including, but not limited to, borrowings from banks which are participants in FPC's existing credit facilities. In addition, FPC seeks authority to enter into forward interest rate hedging contracts during 2003 in connection with possible refundings of long-term debt.

The maximum principal amount of additional equity securities and long-term debt securities and obligations proposed to be issued, sold, or otherwise incurred in 2003 is \$400 million outstanding at any one time of commercial paper backed by, or borrowed under, FPC's long-term credit agreements, and \$1.54 billion of any combination of equity securities and other long-term

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FPC SECRETARY'S CLERK

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debt securities and obligations. In addition, FPC also proposes to issue, sell and have outstanding at any given time during 2003, short-term unsecured securities and debt obligations, including commercial paper in an aggregate amount not in excess of \$470 million, which amount shall be in addition to and in excess of the authority conferred on FPL by Section 366.04, Florida Statutes, to issue short-term securities aggregating to more than five percent of the par value of FPC's other outstanding securities.

FPC states that short-term debt securities and obligations may include notes to be sold in the commercial paper market ("commercial paper"); extendible notes ("ECNs"), which are typically sold to the same investors as commercial; and bank loans, credit agreements or other forms of securities and debt obligations, with maturities less than one year.

FPC states that the long-term debt securities and obligations may take the form of first mortgage bonds, debentures, medium-term notes or other notes, commercial paper backed by long-term credit agreements, installment contracts, credit agreements or other forms of securities and debt obligations, whether secured or unsecured, with maturities greater than one year. In addition, FPC may enter into options, rights, interest rate swaps or other derivative instruments. FPC also may enter into installment purchase and security agreements, loan agreements, or other arrangements with political subdivisions of the State of Florida or pledge debt securities or issue guarantees in connection with such political subdivisions' issuance, for the ultimate benefit of FPC, of pollution control revenue bonds, solid waste disposal revenue bonds, industrial development revenue bonds, variable rate demand notes, or other "private activity bonds" with maturities ranging from one to forty years, bond anticipation notes, or commercial paper. Such obligations may or may not bear interest exempt from federal tax.

The equity securities that FPC may issue include cumulative preferred stock, preference stock, or warrants, options or rights to acquire such securities, or other equity securities, with such par values, terms and conditions and relative rights and preferences as are deemed appropriate by FPC and permitted by its articles of incorporation, as they may be amended from time to time.

FPC also may enter into preferred securities financings that may have various structures, including a structure whereby FPC would establish and make an equity investment in a special purpose trust, limited partnership or other entity. The entity would offer preferred securities to the public and lend the proceeds to FPC. FPC would issue debt securities to the entity equal to the aggregate of its equity investment and the amount of preferred securities issued. FPC may also guarantee, among other things, the distributions to be paid by the entity to the holders of the preferred securities.

The manner of issuance and sale of securities will be dependent upon the type of securities being offered, the type of transaction in which the securities are being issued and sold and market conditions at the time of the issuance and sale. Securities may be issued through negotiated underwritten public offerings, public offerings at competitive biddings, private sales or sales through agents, and may be issued in both domestic and foreign markets. Credit agreements may be with banks or other lenders. FPC's commercial paper will be for terms up to but not exceeding nine months from the date of issuance. The commercial paper will be sold at a discount, including the underwriting discount of the commercial paper dealer, at rates comparable to interest rates being paid in the commercial paper market by borrowers of similar creditworthiness. ECNs will be sold under terms and conditions substantially similar to commercial paper. Initial redemption dates on the ECNs will not exceed 90 days from the date of issue. FPC will have the option to extend the final maturity date to 390 days from the date of issue; however, it does not anticipate that it will elect to do so. FPC plans to refund from time to time outstanding commercial paper, ECNs and short-term borrowings, which mature on a regular basis, with preferred stock, first mortgage bonds, medium-term notes, or other long-term securities and debt obligations.

In connection with borrowing from banks and in support of its commercial paper program, FPC has executed a number of credit agreements, and may extend the terms of these agreements or enter into additional agreements as the need arises. FPC has executed a \$170 million 364-day revolving credit facility and a \$200 million five-year revolving long-term credit facility with a group of banks under which borrowings may be made from time to time. These

facilities were effective December 18, 2001, and January 1, 1992, respectively. The 364-day revolving credit facility will expire on December 17, 2002, unless it is extended pursuant to its provisions, and the five-year facility has been extended to its current expiration date in November 2003. To date, no borrowings have been made under these credit agreements. These credit facilities have been and will continue to be used primarily to back up FPC's \$370 million commercial paper program, and are extendable at the request of FPC with the consent of the participating banks. In addition to these two credit facilities, FPC may establish other long-term credit facilities for an additional \$200 million in connection with a self-insurance program. In November 1993, the Commission approved FPC's petition to implement a self-insurance program for storm damage to its transmission and distribution lines in Order No. PSC-93-1522-FOF-EI (the "Petition to Self-Insure"). FPC self-insures against casualties to its transmission and distribution system, and may establish an additional long-term credit facility with a group of banks that would provide a committed source of bank loans to fund, or to back up commercial paper to fund, repairs in the event of any loss.

FPC's existing \$200 million five-year revolving long-term credit facility, the additional long-term credit facility proposed in the Petition to Self-Insure, and any other long-term credit agreements or amendments thereto that FPC may execute, are hereinafter collectively referred to as the "Long-Term Credit Agreements."

FPC will file a consummation report with the Commission in compliance with Rule 25-8.009, Florida Administrative Code, within 90 days after the close of the 2002 calendar year to report any securities issued during that year.

It does not appear issuance would impair the financial viability of the public utility such that its ability to provide reasonable service at reasonable rates is jeopardized.

It appears that FPC has complied with the requirements of Section 366.04, Florida Statutes and Chapter 25-8, Florida Administrative Code, in applying for the authority to issue and sell securities. Therefore, FPC's application is hereby granted.

Our approval of the proposed issuance and/or sale of securities by Florida Power Corporation 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. Our approval of the issuance of securities constitutes approval only as to the legality of the issue. In approving the subject financing, we retain the right to disallow any of the costs incurred for ratemaking purposes.

Based upon the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Florida Power Corporation to issue and sell securities during the twelve month period ending December 31, 2003, be approved. It is further

ORDERED that Florida Power Corporation's request to issue, sell or otherwise incur in 2003, a maximum principal amount of additional equity securities and long-term debt securities and obligations of \$400 million outstanding at any time of commercial paper backed by, or borrowed under, FPC's long-term credit agreements, and \$1.54 billion of any combination of equity securities and other long-term debt securities and obligations, is granted. It is further

ORDERED that Florida Power Corporation's request to issue, sell and have outstanding at any given time during 2003, short-term unsecured securities and debt obligations, including commercial paper in an aggregate amount not in excess of \$470 million, is granted.

ORDERED that Florida Power Corporation shall file a Consummation Report in accordance with Rule 25-8.009, Florida Administrative Code, within 90 days after the end of any fiscal year in which it issues securities. It is further

ORDERED that this docket shall remain open to monitor the issuance and/or sale of securities until Florida Power Corporation submits and we have reviewed the Consummation Report, at which time it shall be closed administratively.

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By ORDER of the Florida Public Service Commission this 25th
day of November, 2002.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records and Hearing
Services

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak

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Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of the Commission Clerk and Administrative Services and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.