Florida
Power
CORPORATION

JAMES A. McGEE
SENIOR COUNSEL

June 11, 1999

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

990771-EG

Re: Petition of Florida Power Corporation for approval of regulatory treatment associated with the sale of replacement capacity and energy to the City of Tallahassee.

Dear Ms. Bayó:

Enclosed for filing are an original and fifteen copies of the subject petition of Florida Power Corporation.

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/ams
Enclosure

One Progress Plaza, Suite1500 • Post Office Box 14042 • St. Petersburg, Florida 33733-4042
Phone: (727) 820-5184 • Fax: (727) 820-5519 • Email: james.a.mcgee@fpc.com
A Florida Progress Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Power Corporation for approval of regulatory treatment associated with the sale of replacement capacity and energy to the City of Tallahassee.

Docket No. _____

Submitted for filing:
June 14, 1999

PETITION

Florida Power Corporation (Florida Power, or the Company) hereby petitions the Florida Public Service Commission (the Commission) for approval of the regulatory treatment associated with the sale of capacity and energy to the City of Tallahassee to replace its share of the Crystal River Unit 3 nuclear plant acquired by Florida Power. In support of this petition, Florida Power states as follows:

Introduction

1. Petitioner, Florida Power, is a public utility subject to the jurisdiction of the Commission under Chapter 366, Florida Statutes. Florida Power's General Offices are located at One Progress Plaza, St. Petersburg, Florida, 33701.

2. All notices, pleadings and other communications required to be served on petitioner should be directed to:

James A. McGee, Esquire
Post Office Box 14042
St. Petersburg, FL 33733-4042
Facsimile: (727) 820-5519

For express deliveries by private courier, the address is:

One Progress Plaza
Suite 1500
St. Petersburg, FL 33701

Background

3. On December 9, 1998, Florida Power entered into an agreement with the City of Tallahassee (the City) to acquire the City's 1.3333 percent ownership interest (approximately 11.4 megawatts) in the Crystal River Unit 3 nuclear plant (CR3) (the Acquisition Agreement). Under the Acquisition Agreement, Florida Power will acquire the City's interest in CR3 at no cost[1] and assume responsibility for all future costs associated with the ownership and operation of this share of the unit. Florida Power will also be responsible for future contributions to the nuclear decommissioning trust fund previously established by the City for this ownership interest in CR3.[2] A copy of the Acquisition Agreement is attached to this petition as Exhibit A.

4. As an integral part of this transaction, and the subject matter of this petition, Florida Power agreed to replace the same amount of capacity the City previously received from its share of CR3. This was accomplished through a contemporaneously entered agreement for the sale of capacity and energy to the City until the expiration of CR3's operating license on December 3, 2016 (the Replacement Capacity Agreement, or the Agreement). A copy of the Replacement Capacity Agreement is attached to this petition as Exhibit B.

5. Under the Replacement Capacity Agreement, Florida Power will deliver 11.4 megawatts of firm capacity to the City on a continuous basis, *i.e.*, at a 100% capacity factor. The total "all in" price of the sale (including capacity, energy and

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[1] A nominal consideration of $10 was provided for in the acquisition agreement.

[2] Because of federal income tax considerations, the City will retain control the nuclear decommissioning trust fund. However, the fund will continue to be dedicated and restricted exclusively to the decommissioning of CR3.

transmission charges) is $42 per megawatt-hour, subject to escalation at the Consumer Price Index after 2007.

6. Florida Power has applied for the necessary regulatory approvals from the Federal Energy Regulatory Commission (FERC) with respect to the Replacement Capacity Agreement and the Nuclear Regulatory Commission (NRC) with respect to the Acquisition Agreement. FERC's acceptance was issued May 4, 1999. Florida Power expects approval from the NRC shortly and will notify the Commission upon its receipt.

7. In Order No. PSC-97-0262-FOF-EI, issued on March 11, 1997 in Docket No. 970001-EI, the Commission prescribed a standard methodology to be used for allocating the costs of "separated" wholesale sales[3] and required approval of an alternative cost allocation if a utility believed it to be more appropriate for the terms of a specific contract. Florida Power believes that its proposed treatment of the sale of replacement capacity to the City is consistent with intent of the Commission's cost allocation methodology. However, the unique nature of the Replacement Capacity Agreement, coupled with the importance of the proposed treatment to the economic viability of the overall transaction to Florida Power, is sufficient to warrant obtaining Commission approval before the Company elects to consummate the transaction.

The Proposed Regulatory Treatment

8. For fuel and capacity cost recovery purposes, Florida Power proposes to treat the sale of replacement capacity to the City as a unit power sale. Under this treatment, the acquisition and resale of the City's share of CR3's capacity will be

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[3] Essentially, the Commission's standard allocation methodology requires a utility to credit to its retail fuel clause the average fuel cost of the generation resources from which the sale is made, *e.g.*, an individual generating unit in the case of a unit power sale, a combination of similar units in the case of a "stratified" sale, or all resources in the case of a system sale.

transparent to retail customers, while providing a benefit to them when this share of CR3 operates at less than full capacity. As a unit power sale, all costs of the unit (in this case, the 1.3333% share of CR3) are assigned to the wholesale sale. In addition, since the unit will not operate at the sales' required 100% capacity factor, all costs of providing backup or supplemental capacity and energy must also be assigned to the sale.

9. By assigning all costs related to the sale in this manner, retail customers will not bear any of the fixed costs of the acquired unit, nor any of the additional fuel costs from the operation of the unit, nor any of the supplemental power costs when the unit operates at less than full capacity. Exhibit C illustrates this point by demonstrating that the sale to the City is transparent to retail customers under three different examples. The exhibit shows that with CR3 operating at 100%, 75% and 0% capacity factors, the costs under Florida Power's proposed treatment of the sale on the fuel adjustment "A Schedules" are the same as without the sale.

10. In addition to ensuring that retail customers incur no additional costs as a result of the wholesale transaction, the proposed treatment provides these customers a positive benefit by assigning to the sale the cost of supplemental capacity for which they would otherwise have been responsible. Since these capacity costs will instead be credited to the capacity cost recovery clause, retail customers will obtain this benefit as a reduction in rates. For example, if CR3 were to operate at an annual 75% capacity factor, costs paid by retail customers would be reduced by approximately $135,000.

11. With respect to the acquisition of the City's ownership share of CR3, Florida Power's proposed treatment will affect its jurisdictional cost separations and

surveillance reporting over the term of the Replacement Capacity Agreement as follows:

- Capital cost. In accordance with the Uniform System of Accounts, the City's gross investment and accumulated depreciation in its share of CR3 will be recorded on Florida Power's records. The difference between the acquisition price and the net book value of this share will be record as a credit to "Electric Plant Acquisition Adjustments". The credit will then be amortized to "Amortization of electric Plant Acquisition Adjustments" over the remaining life of the investment. This will result in no increase to ratebase nor any increase in depreciation expense. No cost separation is therefore necessary.
- Decommissioning costs. The continued funding of decommissioning costs for the newly acquired share will be assigned to the wholesale jurisdiction.
- O&M and other costs. 1.3333% of the costs to operate and maintain CR3, as well as all other costs of the unit, such as insurance, property taxes, will be assigned to the wholesale jurisdiction on an average cost basis.
- Capital Additions. 1.3333% of capital additions related to CR3's existing capacity will be excluded from retail ratebase.[4]

12. With respect to the sale of replacement capacity and energy to the City, Florida Power's proposed treatment will affect its retail fuel and capacity cost recovery clauses over the term of the Replacement Capacity Agreement as follows:

[4] Since a capital addition made to increase the capacity of CR3 would not increase the capacity sold to the City, the benefit of such of an increase would accrue entirely to retail ratepayers, who should therefore bear the cost associated with this benefit.

- Fuel and spent fuel disposal costs. 1.3333% of the average cost of nuclear fuel, as well as the one mill per kWh cost for spent fuel disposal, will be credited to retail fuel expense.
- Nuclear decommissioning and dismantlement (D&D) charges. 1.3333% of CR3's nuclear D&D charges will be excluded from the retail fuel clause.
- Supplemental power costs. The cost of providing supplemental power during periods when CR3 is operating at less than full capacity will be calculated under the pricing provisions of Florida Power's standard Schedule B interchange tariff approved by FERC. Schedule B is the vehicle used by Florida Power to sell capacity and energy to other utilities to replace the output of a unit on a forced or maintenance outage. Its pricing provisions consist of an incremental energy charge and a capacity charge.

