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**Florida
Power**
CORPORATION

JAMES A. MCGEE
SENIOR COUNSEL

September 16, 1997

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

971217-EI

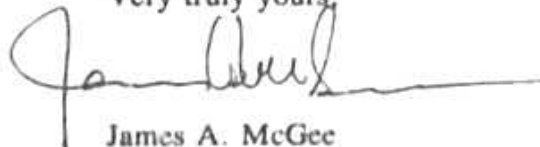
Re: Petition to withdraw optional municipal
underground capital cost recovery tariff by
Florida Power Corporation

Dear Ms. Bayó:

Enclosed for filing in the subject docket are original and fifteen copies of Florida Power Corporation's Petition to withdraw optional municipal underground capital cost recovery tariff.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in WordPerfect format. Thank you for your assistance in this matter.

Very truly yours,



James A. McGee

JAM/kp
Enclosures

DOCUMENT NUMBER-DATE

GENERAL OFFICE

09460 SEP 17 97

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A Florida Progress Company

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to withdraw
optional municipal underground
capital cost recovery tariff by
Florida Power Corporation.

Docket No. 971217-

Submitted for filing:
September 17, 1997

PETITION

Florida Power Corporation (Florida Power or the Company) hereby files its petition to withdraw optional tariff Section 12.06 in the Company's Rules and Regulations and related billing adjustment clause in Rate Schedule BA-1 which provide for recovery of capital costs incurred by franchised municipalities to convert electric distribution facilities from overhead to underground. In support of its petition, Florida Power states as follows:

Background

Pursuant to Rule 25-6.115, F.A.C., which requires each public utility to file a tariff procedure for determining the cost and the terms and conditions to underground distribution facilities requested by an applicant, the Commission approved Florida Power's tariff Sections 12.01 through 12.05 of its Rules and Regulations, effective May 10, 1993. Shortly thereafter, in Docket No. 930968-EI, the Commission approved tariff Section 12.06, which was intended to provide an optional procedure to franchised municipalities within Florida Power's service territory for the recovery of undergrounding conversion costs determined under Sections 12.01 through 12.05 from customers within the municipality on whose behalf the conversion was made. The optional tariff section became effective on January 20, 1994.

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Request for Withdrawal

During the almost four years since Section 12.06 became effective, Florida Power has prepared detailed underground cost recovery estimates for 11 municipalities. Despite Florida Power's expectations based on discussions with numerous municipalities before the adoption of Section 12.06, none have elected to actually proceed under the tariff and no additional requests are currently pending.

At the time Section 12.06 was initially approved, Florida Power estimated the initial cost of programming its Customer Service System to accommodate the tariff to be approximately \$300,000, which Florida Power agreed to absorb through its base rates. The additional programming costs required to bill the residents of each participating municipality would be added to the cost of undergrounding and paid by the municipality. At that time, Florida Power expected that numerous municipalities would utilize Section 12.06, thereby justifying the large programming costs it would incur. In addition, it was expected that the municipalities would undertake relatively large-scale undergrounding projects, thereby defraying the programming costs that they would incur.

Neither of these expectations have occurred. It has now become clear that Section 12.06 will be utilized, if at all, by only a few municipalities. In this event, Florida Power will be forced to incur substantial programming costs that provide little benefit to its overall customer base. In addition, most of the 11 cities that indicated an initial interest in Section 12.06 were considering relatively small projects. As a result, the additional programming costs required for a

project constituted a disproportionately large share of the project's total cost, thus rendering the project less economically attractive.

Further contributing to the basis for withdrawing Section 12.06 is the uncertainty associated with impending retail competition. The viability of this optional cost recovery mechanism is dependant on Florida Power's ability to bill the affected customers throughout underground recovery period. The advent of retail wheeling raises the possibility that customers could escape responsibility for undergrounding costs by choosing another electric service provider.

