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ORIGINAL  
FILE COPY

June 19, 1997

Ms. Blanca S. Bayó, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0870

RE: Docket No. ~~970261-EI~~  
In Re: Review of Nuclear Outage at Florida Power Corporation's  
Crystal River Unit No. 3

Dear Ms. Bayó:

Enclosed are originals and fifteen copies of a Stipulation for filing in the above referenced docket.

Please indicate receipt of filing by date-stamping the attached copy of this letter and returning it to this office. Thank you for your assistance in this matter.

- ACK
- AFA 2
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG Bas
- LEG 3 JS/dsb
- LIN 5 Enclosures
- CHD \_\_\_\_\_
- REL 2
- SEC 1
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

Sincerely,

  
Jack Shreve  
Public Counsel

RECEIVED & FILED

EPSC-BUREAU OF RECORDS

DOCUMENT NUMBER - DATE

06165 JUN 19 97

EPSC-BUREAU OF RECORDS

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Review of nuclear outage  
at Florida Power Corporation's  
Crystal River Unit No. 3.

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Docket No. 970261-EI

**STIPULATION**

This Stipulation is entered into as of June 19, 1997 between Florida Power Corporation ("Florida Power"), the Attorney General of the State of Florida, Charlie Crist, the Office of Public Counsel, the Florida Consumers Action Network, the Lake Dora Harbour Homeowners Association, Inc., the American Association of Retired Persons, and the Florida Industrial Power Users Group (collectively, "the Parties").

**PREAMBLE**

WHEREAS, the current extended outage of the Crystal River 3 nuclear plant (CR3) will result in replacement fuel costs of approximately \$170 million plus accrued interest through the end of 1997 when the unit is expected to return to service, which Florida Power contends it is entitled to recover from customers through its Retail Fuel and Purchased Power Cost Recovery Clause ("Fuel Clause") and which the other Parties dispute;

WHEREAS, Florida Power estimates that it will incur additional operating and maintenance expenses associated with the extended outage of CR3 of between \$80 to \$100 million and additional capital costs of between \$30 to \$45 million, all or portions of which Florida Power may assert the right to recover through increased base rate charges;

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FPSC-RECORDS/REPORTING

WHEREAS, based on the above, current estimates indicate that the extended outage of CR3 will result in total expenditures by Florida Power of between \$280 to \$315 million if the unit returns to service when expected, which could substantially and adversely affect the rates paid by customers whose interests are represented by the other Parties;

WHEREAS, the Parties desire to maintain Florida Power's existing base rates at their existing levels for a period of at least four years (without limiting Florida Power's ability to seek a base rate reduction), even as its new natural gas-fired combined cycle generating unit, Unit 1 of the Hines Energy Complex in Polk County ("Hines 1"), with an estimated construction cost of \$292 million and an annual revenue requirement of approximately \$59 million, is expected to begin commercial operation in October 1998; and

WHEREAS, in view of the magnitude of the costs associated with CR3's current outage and the potential impact of these costs on the rates of Florida Power's customers, the Parties desire to mitigate this potential rate impact by agreeing to an arrangement that limits Florida Power's recovery of costs associated with the current extended outage of CR3, through either Fuel Clause or base rate increases, to \$33.8 million plus accrued interest, while affording Florida Power the ability to absorb the remainder of these costs, as well as the risk that CR3 will not return to service as scheduled, through its existing base rates in a manner that provides opportunities to protect its financial integrity.

NOW THEREFORE, in consideration of the foregoing and the mutual promises and covenants below, the Parties hereby stipulate and agree as follows:

1. **Termination of collections and provision for refunds.** Effective with cycle 1 billings for the month of July 1997 or as soon thereafter as approval of this Stipulation is received, Florida Power shall cease any further recovery through its Fuel Clause of the replacement power costs, including accrued interest, associated with the current extended outage of CR3 ("the CR3 Replacement Power Costs"), except as set forth in paragraph 2 below. As of such effective date Florida Power shall also refund, through a one-time credit on its customers' bills, all CR3 Replacement Power Costs and related interest previously recovered through the Fuel Clause. Thereafter, Florida Power shall exclude such replacement power costs from its Fuel Clause calculations by simulating the operation of its system as though CR3 were operational with a normal availability until the current extended outage has concluded. For purposes of this Stipulation, the outage shall be deemed concluded when the unit has completed 14 continuous days of full power operations; provided, however, that if CR3 should experience a forced outage prior to the completion of 14 days of continuous full power operations, Florida Power shall have the opportunity and the burden of proof to demonstrate that the forced outage occurred for reasons independent of the activities undertaken during the current extended outage, in which case the extended outage shall be deemed concluded immediately prior to the forced outage.