  Calculation of incremental energy costs - Florida Power proposes to utilize the hourly incremental cost used to price as-available energy payments to qualifying facilities. The hourly difference between the 11.4-megawatt sale to the City and 1.3333% of the actual output of CR3 will be multiplied by the incremental cost for that hour whenever the unit operates at less than full capacity. The sum of these hourly amounts will be credited to the retail fuel clause. The incremental costs calculated in this manner reflect the actual cost to provide supplemental energy to the City, thereby insulating retail customers from the additional costs of any energy not generated by CR3. This pricing methodology also has the benefit of being easy to audit and consistent with other incremental pricing used by the Company.

Calculation of capacity costs - Capacity costs are based on average embedded costs and are expressed on an energy basis for billing purposes. The capacity charge under the current Schedule B tariff is 5.53 mills per kWh. This cost, multiplied by the kWh's of supplemental energy will credited to retail customers through the capacity cost recovery clause. Since the Company generally does not incur an expense for this capacity, this credit is a net benefit to retail customers in the form of lower rates.

WHEREFORE, Florida Power Corporation respectfully requests that the Commission grant this petition and approve the regulatory treatment described herein for the sale of replacement capacity and energy to the City of Tallahassee.

Respectfully submitted,

OFFICE OF THE GENERAL COUNSEL
FLORIDA POWER CORPORATION

By _____

James A. McGee
Post Office Box 14042
St. Petersburg, FL 33733-4042
Telephone: (727) 820-5184
Facsimile: (727) 820-5519

EXHIBIT A

AGREEMENT TO ACQUIRE THE CITY OF TALLAHASSEE'S INTEREST IN THE CRYSTAL RIVER NUCLEAR PLANT

CR-3 ACQUISITION AGREEMENT

This CR-3 Acquisition Agreement (this "Agreement"), entered into as of the 9th day of December, 1998, between FLORIDA POWER CORPORATION, a Florida corporation ("Company"), and the CITY OF TALLAHASSEE ("City").

RECITALS

WHEREAS, Florida Power Corporation is a corporation duly incorporated under the laws of the State of Florida with power to purchase and own the Purchased Interest (as hereinafter defined); and

WHEREAS, City is a Florida municipality authorized to sell, convey, transfer and lease its assets, and to purchase electrical energy; and

WHEREAS, City owns an undivided interest in Crystal River Unit 3, as defined below ("CR-3"), which City desires to transfer and convey and which Company desires to acquire under the terms of this Agreement; and

WHEREAS, in connection with the acquisition by Company of City's undivided ownership interest in CR-3, Company has agreed to assume certain duties and liabilities of City with respect to CR-3, as set forth in this Agreement below; and

WHEREAS, in consideration of Company's acquisition of City's undivided ownership interest in CR-3, Company's assumption of certain duties and liabilities of City with respect to CR-3, and Company's providing a certain release to City with respect to CR-3, City has agreed to purchase certain electric capacity and energy from Company on terms and conditions set forth in the Power Sale Agreement described in this Agreement below and to provide a release to Company with respect to CR-3, on the terms set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, it is agreed by and between the parties hereto as follows:

OPERATIVE TERMS

SECTION 1. DEFINITIONS.

"Agreement" shall mean this CR-3 Acquisition Agreement between Company and City.

"Assumed Liabilities" shall have the meaning set forth in Section 2.04.

"City" shall mean City of Tallahassee, Florida.

"Closing" shall have the meaning set forth in Section 2.03 hereof.

"Closing Date" shall have the meaning set forth in Section 2.03 hereof.

"Company" shall mean Florida Power Corporation, a Florida corporation.

"Assignment and Assumption Agreement" shall have the meaning set forth in Section 6.04 hereof.

"Crystal River Unit 3 (CR-3)" shall mean the nuclear steam electric generating unit, with a design turbine capability rating of 858.9 MW, together with land and all facilities, structures and nuclear fuel used or to be used therewith or related thereto, known as the Crystal River Unit No. 3 (the "Unit"), including the following:

(a) Realty. The Site, together with all licenses, profits, easements, rights of way and other rights appurtenant thereto, and all buildings, power plants, structures, improvements and fixtures located thereon (collectively the "Realty");

(b) Personalty. The machinery and equipment, spare parts and fuel inventories, supplies and other personal property used in or in connection with the Unit (collectively, the "Personalty");

(c) Permits. All of the pending and issued permits, franchises and licenses (including NRC licenses, air, water, and operating permits) held by Company or any other Participant with respect to the Unit (collectively, the "Permits");

(d) Records. All right, title and interest in all of the maps, title reports and opinions, maintenance logs, plant schematics, engineering, technical, accounting and other records, files and data pertaining in any way to the ownership or operation of the Realty, Personalty, or Permits, including any such documentation owned by any Participant but in the possession of third parties; and

(e) Other Assets. All other assets, rights or interests pertaining, directly or indirectly, to the Unit.

"Effective Time of Closing" shall mean 12:01 a.m., Eastern Time, on the Closing Date.

"Encumbrances" shall have the meaning set forth in Section 3.04.

"Nuclear Regulatory Commission (NRC)" shall mean the Nuclear Regulatory Commission, an agency of the United States government, as defined in 42 U.S.C. §5841.

"Participants" shall mean City of Alachua, Florida; City of Bushnell, Florida; City of Gainesville, Florida; City of Kissimmee, Florida; City of Leesburg, Florida; New Smyrna Beach Utilities Commission; City of Ocala, Florida; Orlando Utilities Commission; City of Tallahassee, Florida; and Seminole Electric Cooperative, Inc., each of which are parties to the Participation Agreement. "Participant" shall mean any of the Participants.

"Participation Agreement" shall mean the Crystal River Unit 3 Participation Agreement, dated as of July 31, 1975, between Company and the Participants, relating to the ownership and operation of CR-3, as amended through the Closing Date.

"Power Sale Agreement" shall mean the agreement appended hereto as Exhibit "L" between Company and City.

"Purchased Interest" shall mean City's 1.3333 percent undivided interest as a tenant in common with Company and the other Participants in CR-3, all right, title and interest of City in the Participation Agreement, and the beneficial interest of City in any payments made to the U.S. Department of Energy or reserves established by or on behalf of City with respect to irradiated nuclear fuel, and all other rights, claims, demands, causes of action, choses in action or interests of City in, or in any way pertaining to, CR-3, except to the extent otherwise set forth in Section 5.07.

"Site" shall mean the real property in Citrus County, Florida, described in Exhibit "A" attached hereto.

"Warranty Deed and Bill of Sale" shall have the meaning set forth in Section 6.03 hereof.

SECTION 2. ACQUISITION OF PURCHASED INTEREST; CLOSING.

2.01 Terms of Acquisition. Subject to and in consideration of the terms and conditions of this Agreement and the Power Sale Agreement, City will sell, convey and transfer to Company, and Company will purchase and accept from City, on the Closing Date, all right, title and interest in the Purchased Interest for Ten ($10) Dollars payable at Closing.

2.02 Purchase of Electric Energy. Subject to the terms and conditions of this Agreement, City and Company will enter into the Power Sale Agreement to be executed contemporaneously herewith and which will become effective on the Closing Date.

2.03 Closing Date. The sale and conveyance of the Purchased Interest (the "Closing") will take place at 10:00 a.m., at the general offices of Company at 3201 34th Street South, St. Petersburg, Florida, on a date to be mutually agreed upon by the parties (the "Closing Date"), which date shall be within 30 days after all conditions precedent to the Closing hereunder have been satisfied or waived in writing, but in no event shall the Closing occur after July 31, 1999.

2.04 Assumption of Liabilities. Company hereby agrees to assume, defend, indemnify and hold City harmless with respect to all liabilities and obligations of City arising or accruing under the Participation Agreement or otherwise with respect to CR-3, the Realty, the Personalty, the Permits, and Other Assets, after the Closing Date, other than City's covenants, duties and obligations under this Agreement including, without limitation, under Sections 2.10 and 5.07.

2.05 Transaction Expenses. City shall pay all of its own expenses in connection with the acquisition, assignments, transfer, conveyances and deliveries to be made hereunder, and Company shall have no liability therefor. Company shall pay all of its own expenses in connection with the acquisition, assignments, transfer, conveyances and deliveries to be made hereunder, and City shall have no liability therefor. State documentary stamps which are required to be affixed to the deed and the cost of recording any corrective instruments shall be paid by City. The cost of recording the Warranty Deed and Bill of Sale shall be paid by Company.

