

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint Petition of Florida) DOCKET NO. 920949-EU
 Power Corporation and Sebring)
 Utilities Commission for Approval) FILED: October 20, 1992
 of Certain Matters in Connection)
 with the Sale of Assets by Sebring)
 Utilities Commission to Florida)
 Power Corporation.)

PREHEARING STATEMENT OF SEBRING UTILITIES COMMISSION

Sebring Utilities Commission ("Sebring"), pursuant to Order No. PSC-92-1060-PCO-EU, the Commission's Order on Prehearing Procedure, dated September 24, 1992, hereby files its Prehearing Statement in the above named docket. Because of the compressed time schedule of this docket, certain of the matters properly addressed in the Prehearing Statement are not yet final. Sebring reserves the right to supplement and revise the matters contained in this Prehearing Statement.

A. Appearances.

ACK _____ D. Bruce May
 2 _____ Larry P. Stevenson
 _____ Holland & Knight
 _____ P.O. Drawer 810
 _____ Tallahassee, FL 32302

Andrew B. Jackson
 150 N. Commerce Avenue
 Sebring, FL 33870

B. Known Witnesses.

<u>Witness</u>	<u>Issues</u>	<u>Subject Area</u>
1 Joseph E. Calhoun Sr.		Purchase and Sale Agreement; Sebring's review of options regarding bond debt problem; background of
4 _____		

1 _____		

DOCUMENT NUMBER DATE

12304 OCT 20 1992

decision to sell electric utility assets to FPC.

Nancy L. Holloway

Need for expedited decision in this docket; reconciliation of net book value of Sebring's tangible electric utility assets.

David J. Rumolo

RMI's valuation of Sebring's tangible electric utility assets.

Frank L. Williams

Sebring's audited Financial Statement.

Gerald E. Warren, II

Going concern value of Sebring's electric utility.

C. Known Exhibits.

Sebring will sponsor the following exhibits as part of its direct case:

<u>Witness</u>	<u>Exhibit</u>	
Joseph E. Calhoun, Sr.	1	Pages 107-129; 232-240; 241; 254-255; 256; 257; 259-264; 265-266; 267-269; 270-285; 286-572; 573; 582; 629-634; 635-637; 640-641; 642-643; 650
Nancy L. Holloway	1	Pages 207-231; 242-253; 258; 574-577; 578; 579-580; 581
David J. Rumolo	DJR-1	List of standardized groupings of distribution equipment ("assembly units") used in the valuation proceeding
	DJR-2	Report titled Sebring Utilities Commission Distribution System Valuation
Frank L. Williams	1	Page 210

D. Statement of Basic Position

On August 28, 1992, the Sebring Utilities Commission, the City of Sebring (the "City"), and Florida Power Corporation ("FPC") entered into a contract titled "Agreement for Purchase and Sale of Electric System" ("Purchase and Sale Agreement"). Under the Purchase and Sale Agreement, FPC, among other things, will purchase Sebring's electric utility assets. FPC will also obtain the exclusive right to serve the retail electric customers of Sebring.

The sale of Sebring's assets to FPC is conditioned on obtaining Commission approval of certain aspects of the transaction. FPC, the City, and the Sebring Utilities Commission on September 18, 1992 filed a Joint Petition seeking the Commission's approval of the following:

- * an Amendment to Territorial Agreement and Termination of Settlement Agreement between FPC and the Sebring Utilities Commission;
- * the depreciated net book value of the Rate Base Assets of the Sebring Utilities Commission, as of September 30, 1991, in the amount of \$17,813,753.00;
- * any amount in addition to \$17,813,753.00 that the Commission determines, pursuant to Section 366.06(1), Florida Statutes, to be allocated to Rate Base Assets as a prudent investment by FPC representing "going concern" of the Sebring electric system;

- * the imposition of a "Transition Rate" by FPC designed to recover the Transition Amount as defined in the Purchase and Sale Agreement;
- * the methodology for any changes in the Transition Rate under the terms set forth in the Joint Petition, and retention of jurisdiction over the Transition Rate by the Commission, in accord with the terms of the Joint Petition;
- * the "SR-1 Rate Schedule" as a part of FPC's rate schedule;
- * the assignment by Sebring to FPC of Sebring's entire right, title, and interest under the "Glades Agreement," a territorial agreement between Sebring and the Glades Electric Cooperative, entered into on February 19, 1987;
- * the purchase by FPC of the Rate Base Assets, under the terms of the Purchase and Sale Agreement, as a prudent investment;
- * the Capacity Cost Recovery; and
- * such other relief as the Commission deems appropriate.

It is Sebring's basic position that the Commission should approve all aspects of the Joint Petition, including a finding that the "going concern" value of the Sebring assets is \$4.8 million. Approval of the Joint Petition will enable Sebring to retire its existing bond indebtedness, avail Sebring customers to lower electric rates, and resolve once and for all a long-standing

territorial conflict between the two utilities. Approval of the Joint Petition therefore is in the public interest and warranted.