Withdrawal of Section 12.06 will not meaningfully impair the ability of municipalities to implement underground conversions. In the first place, as noted above, municipalities have obviously not found this optional cost recovery mechanism to be an attractive means for financing underground conversions. Moreover, municipalities have several other viable financing alternatives, such as conventional municipal revenue bonds, special property assessments, and the creation of special taxing districts for large-scale projects requiring longer recovery periods.

WHEREFORE, Florida Power Corporation respectfully requests the Commission to enter an order granting this petition and approving the withdrawal of tariff Section 12.06 and the related revision of Rate Schedule BA-1 contained in Exhibit A hereto.

Respectfully submitted,

OFFICE OF THE GENERAL COUNSEL
FLORIDA POWER CORPORATION

By 

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RATE SCHEDULE BA-1
Billing Adjustments
(Continued from Page 1)

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(3) Capacity Cost Recovery Factor:

The Capacity Cost Recovery (CCR) Factors applicable to the Energy Charge under the Company's various rate schedules are normally determined semiannually by the Florida Public Service Commission for six-month periods beginning with the billing months of April and October. This factor is designed to recover the cost of capacity payments made by the Company for off-system capacity and is adjusted to reflect changes in these costs from one six-month period to the next.

Gross Receipts Tax Factor:

In accordance with Section 203.01 of the Florida Statutes, a factor of 2.5641% is applicable to electric sales charges for collection of the state gross receipts tax.

Right-of-Way Utilization Fee:

A Right-of-Way Utilization Fee is applied to the charges for electric service (exclusive of any Municipal, County, or State Sales Tax) provided to customers within the jurisdictional limits of each municipal or county governmental body or any unit of special-purpose government or other entity with authority requiring the payment of a franchise fee, tax, charge, or other imposition whether in money, service, or other things of value for utilization of rights-of-way for location of Company distribution or transmission facilities. The Right-of-Way Utilization Fee shall be determined in a negotiated agreement (i.e., franchise and other agreements) in a manner which reflects the Company's payments to a governmental body or other entity with authority plus the appropriate gross receipts taxes and regulatory assessment fees resulting from such additional revenue. The Right-of-Way Utilization Fee is added to the charges for electric service prior to the application of any appropriate taxes.

Municipal Tax:

A Municipal Tax is applied to the charge for electric service provided to customers within the jurisdictional limits of each municipal or other governmental body imposing a utility tax on such service. The Municipal Tax shall be determined in accordance with the governmental body's utility tax ordinance, and the amount collected by the Company from the Municipal Tax shall be remitted to the governmental body in the manner required by law. No municipal tax shall apply to fuel charges in excess of 0.699¢/kWh.

Municipal Underground Fee:

~~Applicable to customers located in a designated Underground Assessment Area within a municipality which requires the payment of a fee from the Company to recover the costs of converting overhead electric distribution facilities to underground. The Municipal Underground Fee is a charge of up to 15% of a customer's total net charges for electric service, unless a higher percentage is authorized by the Florida Public Service Commission, but not greater than a maximum monthly amount of \$20 for residential customers and \$50 for non-residential customers. The maximum monthly amount shall apply to each line of billing in the case of a customer receiving a single bill for multiple service points, and to each residential dwelling unit in the case of a master-metered customer. The Municipal Underground Fee is added to the charges for electric service prior to the application of any appropriate taxes.~~

Sales Tax:

A State Sales Tax is applied to the charge for electric service and equipment rental provided to all non-residential customers (unless a qualified sales tax exemption status is on record with the Company). The State Sales Tax shall be determined in accordance with the State's sales tax laws. The amount collected by the Company shall be remitted to the State in the manner required by law. In those counties that have enacted a County Discretionary Sales Surtax, such tax shall be applied and paid in a like manner.

ISSUED BY: W. C. Slusser, Jr., & F. Nixon, Jr., Director, Pricing Department & Utility PartnershipsEFFECTIVE: March 7, 1995