2.06 Delivery of Purchased Interest and Closing Instruments. At the Closing, City shall deliver to Company each of the items described in Section 6 hereof together with all contracts, agreements, leases, permits, commitments, and rights pertaining to the Purchased Interest.

2.07 Title Commitment and Policy. Within fifteen (15) days following the date of this Agreement, City shall deliver to Company, at City's expense, a title commitment or endorsement agreeing to update the existing title policy to insure Company's title to the Purchased Interest after closing in the amount of $1.3 million, in form and substance reasonably satisfactory to Company (the "Commitment") together with legible copies of all exception documents. City shall cooperate fully with Company in order for all requirements set forth in Schedule B-1 of the Commitment to be accomplished in all respects.

City agrees that all mortgages, liens or judgments against the Purchased Interest (other than taxes and assessments for the year of closing) created by City against City's interest shall be satisfied at or prior to Closing.

If the title commitment or endorsement shows exceptions created by City against City's interest which render title to the Purchased Interest unmarketable or uninsurable,

Company shall notify City in writing within ten (10) days following its receipt of the commitment or endorsement, as the case may be, specifying the matters revealed by the title commitment which render title unmarketable or uninsurable and to which Company objects. The matters described in the notice shall be treated as title defects.

City shall have twenty-five (25) days following its receipt of Company's notice within which to remove any title defects cited by Company other than mortgages, liens and judgments to be satisfied at or prior to Closing. If City fails, within such time, to remove or cure such defects, Company shall elect either to accept title as is or to terminate this Agreement. If Company does not advise City of its election to terminate this Agreement within ten (10) days following expiration of the twenty-five (25) day curative period, Company shall be deemed to have elected to close notwithstanding such title defects, and the sale and purchase of the Purchased Interest shall be closed pursuant to the provisions of this Agreement.

2.08 Risk of Loss by Casualty. The risk of loss or damage to the Purchased Interest by casualty up to the Closing Date shall be borne by the parties in accordance with the terms of the Participation Agreement. If the Purchased Interest is damaged by fire or other casualty before Closing, City shall take such actions as may be required by the Participation Agreement. In such event, Company shall have the option of either (i) taking the Purchased Interest "as is" together with all insurance proceeds that may be payable to City as a result of such damage to the Purchased Interest or (ii) Company may cancel this Agreement. If Company does not elect to cancel as a result of such damage, Company shall close the sale and purchase of the Purchased Interest in the manner described in this Agreement. At Closing, City shall pay or assign to Company the insurance proceeds paid or payable to City as a result of the damage to the Purchased Interest, and shall pay any amounts required to be paid by City under the terms of the Participation Agreement in addition to such insurance proceeds. Nothing herein shall be construed as a waiver or relinquishment of any rights in relation to damage or destruction of CR-3, or any portion thereof, that City may have under the Participation Agreement, or otherwise, in the event Company elects to cancel this Agreement as a result of such damage.

2.09 Permit Transfer. As soon as reasonably practicable following the execution of this Agreement, Company shall file an application for approval of transfer of rights pursuant to the permits with the appropriate federal or state regulatory authorities. Any necessary filing fee for the application, the cost of advertisement of the filing of the application, together with all costs associated with the review and disposition by the appropriate administrative agency and all other costs incurred incidental thereto shall be the responsibility of Company. City shall cooperate with Company in all respects, at Company's request from time to time, with respect to such application, including but not limited to, providing written notice to the NRC of City's agreement to sell, convey and transfer the Purchased Interest.

2.10 True-up under Participation Agreement. In the event that any adjustment is made by Company under the Participation Agreement within one year from the Effective Time of Closing, as a result of an audit or otherwise, retroactive to a period of time prior to the Effective Time of Closing, that portion of the retroactive adjustment corresponding to fees, charges, Operating Costs (as defined in the Participation Agreement), nuclear fuel payments, charges for Common Facilities or External Facilities (as defined in the Participation Agreement) or other goods or services delivered or provided at or before the Effective Time of Closing shall be for the account of City, and that portion of the retroactive adjustment corresponding to fees, charges, Operating Costs, nuclear fuel payments, charges for Common Facilities or External Facilities or other goods or services delivered or provided after the Effective Time of Closing shall be for the account of Company. City shall pay to Company, or Company shall pay to City, as the case may be, within 10 days after notice of such adjustment has been given by Company to City, City's pro rata share of the adjustment. City shall have the right to examine the documentation respecting any adjustment relating to this provision.

2.11 Further Assurances. From time to time, each party to this Agreement shall execute and deliver to the other such other instruments of conveyance and transfer and take such other action as may reasonably be required so as to more effectively sell, convey, transfer to, and vest in Company, and to put Company in possession of, all of the properties or assets to be conveyed, transferred, and delivered to Company hereunder including the Purchased Interest. City and Company agree that following the Closing, during its normal business hours, City shall afford Company, its counsel and accountants, full access to City's books, records and other data to be retained by City hereunder as Company may reasonably request.

2.12 Default. If City or Company is in material breach of this Agreement prior to the Closing, then the non-defaulting party may elect to cancel and terminate this Agreement or may elect to seek specific performance of the defaulting party's obligations hereunder. In addition, and without limiting or waiving any of its other remedies under this Agreement, the non-defaulting party shall be entitled to pursue all other remedies available at law or in equity.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF CITY.

As a material inducement to Company to execute and perform its obligations under this Agreement and the Power Sale Agreement, City hereby represents and warrants to Company that each of the following statements in this Article is true, correct, and complete, except as specifically set forth in the Schedule of Exceptions attached hereto as Exhibit "C" and made a part hereof.

3.01 Organization. City is a Florida municipality and holds title to the Purchased Interest. City has the requisite power and authority to execute and deliver this Agreement and the Power Sale Agreement and to perform its obligations hereunder and thereunder and to carry on its business as it is now being conducted and as contemplated to be conducted in the future. Copies of all applicable documents establishing City's due incorporation, valid existence and active status will be provided to Company on request.

3.02 Due Authorization, etc. The execution, delivery and performance by City of this Agreement and the Power Sale Agreement have been duly authorized by all necessary action on the part of City, do not contravene the Florida Constitution, any law, or any government rule, regulation or order applicable to City or its properties, and do not and will not contravene the provisions of, cause the acceleration of any rights under, cause the creation of any lien under, or constitute a default under, any contract, resolution or other instrument to which City is a party or by which City is bound, which could adversely affect the ability of City to carry out its obligations under this Agreement or the Power Sale Agreement. All requisite government and regulatory approvals and consents other than NRC, Federal Energy Regulatory Commission, and Florida Public Service Commission approvals necessary for the execution, delivery and performance by City of this Agreement and the Power Sale Agreement have been obtained. The execution, delivery and performance of this Agreement and the Power Sale Agreement do not require City to (i) obtain any consent of any creditor, lessor, mortgagee, bondholder, or other party to any agreement or instrument to which City is a party or by which City or any of its properties are bound except as provided in Section 5.06 hereof, or (ii) notify or obtain any permit, authorization or approval of any federal, state or local authority, except for the transfer of permits as set forth herein. This Agreement and the Power Sale Agreement have been duly and validly executed and delivered by City and constitute the legal, valid and binding obligations of City, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium and other laws affecting creditors' rights generally, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases.

3.03 Litigation. There are no actions, suits or proceedings pending against City or, to City's knowledge, threatened against City, or any of the assets to be conveyed hereunder before any court or administrative body or agency having jurisdiction over City, or any of the assets to be conveyed hereunder (including any arbitrations, worker's compensation or other administrative proceedings, condemnation proceedings, criminal prosecutions, governmental investigations or audits) nor are there any other circumstances known to City to be pending or threatened, which might materially adversely affect the execution, delivery and performance by City of this Agreement or the Power Sale Agreement.

3.04 Title to Property. With respect to the Realty and each item of Personalty, City has a 1.3333 percent undivided interest therein and good and marketable title,

in the case of the Realty, and good and assignable title, in the case of the Personalty, and in each case, free and clear of any liens, claims, charges, mortgages, leases to others, subleases, security interests, restrictions, exceptions, encroachments, defects, encumbrances and rights of any parties of any kind or type whatsoever imposed by or through City ("Encumbrances").

3.05 Limited Representations. The City makes no representations or warranty whatsoever, expressed, implied or statutory as to the value, quality, conditions, salability, obsolescence, merchantability, design, engineering, construction, fitness or suitability for use or working order of all or any part of the Realty or Personalty, wherever situated and in whatever state of development, design, engineering, manufacture or construction.