E. Statement of Questions of Fact, Law and Policy and Sebring's Position on Those Issues.

ISSUE 1 Whether the Commission should approve the Purchase and Sale Agreement between FPC and Sebring. [Staff Issue 17]

POSITION Yes. (Calhoun, Warren, Rumolo)

ISSUE 2 Whether the Commission should approve the Amendment to the Territorial Agreement and Termination of Settlement Agreement dated August 28, 1992. [Staff Issue 12]

POSITION Yes. (Calhoun)

ISSUE 3 Whether the Commission should approve the net book value of Sebring's Rate Base Assets of the electric utility system as of September 30, 1991, in the amount of \$17,813,753.00. [Similar to Staff Issues 7 & 10]

POSITION Yes. (Rumolo, Holloway, Williams)

ISSUE 4 Whether the Commission should approve the purchase by FPC of Sebring's Rate Base Assets under the terms of the Purchase and Sale Agreement as a prudent investment. [Similar to Staff Issue 10]

POSITION As a matter of policy and principle, Sebring urges the Commission to approve FPC's purchase of Sebring's Rate Base Assets as a prudent investment.

Sebring understands that FPC witnesses will address the prudence issue.

ISSUE 5

Whether RMI properly assessed and calculated identifiable "going concern" values for the Sebring electric utility system. [Similar to Staff Issue 11]

POSITION

Yes. (Warren)

ISSUE 5(a)

If so, should the Commission approve as a prudent investment, pursuant to Section 366.06(1), Florida Statutes, that additional amount in "going concern" value to be allocated by FPC to the Rate Base Assets in accordance with the Purchase and Sale Agreement? [Similar to Staff Issue 11]

POSITION

As a matter of policy and principle, Sebring urges the Commission to approve the allocation of the additional amount of "going concern" value to the Rate Base Assets as a prudent investment by FPC. Sebring understands that FPC witnesses will address the prudence issue.

ISSUE 6

Whether the Commission should approve Sebring's assignment to FPC of Sebring's entire right, title and interest under the Glades Agreement. [Similar to Staff Issue 11]

POSITION

Yes. (Calhoun)

ISSUE 7

Should the Commission approve the Sebring Rider, as proposed by FPC and Sebring? [Similar to Staff Issue 1]

POSITION

Yes. (Calhoun, Warren)

ISSUE 8

Whether the Commission should approve FPC's proposed assumption of Sebring's Purchase Power Contract with Tampa Electric Company. [Similar to Staff Issue 14]

POSITION

Yes. As a matter of policy and principle, Sebring urges the Commission to approve FPC's proposed assumption of Sebring's Purchase Power Contract with Tampa Electric Company. Sebring understands that FPC witnesses will address this issue.

ISSUE 9

Whether the Commission should approve, under the terms of the Joint Petition and the Purchase and Sale Agreement, FPC's recovery of the capacity costs associated with the Tampa Electric Company Purchase Power Contract through the capacity cost recovery clause.

POSITION

Yes. As a matter of policy and principle, Sebring urges the Commission to approve, under the terms of the Joint Petition and the Purchase and Sale Agreement, FPC's recovery of the capacity costs associated with the Tampa Electric Company Purchase Power Contract through the capacity recovery

clause. Sebring understands that FPC witnesses will address this issue.

Due to the compressed schedule of this proceeding, and to the fact that this Prehearing Statement is submitted prior to any filings by intervenors in this proceeding, Sebring's statement of questions of fact, law and policy is necessarily limited to those issues identified by Sebring. Sebring reserves the right to supplement this Prehearing Statement in light of issues identified by other parties to this proceeding.

F. Stipulated Issues.

Sebring is unaware of any stipulated issues, though some may be identified at the prehearing conference.

G. Statement of Pending Motions.

Sebring understands that the Joint Motion to Expedite filed by FPC and Sebring is currently pending.

H. Requirements for Which Compliance Cannot be Made.

As noted above, Sebring expects persons not now parties to this docket to intervene and raise issues that Sebring cannot now anticipate. Sebring is thus unable to finalize the matters contained in this Prehearing Statement, and reserves the right to supplement and revise this Prehearing Statement in light of matters raised by intervenors.

Dated this 20th day of October, 1992.

Lawrence P. Stevenson

D. Bruce May
Lawrence P. Stevenson
HOLLAND & KNIGHT
P.O. Drawer 810
Tallahassee, FL 32302
(904) 224-7000

Andrew B. Jackson
150 N. Commerce Avenue
Sebring, FL 33871

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished by U.S. Mail to James P. Fama, Florida Power Corporation, 3201 34th St., South, St. Petersburg, FL 33733; Martha Carter Brown, Public Service Commission, 101 E. Gaines St., Rm. 226, Tallahassee, FL 32399-0863; and to Nancy Hawk, Citizens for Utility Rate Equity, c/o LESCO, Inc., Sebring Airport Industrial Park, 413 Big Bend, Sebring, FL 33870 this 20th day of October, 1992.

Lawrence P. Stevenson
Lawrence P. Stevenson

TAL-16328