2. **Replacement power cost recovery established and postponed.** Effective with cycle 1 billings for the first month following the conclusion of the current extended outage, Florida Power shall be entitled to recover through its Fuel Clause over a 12-month period the portion of the CR3 Replacement Power

Costs attributable to the months of September, October and November 1996 in the amount of \$33,791,000, plus accrued interest, which shall be deemed reasonable and prudent for Fuel Clause purposes.

3. **Four-year rate freeze.** The existing base rates of Florida Power shall remain at their current levels during the four-year Amortization Period, as defined in paragraph 4 below. Furthermore, during the Amortization Period Florida Power will not seek to increase its various cost recovery clauses factors to recover (1) the capital costs and non-fuel operating and maintenance expenses of Hines 1, or (2) the additional capital costs and non-fuel operating and maintenance expenses associated with the current extended outage of CR3. The other Parties will neither seek nor support any reduction in Florida Power's base rates or the authorized range of its return on equity used for surveillance reporting purposes during this same time period unless such reduction is sought by Florida Power. After the expiration of the Amortization Period, any of the Parties shall be free to seek changes in Florida Power's base rates or return on equity range, except that CR3's additional capital costs and non-fuel operating and maintenance expenses referred to above shall not be included as an investment or expense in any future proceeding initiated by Florida Power to establish base rates; however, such additional costs and expenses shall be included for purposes of surveillance reporting pursuant to Rule 25-6.1352, F.A.C.

4. **Establishment and amortization of regulatory asset.** The CR3 Replacement Power Costs, except those recovered pursuant to paragraph 2 above, shall constitute a regulatory asset ("the CR3 Regulatory Asset") and shall be recorded in Account 182.3, *Other Regulatory Assets*. The CR3 Regulatory

Asset shall be amortized over a period of four years beginning with the date when recovery of the CR3 Replacement Power Costs ceases pursuant to paragraph 1 above ("the Amortization Period"). Florida Power may, at its option, accelerate the write-off of the CR3 Regulatory Asset. Both the amortization expense and the unamortized balance of the CR3 Regulatory Asset in accordance with this Stipulation shall be included for purposes of surveillance reporting pursuant to Rule 25-6.1352, F.A.C.

5. **Suspension of fossil dismantlement accruals.** In order to fund a portion of the amortization of the CR3 Regulatory Asset, Florida Power shall temporarily suspend accruals to its retail reserve for fossil plant dismantlement costs during the Amortization Period and apply the amount of such suspended accruals toward the amortization of the CR3 Regulatory Asset or, if fully amortized, then toward the amortization of the Tiger Bay Regulatory Asset established by the Commission in Docket No. 970097-EI. In lieu of the fossil plant dismantlement cost study due in 1997, Florida Power shall submit to the Commission an updated dismantlement study prior to the end of the Amortization Period for use by the Commission in establishing a revised accrual to the fossil dismantlement reserve for application after the Amortization Period. Any increase in either rate base or in the revised accrual due to a deficiency in the fossil dismantlement reserve resulting from the suspension of the accrual shall not be included as an investment or expense in any future proceeding initiated by Florida Power to establish base rates.

6. **Adjustment to reported capital structure.** In order that Florida Power's financial performance not be distorted in the future, the effect of the

amortization of the CR3 Regulatory Asset, as well as the write-off of the additional operating and maintenance expenses associated with the current extended outage of CR3, on Florida Power's capital structure shall be excluded in calculating its common equity capitalization ratios used for purposes of surveillance reporting pursuant to Rule 25-6.1352, F.A.C.

7. **Hines 1 costs and surveillance reports.** The retail portion of the capital costs and operating and maintenance expenses associated with Hines 1, including all site development costs, shall be considered legitimate utility costs for purposes of surveillance reporting pursuant to Rule 25-6.1352, F.A.C. when the related assets are placed in service.

8. **Resolution of disputed regulatory issues.** This Stipulation resolves all present and future disputed issues between the Parties regarding the current extended outage of CR3.

9. **Dismissal of pending litigation.** In consideration of the benefits derived by the customers of Florida Power, upon approval of this Stipulation, Charlie Crist shall promptly take all appropriate steps and file all appropriate pleadings to effectuate a dismissal with prejudice of his complaint in the matter of *Charlie Crist vs. Florida Power Corporation*, Case No. 97-2251-CI-013, pending before the Sixth Judicial Circuit, and his petition in the matter of *Charlie Crist, Jr. vs. Julia L. Johnson, et al.*, Case No. 90,346, pending before the Supreme Court of Florida.

10. **Commission approval.** This Stipulation is contingent on the entry of an order by the Commission approving the Stipulation in its entirety and authorizing the fuel cost recovery and regulatory treatment set forth herein.

11. **Execution.** This Stipulation may be executed in counterpart originals. A facsimile of an original signature shall be deemed an original.

FLORIDA POWER CORPORATION

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