3.06 Assigned Contracts. City represents that it has not entered into nor is bound by any contract, other than Section 9.2 of the Participation Agreement, that would affect the City's ability to perform any of its obligations under this Agreement or the Power Sale Agreement.

3.07 Disclosure. No representations or warranty by City contained in this Agreement and no writing, certificate, list or other instrument furnished, or to be furnished by City to Company pursuant hereto, or in connection with the transactions contemplated hereby, contains, or shall contain, any untrue statement of a material fact, or omits, or shall omit, or fails or shall fail to state a material fact necessary in order to make the statements and information contained herein or therein, as the case may be, not misleading or necessary in order to provide Company with full and proper information as to the Purchased Interest and City's business and affairs. All financial statements provided by City to Company have been prepared in accordance with generally accepted accounting principles consistently applied and present fairly and accurately the true financial condition of City as of the dates, and the true results of its operation for the periods, therein set forth.

3.08 Representations at Closing. All representations and warranties of City set forth in this Agreement shall be true and correct at and as of the Closing Date as if such representations and warranties were made at and as of such date.

3.09 Brokers. City has employed no broker, finder or agent with respect to the transactions contemplated by this Agreement or the Power Sale Agreement who shall make any claim for, or be entitled to, any commission or other fee against Company or its affiliates, nor does it know of any basis on which any third party could claim any broker's, finder's or agent's fee against Company or its affiliates with respect to such transactions. City agrees to pay all commissions and other fees of any brokers, finders or agents employed by it in connection with such transactions.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF FLORIDA POWER CORPORATION.

Company hereby represents and warrants to City as follows:

4.01 Organization. Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida and has the requisite power and authority to acquire and own the Purchased Interest, to execute and deliver this Agreement and the Power Sale Agreement and to perform its obligations hereunder and to carry on its business as it is now being conducted and as contemplated to be conducted in the future.

4.02 Due Authorization, etc. The execution, delivery and performance by Company of this Agreement and the Power Sale Agreement have been duly authorized by all requisite action by Company, and, subject to the receipt of the items described in Section 6.05, do not (a) contravene any law, or any governmental rule, regulation or order applicable to Company or its properties, or the Articles of Incorporation or By-Laws of Company, or (b) contravene the provisions of, cause the acceleration of any rights under, cause the creation of any lien under, or constitute a default under, any contract, resolution or other instrument to which Company is a party or by which Company is bound, which could materially affect the ability of Company to carry out its obligations hereunder or thereunder. This Agreement and the Power Sale Agreement have been duly and validly executed and delivered by Company and constitute the legal, valid and binding obligations of Company enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium and other laws affecting creditors' rights generally, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases.

4.03 Litigation. There are no actions, suits, or proceedings pending against Company or, to Company's knowledge, threatened against or affecting Company before any court or administrative body or agency having jurisdiction over Company, which might materially adversely affect the ability of Company to perform its obligation under this Agreement or the Power Sale Agreement.

4.04 Brokers. Company has employed no broker, finder or agent with respect to the transactions contemplated by this Agreement or the Power Sale Agreement who has made any claim for, or is entitled to, any commission or other fee against City, nor does it know of any basis on which any third party could claim any broker's, finder's or agent's fee against City with respect to such transactions. Company agrees to pay all commissions and other fees of any brokers, finders or agents employed by it in connection with such transactions.

4.05 Disclosure. No representations or warranties by Company contained in this Agreement and no writing, certificate, list or other instrument furnished, or to be

furnished by Company to City pursuant hereto, or in connection with the transactions contemplated hereby, contains, or shall contain, any untrue statement of a material fact, or omits, or shall omit, or fails, or shall fail, to state a material fact necessary in order to make the statements and information contained herein or therein, as the case may be, not misleading.

4.05 Representations at Closing. All representations and warranties of Company set forth in this Agreement shall be true and correct at and as of the Closing Date as if such representations and warranties were made at and as of such date.

4.06 DOE Charges. Company has received payments from the City sufficient to pay the United States Department of Energy ("DOE") one-mill-per-kWh charge which DOE assesses on electricity generated at CR-3 from fuel irradiated after April 6, 1983, and Company hereby represents that it is in all respects current in its payment to the DOE with respect thereto. With respect to City's share of the nuclear fuel irradiated at CR-3 prior to April 7, 1983, City made a lump sum payment to Company of all such amounts, and Company hereby acknowledges receipt in full of such amounts and represents that it has paid such sums to DOE in accordance with the requirements of applicable laws and regulations.

SECTION 5. OBLIGATIONS OF PARTIES.

5.01 Duty to Disclose. In the event that prior to the Closing either party becomes aware of any facts or circumstances that would make any of its representations and warranties untrue or misleading, such party shall promptly give notice of such facts or circumstances to the other party.

5.02 Satisfaction of Conditions Precedent. Each party agrees to use reasonable efforts to cause the conditions precedent to its obligations to close the transactions under this Agreement, that are within its reasonable control, to be satisfied at or prior to the Closing (provided, however, that the foregoing shall not require either party to perform a covenant or duty of the other party, or to remedy a breach of representation or warranty of the other party, under this Agreement).

5.03 Conduct of Operations Prior to Closing. From and after the execution of this Agreement until the Closing Date, except as otherwise consented to by Company in writing:

(a) City shall not sell or otherwise assign or transfer all or any portion of the Purchased Interest and shall not consider or solicit any proposals for the purchase and sale of all or any portion of the Purchased Interest without the prior written consent of Company, except pursuant to Section 5.06 hereof;

(b) City shall not amend its charter or take any other action in such a manner as would adversely affect City's ability to consummate this Agreement and perform its obligations under this Agreement or the Power Sale Agreement; and

(c) City shall not modify or waive any rights with respect to the Purchased Interest.

5.04 Consents. City shall use its best efforts to obtain, in writing, any third party consents or approvals necessary in order that the transactions contemplated thereby shall not result in any default or termination of any agreement to which City is a party or in any violation of law or governmental decree. Any failure to obtain such consents or approvals shall be treated as a title defect under Section 2.07 with respect to the properties affected thereby.

5.05 Cure of Title Matters. At any time before the Closing, Company shall have the right to conduct, at its own expense, an independent review of City's title to the Purchased Interest, including applicable UCC searches. If title is found defective as determined by Company, Company shall within ten (10) days thereafter, give notice to City specifying the defect(s), and any such defect which is not cured to Company's satisfaction prior to the Closing shall be treated as a title defect under Section 2.07; provided, however, that if any such notification is made to City fifteen (15) days or less before the Closing, City may, at its option, notwithstanding Section 2.03, extend the Closing Date to allow it up to fifteen (15) calendar days in which to attempt to cure such title defect.

5.06 Required Waivers Under Participation Agreement. Prior to the Closing, pursuant to Section 9.2 of the Participation Agreement, City shall use all reasonable efforts to obtain a written waiver from each Participant, pursuant to which such Participant shall elect not to exercise its right of first refusal to purchase a pro rata share of City's interest in CR-3. In the event any Participant exercises its right to purchase a pro rata share of City's interest pursuant to Section 9.2 of the Participation Agreement, Company may, at its option, terminate this Agreement in which event this Agreement shall be of no force or effect. Nothing in this Section shall be interpreted as authorizing Company and the Participants collectively to purchase less than the entire Purchased Interest pursuant to Section 9.2 of the Participation Agreement.

5.07 Decommissioning Reserves and DOE Reserves. In no event shall the balance at Closing of accumulated reserves in City's Decommissioning Trust Fund with respect to CR-3 be less than One Million One Hundred Thousand Dollars ($1,100,000) in excess of the City's share, as estimated by Company, of the regulatory funding requirement for decommissioning reserves with respect to CR-3 as of the Closing Date (the "Minimum Reserves"). Company shall have the right to verify, to its reasonable satisfaction, prior to the Closing, that such balance is not less than the Minimum Reserves. In the event that Company

is not able to verify to its reasonable satisfaction that such balance is not less than the Minimum Reserves, Company may elect, upon notice to City, to terminate this Agreement without liability of Company to City as a result of such termination. City shall retain all right, title and interest in City's non-qualified decommissioning trust fund and shall, at all times, keep such decommissioning trust fund invested in accordance with the rules and regulations (including regulatory guides) of the U.S. Nuclear Regulatory Commission and Florida Public Service Commission, as amended from time to time. Notwithstanding any other provision of this Agreement, or exhibit hereto, to the contrary, after Closing the Company shall be solely responsible for making any further contribution or payment to such trust fund, irrespective of whether such obligation is in any way related to or arises from the City's prior ownership or participation in CR-3. The Company shall provide the City with a notice setting forth the schedule for decommissioning CR-3 and amounts projected to be expended during each year under such schedule. Thereafter, upon receipt of a duly executed disbursement certificate, the City shall disburse monies, which include all earnings thereon, from its non-qualified decommissioning trust fund to those parties, which may include the Company, that perform any or all of the tasks associated with decommissioning CR-3 in accordance with the decommissioning schedule provided by the Company. City will pay 50% of any tax liability (including interest and penalties), which 50% shall not exceed $1.5 million, incurred by the Company with respect to such decommissioning funds or the receipt by or transfer thereof to Company. In the event that the balance in the City's Decommissioning Trust Fund at the Closing exceeds the Minimum Reserves, then such excess shall be withdrawn by the City at Closing. In the event that City is not permitted to withdraw the amount of such excess at the Closing, such excess shall remain in City's Decommissioning Trust Fund, and an amount equal to the sum of (a) such excess, as decreased by any decreases in the value of investments representing such excess, and as increased by any increases in the value of investments representing such excess, and (b) any interest earnings on such investments shall be credited against City's obligation, under this Section 5.07, to pay any tax liability incurred by Company. The amount of such credit shall be determined as of a date selected by Company that is within thirty (30) days before or after the date on which such tax liability is paid by Company. City also covenants that it will take whatever measures may be necessary to vest in the Company all right, title and interest in the beneficial interest of City in all amounts as have been remitted to DOE, together with whatever interest may have accumulated thereon.

SECTION 6. CONDITIONS PRECEDENT TO COMPANY'S OBLIGATION TO ACQUIRE THE PURCHASED INTEREST.

The obligation of Company to acquire the Purchased Interest is subject to the full satisfaction (or the waiver in writing by Company), prior to or at the Closing, of each of the following conditions in a manner, substance and form satisfactory to Company and its counsel:

6.01 Certificate. City shall have executed and delivered to Company a certificate, signed by a duly authorized officer of City, dated the Closing Date, which states that the representations and warranties of City contained in this Agreement and the information in all lists, certificates, documents, exhibits, and other writings delivered to Company pursuant hereto are true and correct as of the date hereof and are deemed to have been made and delivered again as of and at the Closing, and that all shall then be true and complete in all material respects as if made as of and at the Closing.

6.02 Opinion of Counsel for City. Counsel to City shall have delivered an opinion dated the Closing Date and addressed to Company substantially in the form attached hereto as Exhibit "F".

6.03 Warranty Deed and Bill of Sale. City shall have executed and delivered a Special Warranty Deed and a Bill of Sale substantially in the form of Exhibit "H" attached hereto (the "Warranty Deed and Bill of Sale"), together with a construction lien affidavit, a FIRPTA affidavit and any instrument that may be required or requested by Company in order for City to convey to Company good and assignable title to City's interest in the Personalty, and good and marketable title to City's interest in the Realty (and all buildings, power plants, structures, improvements and fixtures located thereon), and to transfer to Company the rest of the Purchased Interest, under the terms of this Agreement, in each case free and clear of all Encumbrances. City shall also execute all forms required by the Florida Department of Revenue or that may be required to entitle the deed to be recorded in the public records of Citrus County, Florida.

6.04 Assignment and Assumption Agreement. City shall have executed and delivered an Assignment and Assumption Agreement in substantially the form of Exhibit "I" attached hereto (the "Assignment and Assumption Agreement") for the Participation Agreement which is being assigned hereunder.

6.05 Consents, Approvals and Permits. All third party consents, regulatory approvals and governmental permits necessary for the consummation of the transactions under this Agreement and the Power Sale Agreement, the issuance or assignment of all licenses, permits, and agreements required to have been obtained, on or prior to the Closing Date, with respect to the transactions under this Agreement and the Power Sale Agreement, shall have been received (without the imposition of any additional conditions, qualifications, or reservations). Without limiting the generality of the preceding sentence, (a) in the event the Company deems it necessary or appropriate, the Florida Public Service Commission shall have issued a final non-appealable order, acceptable to Company in its sole discretion, in which the Florida Public Service Commission shall have determined that the transactions described in this Agreement and the Power Sale Agreement and all costs associated therewith are prudent with respect to Company, and (b) no proceeding before the Federal Energy Regulatory Commission or any other governmental body or agency or court shall be pending or threatened

which challenges, or would challenge, any of the transactions under this Agreement or the Power Sale Agreement.

6.06 Adverse Changes. There shall have been no material adverse changes with respect to the Purchased Interest.

6.07 Other Items. Each of the matters described on the Schedule of Exceptions attached hereto as Exhibit "C" shall have been settled or cured to the satisfaction of Company.

6.08 Lapse, Waiver or Exercise of Rights of First Refusal under Participation Agreement.

(a) City shall have furnished an agreement to each Participant as required by section 9.2 of the Participation Agreement and, for a period of at least 100 days thereafter and as of the Closing, no Participant shall have exercised its rights thereunder with respect to the Purchased Interest or indicated that it intends to purchase all or a specified portion of the Purchased Interest; or

(b) Each Participant whose right of first refusal has not lapsed as provided in paragraph (a) of this Section 6.08 shall have signed a written waiver of its right of first refusal under Section 9.2 of the Participation Agreement in a form acceptable to Company.

Nothing in this Section shall be interpreted as authorizing Company and the Participants collectively to purchase less than the entire Purchased Interest pursuant to Section 9.2 of the Participation Agreement.

6.09 Application for Amendment of NRC Operating License. Company, as operator under NRC Operating License No. DPR-72 for CR-3, and as agent under the Participation Agreement, shall have made application to the NRC for amendment of such license to delete City as an entity authorized to possess (though not to operate) CR-3. City, to the extent requested by Company, shall have cooperated in all respects with such application.

6.10 Execution of Valid and Binding Transmission Agreement. City shall have entered into a valid and binding agreement for firm transmission and related ancillary services which allows City to receive Capacity and Associated Energy under the terms of the Power Sale Agreement.

SECTION 7. CONDITIONS PRECEDENT TO CITY'S OBLIGATION TO TRANSFER THE PURCHASED INTEREST.

The obligation of City to transfer the Purchased Interest is subject to the full satisfaction (or the waiver in writing by City), prior to or at the Closing, of each of the following conditions:

7.01 Certificate. Company shall have executed and delivered to City a certificate, signed by a duly authorized officer, dated the date of Closing, which states that all of its representations and warranties are true and correct in all material respects as of the Closing Date.

7.02 Opinion of Counsel for Company. Counsel for Company shall have delivered an opinion, dated the Closing Date and addressed to City substantially in the form of Exhibit "K" attached hereto.

7.03 Assignment and Assumption Agreement. Company shall have executed and delivered to City an Assignment and Assumption Agreement in substantially the form of Exhibit "I" hereto (the "Assignment and Assumption Agreement") for the Participation Agreement which is being assigned hereunder.

7.04 Lapse, Waiver or Exercise of Rights of First Refusal under Participation Agreement.

(a) For a period of at least 100 days after furnishing an agreement to each Participant, with respect to the Purchased Interest, as required by Section 9.2 of the Participation Agreement, no Participant shall have exercised its rights thereunder with respect to the Purchased Interest or indicated that it intends to purchase all or a specified portion of the Purchased Interest; or

(b) Each Participant whose right of first refusal has not lapsed as provided in paragraph (a) of this Section 7.04 shall have signed a written waiver of its right of first refusal under Section 9.2 of the Participation Agreement in a form reasonably acceptable to City.

Nothing in this Section shall be interpreted as authorizing Company and the Participants collectively to purchase less than the entire Purchased Interest pursuant to Section 9.2 of the Participation Agreement.

7.05 Execution of Valid and Binding Transmission Agreement. City shall have entered into a valid and binding agreement for firm transmission and related ancillary services which allows City to receive Capacity and Associated Energy under the terms of the

Power Sale Agreement.

SECTION 8. GENERAL PROVISIONS.

8.01 Survival of Representations and Warranties. All representations, warranties, covenants and agreements made by City or Company under this Agreement, in connection with the transactions contemplated hereby or in any certificate, exhibit, schedule, list or other instrument delivered pursuant hereto shall survive the Closing and any investigations made at any time with respect thereto.

8.02 Governing Law. The validity, interpretation, and performance of this Agreement and each of its provisions shall be governed by the laws of the State of Florida.

8.03 Section Headings Not to Affect Meaning. The descriptive headings of the various Sections of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms and provisions hereof.

8.04 Indemnifications.

(a) Except to the extent limited by Section 768.28, Florida Statutes, or other provisions of Florida law, City hereby agrees to defend, indemnify and hold harmless Company, its affiliates, officers, agents, directors, employees, successors and assigns against, and in respect of, any and all manner of loss, costs, claims, damages, penalties, fines, liabilities and expenses, including, without limitation, reasonable attorneys' fees and litigation expenses, arising out of or relating in any way to:

(i) Any claims, potential claims, or litigation described in the Schedule of Exceptions attached hereto as Exhibit "C", and any other liability of City not expressly assumed by Company pursuant to this Agreement; or

(ii) Any breach by City of any of the representations, warranties, covenants or agreements provided for in this Agreement or any negligent or intentional misrepresentation or misstatement in this Agreement by City or in any certificate or document delivered to Company by City hereunder.

(b) Company hereby agrees to indemnify and hold harmless City, its affiliates, officers, agents, directors, employees, successors and assigns against, and in respect of, any and all manner of loss, costs, claims, damages, penalties, fines, liabilities and expenses, including, without limitation, reasonable attorneys' fees and litigation expenses, arising out of or relating in any way to any breach by Company of any of the representations, warranties, covenants or agreements provided for in this Agreement or any negligent or

intentional misrepresentation or misstatement in this Agreement by Company or in any certificate or document delivered to City by Company hereunder.

(c) If any such action, suit or proceeding shall be commenced against, or any such claim, demand or assessment be asserted against, an indemnified party in respect of which such indemnified party proposes to demand indemnification, the indemnified party shall notify the indemnifying party to that effect with reasonable promptness and the indemnified party shall have the right at its own expense to participate in (but not to direct) the defense, compromise or settlement thereof. In connection therewith, the indemnified party shall cooperate fully to make available to the indemnifying party all pertinent information under its control. The indemnified party shall not admit liability or agree to a settlement without the prior written consent of the indemnifying party, which consent shall not be unreasonably withheld.

8.05 Integration. The terms and provisions contained in this Agreement and the Power Sale Agreement shall constitute the entire agreement between City and Company with respect to the matters provided for herein and therein and supersede all previous agreements with respect thereto, whether verbal or written, between City and Company.

8.06 Successors and Assigns. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors of the parties hereto and their assignees permitted hereunder; provided, however, that except for any assignment or delegation by Company to a corporation or other entity affiliated with Company, to which Company may sell or assign all or substantially all of its assets, or with which Company may enter into a merger, consolidation, reorganization, or other business combination, neither this Agreement nor any portion thereof may be assigned or delegated by either party without the prior written consent of the other party hereto. If this Agreement is assigned or delegated with such consent, the terms and conditions hereof shall be binding upon and shall inure to the benefit of such assignee and its successors and assignees permitted hereunder; provided, however, that no assignment or delegation of this Agreement or any of the rights or obligations hereof shall relieve the assignor of its obligations under this Agreement. Nothing expressed or referred to in this Agreement will be construed to give any person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement, except such rights as shall inure to a successor or permitted assignee pursuant to this Section.

8.07 Amendments and Waivers. This Agreement may be amended by and only by a written instrument duly executed by each of the parties hereto. Any of the terms or provisions of this Agreement may be waived in writing at any time by the party which is entitled to the benefits of such waived terms or provisions. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provisions hereof (whether or not similar). No delay on the part of any party in exercising any right,

power or privilege hereunder shall operate as a waiver thereof.

8.08 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

8.09 Jurisdiction; Service of Process. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any of the parties solely in the courts of the State of Florida, County of Pinellas, or, if it has or can acquire jurisdiction, in the United States District Court for the Middle District of Florida, Ocala Division, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue therein.

8.10 Notices. All notices and other communications hereunder shall be in writing and shall be delivered by hand, by prepaid first class registered or certified mail, return receipt requested, by courier, or by facsimile (provided the sending party has received electronic confirmation of receipt by the receiving party and the sending party sends by mail a copy of such notice), addressed as follows:

If to City:

City Manager
City Hall
300 S. Adams Street
Box A-21
Tallahassee, FL 32301
FAX: (850) 891-5162

With a copy to:

City Attorney
City Hall
300 S. Adams Street
Box A-5
Tallahassee, FL 32301
FAX: (850) 891-8973

If to Florida Power Corporation:

Florida Power Corporation
P.O. Box 14042
St. Petersburg, Florida 33733-4042
Attention: Roy A. Anderson
FAX: (727) 826-4222

With a copy to:

R. Alexander Glenn
Director, Regulatory Counsel Group
Florida Power Corporation
P.O. Box 14042
St. Petersburg, Florida 33733-4042
FAX: (727) 866-4931

or at such other address for a party as shall be specified by like notice. Except as otherwise provided in this Agreement all notices and other communications shall be deemed effective upon receipt.

8.11 Costs. Except as otherwise provided in this Agreement, each party shall pay its own expenses with respect to the transactions under this Agreement.

8.12 Attorneys' Fees. In the event of any litigation between the parties with respect to this Agreement, the prevailing party shall be entitled to recover its attorneys' fees and costs (including paralegal costs) whether incurred prior to trial, during trial, on appeal or in bankruptcy proceedings.

8.13 Recitals. The Recitals in this Agreement form an integral part of this Agreement and set forth the basis upon which the parties have entered into this Agreement and the Power Sale Agreement.

8.14 Interpretation. In the interpreting of this Agreement, the singular shall include the plural and vice versa, and, unless the context otherwise requires, the word "including" shall mean "including, without limitation."

8.15 Radon Gas Notification. In accordance with the requirements of Florida law, the following notice is hereby given by City:

RADON GAS: Radon is a naturally occurring radioactive gas that, when it is accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal

and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from the Citrus County Public Health Center.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf as of the date first above written.

FLORIDA POWER CORPORATION

Witnesses:

Jeffery H. Foster
Print Name

Margaret L. Fox
MARGARET L. FOX
Print Name

By: _____
As its: Roy A. Anderson

[CORPORATE SEAL]

FLORIDA POWER CORP. LEGAL DEPT. APPROVED Date 6/8/98 By

CITY OF TALLAHASSEE

Attest:

By: _____
George P. Atkinson
Deputy City Treasurer-Clerk

By: _____
Anita R. Favors, City Manager

EXHIBITS

Exhibit "A"	Schedule of Realty
Exhibit "B"	Intentionally omitted
Exhibit "C"	Schedule of Exceptions
Exhibit "D"	Intentionally omitted
Exhibit "E"	Intentionally omitted
Exhibit "F"	Form of Opinion of Counsel City
Exhibit "G"	Intentionally omitted
Exhibit "H"	Form of Special Warranty Deed and Bill of Sale
Exhibit "I"	Form of Assignment and Assumption Agreement
Exhibit "J"	Intentionally omitted
Exhibit "K"	Form of Opinion of Counsel for Florida Power Corporation
Exhibit "L"	Power Sale Agreement Between Florida Power Corporation and City of Tallahassee

EXHIBIT "A"

City of Tallahassee's entire 1.3333% undivided interest as tenant in common in the following described property:

Commence at the Northwest corner of Section 33, Township 17 South, Range 16 East, Citrus County, Florida, said corner having plant coordinates of N 0+34.61 & E 0+36.85, and run S 00° 58' 04" E, along the West boundary of said Section 33, a distance of 1,254.79 feet; thence East a distance of 1,456.95 feet to the Point of Beginning, said point having plant coordinates, S 12+20 & E 15+15; thence South, a distance of 63.98 feet; thence S 45° 41' 57" W, a distance of 201.91 feet; thence West, a distance of 436.50 feet to the Point of Curvature of a curve concave Southeasterly and having a radius of 134.0 feet; thence run 210.49 feet along the arc of said curve, a chord bearing and distance of S 45° 00' 00" W, 189.50 feet to the Point of Tangency; thence South, 757.33 feet; thence East, 484.00 feet; thence North, 137.83 feet; thence East, 66.00 feet to the Point of Curvature of a curve concave Northwesterly and having a radius of 147.43 feet; thence run 149.75 feet along the arc of said curve, a chord bearing and distance of N 60° 54' 14" E, 143.40 feet to the Point of Tangency; thence N 31° 47' 52" E, 87.01 feet to a curve concave Northerly and having a radius of 1183.72 feet; thence run 319.45 feet along the arc of said curve, a chord bearing and distance of N 73° 50' 37" E, 318.48 feet to the Point of Tangency; thence N 67° 31' 02" E 481.14 feet to the Point of Curvature of a curve concave Southerly and having a radius of 676.78 feet; thence run 265.05 feet along the arc of said curve, a chord bearing and distance of N 78° 43' 36" E, 263.36 feet to the Point of Tangency; thence N 89° 53' 49" E, 200 feet; thence N 00° 06' 11" W, 80.00 feet; thence S 89° 53' 49" W, 200 feet to the Point of Curvature of a curve concave Southerly and having a radius of 756.78 feet; thence run 296.31 feet along the arc of said curve, a chord bearing and distance of S 78° 43' 36" W, 294.42 feet to the Point of Tangency; thence S 67° 31' 02" W, 481.14 feet to the Point of Curvature of a curve concave Northerly and having a radius of 1103.72 feet; thence 241.24 feet along the arc of said curve, a chord bearing and distance of S 73° 59' 18" W, 240.76 feet; thence West, 150.57 feet; thence North, 204.70 feet; thence East, 60.00 feet; thence North, 161.00 feet; thence East, 437.55 feet; thence North, 353 feet; thence West, 397 feet to the Point of Beginning. Containing 18.86 acres, more or less.

Together, with all licenses, profits, easements, rights of way and other rights appurtenant thereto, and all buildings, power plants, structures, improvements and all fixtures located thereon as more particularly described in Exhibit "H" to this Agreement.

EXHIBIT "B"

[Intentionally omitted]

EXHIBIT "C"

Exceptions to CR-3 Acquisition Agreement

Agreement Section	Exception
3.02	The approval of the United States Nuclear Regulatory Commission with respect to license DPR-72 is necessary for the sale and purchase of the Purchased Interest.

EXHIBIT "D"

[Intentionally omitted]

EXHIBIT "E"

[Intentionally omitted]

EXHIBIT "F"

OPINION OF COUNSEL TO CITY OF TALLAHASSEE

Date

Florida Power Corporation
P.O. Box 14042
St. Petersburg, FL 33733

Gentlemen:

I am General Counsel to City of Tallahassee ("City") and have acted as counsel to City in connection with that certain CR-3 Acquisition Agreement dated as of _____, 1998 (the "Acquisition Agreement") and the Power Sale Agreement dated as of _____, 1998 (the "Power Sale Agreement"), between Florida Power Corporation ("Company") and City of Tallahassee ("City").

In so acting, I have examined originals or copies of the Acquisition Agreement and the Power Sale Agreement and have relied as to factual matters upon the representations and warranties contained in each such document (such reliance does not include the representations contained in Section 3.01, Section 3.02 and Section 3.03 of the Acquisition Agreement). I have also examined originals or copies, certified or otherwise identified to my satisfaction, of all City records, documents, agreements and other instruments, certificates, opinions and correspondence with public officials, and certificates of officers and representatives of City and made such other investigations as I have deemed necessary or advisable for the purposes of rendering the opinions set forth herein. As to all matters of fact covered thereby, I have relied, without independent investigation or verification, thereon. In such examination, I have assumed the genuineness of all signatures and the authenticity of all documents submitted to me as originals and the conformity with the originals of all documents submitted to me as copies. This opinion is issued to you pursuant to Section 6.02 of the Acquisition Agreement.

Based upon the foregoing and subject to the further qualifications and limitations set forth below, I am of the opinion that:

(a) City is a municipality of the State of Florida which has the requisite power and authority to execute and deliver the Acquisition Agreement and Power Sale Agreement and to perform its obligations thereunder and to carry on its business as it is now being conducted and as contemplated by the Acquisition Agreement or Power Sale Agreement, as the case may be,

to be conducted in the future.

(b) The execution, delivery and performance by City of the Acquisition Agreement and Power Sale Agreement have been duly authorized by all necessary actions on the part of City, do not contravene any law, or any government rule, regulation or any order applicable to City or its properties, and do not and will not contravene the provisions of, cause the acceleration of any rights under, cause the creation of any lien under, or constitute a default under, any material agreement, resolution or other instrument known to me after due inquiry to which City is a party or by which City is bound.

(c) All requisite governmental and regulatory approvals and consents required to be obtained by City for the execution, delivery and performance by City of the Acquisition Agreement and the Power Sale Agreement have been obtained. The execution, delivery and performance of the Acquisition Agreement and the Power Sale Agreement do not require City to (i) obtain any consent of any creditor, lessor, mortgagee, co-participant, co-owner of the Purchased Interest or other party to any agreement or instrument to which City is a party or by which City or any of its properties are bound, or (ii) notify or obtain any permit, authorization or approval of any federal, state or local authority.

(d) The Acquisition Agreement and the Power Sale Agreement have been duly and validly executed and delivered by City and constitute legal, valid and binding obligations of City, enforceable in accordance with their respective terms.

(e) There are no actions, suits or proceedings pending or, to my knowledge, threatened against City with respect to the Acquisition Agreement, the Power Sale Agreement, or any of the transactions thereunder, before any court or administrative body or agency having jurisdiction over City with respect to the Acquisition Agreement or the Power Sale Agreement (including, without limitation, any arbitrations, Worker's Compensation or other administrative proceedings, condemnation proceedings, criminal prosecutions or governmental investigations) or which would have a material adverse effect on the City's ability to perform its obligations under the Acquisition Agreement or the Power Sale Agreement.

(f) The Special Warranty Deed and Bill of Sale and the Assignment and Assumption Agreement dated the date hereof, between City, as "Grantor" or "Assignor", and Company, as "Grantee" or "Assignee", as the case may be, are in sufficient form to transfer the title or to assign, the rights, title, and interest each purports to transfer or assign, and, upon execution and delivery of the Special Warranty Deed and Bill of Sale and the Assignment and Assumption Agreement, such title to the portion of the Purchased Interest that constitutes real property, and such title to the portion of Purchased Interest that constitutes personal property, and City's entire right, title, and interest in the Participation Agreement shall be effectively transferred to Company as set forth in those documents. All terms used in this letter shall be deemed to have the definitions set forth in the Conveyance Documents except as

otherwise specifically set forth herein. By "Conveyance Documents" is meant collectively, the Acquisition Agreement, the Assignment and Assumption Agreement, and the Special Warranty Deed and Bill of Sale.

My opinion that any document is valid, binding, or enforceable in accordance with its terms is qualified as to:

(a) limitations imposed by bankruptcy, insolvency, reorganization, arrangement, moratorium, or other laws relating to or affecting the rights of creditors generally; and

(b) general principles of equity, including, without limitation, the possible unavailability of specific performance or injunctive relief, regardless of whether such enforceability is considered in a proceeding in equity or at law.

In rendering the opinion set forth above, I have assumed the Acquisition Agreement and the Power Sale Agreement constitute the legal, valid and binding obligations under all relevant laws of all parties thereto other than City.

I do not purport to express any opinion herein concerning any laws other than the laws of the State of Florida and the federal laws of the United States of America, all as in effect on the date hereof.

This opinion speaks as of the date hereof. This opinion is furnished by me at your request for your sole benefit and no other person or entity shall be entitled to rely on this opinion without our express written consent. This opinion is limited to the matters stated herein, and no opinion is implied or may be implied or may be inferred beyond matters expressly stated herein.

Yours truly,

[attorney's name]
For City of Tallahassee

EXHIBIT "G"

[Intentionally omitted]

EXHIBIT "H"

Property Appraiser's
Parcel ID No.

SPECIAL WARRANTY DEED AND BILL OF SALE

THIS Indenture, made this _____ day of _____, 1998, between City of Tallahassee ("Grantor") and Florida Power Corporation, a Florida corporation ("Grantee").

WITNESSETH

WHEREAS, Grantor is the owner of an undivided 1.3333% interest in a nuclear generating plant known as Crystal River Unit No. 3 situated on certain lands in Citrus County, Florida (hereinafter referred to as "CR-3"); and

WHEREAS, Grantee desires to purchase and acquire, and Grantor is willing to sell, convey and transfer Grantor's entire undivided 1.3333% interest as tenant in common in CR-3 to the Grantee;

NOW, THEREFORE, Grantor, in consideration of the sum of Ten Dollars ($10.00), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby bargains, sells, conveys and transfers to Grantee Grantor's entire 1.3333% undivided interest as tenant in common, in and to the following described real and personal property:

(a) Real property situated in Citrus County, Florida:

Commence at the Northwest corner of Section 33, Township 17 South, Range 16 East, Citrus County, Florida, said corner having plant coordinates of N 0+34.61 & E 0+36.85, and run S 00° 58' 04" E, along the West boundary of said Section 33, a distance of 1,254.79 feet; thence East a distance of 1,456.95 feet to the Point of Beginning, said point having plant coordinates, S 12+20 & E 15+15; thence South, a distance of 63.98 feet; thence S 45° 41' 57" W, a distance of 201.91 feet; thence West, a distance of 436.50 feet to the Point of Curvature of a curve concave Southeasterly and having a radius of 134.0 feet; thence run 210.49 feet along the arc of said curve, a chord bearing and distance of S 45° 00' 00" W, 189.50 feet to the Point of Tangency; thence South, 757.33 feet; thence East, 484.00 feet; thence North, 137.83 feet; thence East, 66.00 feet to the Point of Curvature of a curve concave Northwesterly and having a radius of 147.43 feet; thence run 149.75 feet along the arc of said

curve, a chord bearing and distance of N 60° 54' 14" E, 143.40 feet to the Point of Tangency; thence N 31° 47' 52" E, 87.01 feet to a curve concave Northerly and having a radius of 1183.72 feet; thence run 319.45 feet along the arc of said curve, a chord bearing and distance of N 73° 50' 37" E, 318.48 feet to the Point of Tangency; thence N 67° 31' 02" E 481.14 feet to the Point of Curvature of a curve concave Southerly and having a radius of 676.78 feet; thence run 265.05 feet along the arc of said curve, a chord bearing and distance of N 78° 43' 36" E, 263.36 feet to the Point of Tangency; thence N 89° 53' 49" E, 200 feet; thence N 00° 06' 11" W, 80.00 feet; thence S 89° 53' 49" W, 200 feet to the Point of Curvature of a curve concave Southerly and having a radius of 756.78 feet; thence run 296.31 feet along the arc of said curve, a chord bearing and distance of S 78° 43' 36" W, 294.42 feet to the Point of Tangency; thence S 67° 31' 02" W, 481.14 feet to the Point of Curvature of a curve concave Northerly and having a radius of 1103.72 feet; thence 241.24 feet along the arc of said curve, a chord bearing and distance of S 73° 59' 18" W, 240.76 feet; thence West, 150.57 feet; thence North, 204.70 feet; thence East, 60.00 feet; thence North, 161.00 feet; thence East, 437.55 feet; thence North, 353 feet; thence West, 397 feet to the Point of Beginning. Containing 18.86 acres, more or less.

Together, with all licenses, profits, easements, rights of way and other rights appurtenant thereto, and all buildings, power plants, structures, improvements and all fixtures located thereon.

(b) Structures, equipment and facilities now or hereafter constructed and installed in or on the above described real property, including, but not limited to, the following:

A nuclear steam supply system of the pressurized water type, with a thermal capacity of approximately 2450 MW.

A steam turbine-generator with a design nameplate turbine capability of 858.9 MW, and designed to take steam from the nuclear steam supply system.

Containment for the nuclear steam supply system.

All auxiliary equipment and other engineered safeguards associated with the foregoing.

An administration building, machine shop, warehouse, public information facility and other support buildings located adjacent to said units. (This does not include support buildings that are Common or External Facilities.)

A radioactive waste treatment and control system or systems and all associated equipment.

Cooling water system(s).

Generator step-up bank consisting of four transformers rated at 316 MVA each.

Standby auxiliary power transformation equipment and related facilities.

CR-3 control and communication facilities and associated buildings or equipment not included in Common or External Facilities.

All other right, title and interest of Grantor in and to CR-3.

Grantor covenants that the foregoing real and personal property is free of all encumbrances imposed by or through Grantor; that lawful seisin of and good right to sell, convey and transfer such property is vested in Grantor; and that Grantor does fully warrant such title to such property and will defend the same against the lawful claims of all persons claiming by or through Grantor.

WHEREFORE, Grantor has caused this instrument to be executed by its duly authorized officers on the day and year first above written.

Signed, sealed and delivered
in the presence of:

_____

_____
Print Name

_____

_____
Print Name

CITY OF TALLAHASSEE

By:_____
Anita R. Favors, City Manager

Attest:_____
Robert B. Inzer, Treasurer-Clerk

[AFFIX CORPORATE SEAL]

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1998, by _____, _____, of City of Tallahassee, on behalf of City. He/she is personally known to me or has produced _____ as identification.

_____
NOTARY PUBLIC

_____
Print Name

[AFFIX NOTARIAL SEAL]

Commission No.:_____

EXHIBIT "I"

ASSIGNMENT AND ASSUMPTION AGREEMENT
(Participation Agreement)

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT, dated this _____ day of _____, 199__, by and between City of Tallahassee ("Assignor") and Florida Power Corporation, a Florida corporation ("Assignee");

WHEREAS, Assignee, certain Participants and Assignor have entered into a Participation Agreement dated as of July 31, 1975, as amended (the "Participation Agreement");

WHEREAS, pursuant to that certain CR-3 Acquisition Agreement, dated _____, 1998 ("Acquisition Agreement"), Assignor has undertaken to assign the Participation Agreement to the Assignee effective as of the date above first written (the "Closing Date"); and

WHEREAS, pursuant to that certain Power Sale Agreement, dated the date hereof, Assignee has agreed to sell to Assignor, and Assignor has agreed to purchase from Assignee, certain electric capacity and energy;

NOW THEREFORE, in consideration of their mutual covenants and intending to be legally bound, the parties hereto agree as follows:

1. Assignment of Participation Agreement. Assignor does hereby assign and transfer to Assignee and its successors and assigns, Assignor's entire right, title and interest in the Participation Agreement. Capitalized terms not defined in this Agreement shall have the respective meanings set forth in the Acquisition Agreement.

2. Representations and Warranties of Assignor. Assignor, for itself, its successors and assigns, hereby represents and warrants as follows: that to the best of its knowledge it has fulfilled, or taken all action reasonably necessary to enable it to fulfill when due, all of its obligations under the Participation Agreement; that to the best of its knowledge no party to the Participation Agreement is in default or breach thereunder; that to the best of its knowledge there is no event or condition existing which, with notice or lapse of time or both, would constitute a breach or default thereunder; that Assignor has received no notice of any dispute, cancellation, termination or any breach or default thereunder; that to the best of its knowledge the Participation Agreement is valid, binding and enforceable in accordance with its terms; that the Participation Agreement is assignable by Assignor to Assignee without the further consent of any third party; and that no rents, royalties, or other income sources to Assignor derived

under the Participation Agreement have been prepaid.

3. Acceptance. In consideration of Assignor's assignment and transfer as described in Section 1 above and Assignor's execution and delivery of the Power Sale Agreement, Assignee does hereby accept assignment of the Participation Agreement and assumes and agrees to discharge the Assignor's obligations arising out of the Participation Agreement, to the extent they accrue after the Closing Date (other than as a result of Assignor's breach or default thereunder), and subject to the terms, conditions and limitations of the Participation Agreement.

4. Release. Each party (the "Releasing Party"), on behalf of itself and each of its Affiliates, as defined below, successors and assigns, hereby completely releases and forever discharges the other party (the "Released Party") and the Released Party's past, present and future Affiliates, successors and assigns (such Released Party and its Affiliates, successors and assigns being individually called a "Releasee" and collectively called the "Releasees") from any and all claims, disputes, demands, proceedings, arbitrations, causes of action, rights, damages, obligations, contracts, agreements, debts and liabilities whatsoever, whether known or unknown, suspected or unsuspected, or whether at law or in equity, which the Releasing Party or any of its successors or assigns now has, has ever had or may hereafter have against any or all of the Releasees arising on account of, or arising out of any matter relating to, (a) CR-3 (as defined in the Participation Agreement), (b) the Releasing Party's interest therein, (c) the Participation Agreement, (d) the Released Party's covenants, obligations, duties, representations, warranties or actions under or pursuant to the Participation Agreement, or (e) the construction, operation, maintenance or use of CR-3; provided, however, that notwithstanding the other provisions of this Section 4, (i) Assignor does not hereby release or discharge Releasees with respect to any claims by third parties insofar as Assignor may be, or may have been but for the execution of this Agreement, entitled to indemnification or contribution from or against any Releasees for any liability arising out of such claims, and (ii) neither party releases the Releasees with respect to any obligations of the Released Party under the Acquisition Agreement, the provisions of the Participation Agreement that are relevant for purposes of Section 2.10 of the Acquisition Agreement, or the Power Sale Agreement.

Each party, on behalf of itself and each of its Affiliates, successors and assigns, hereby irrevocably covenants to refrain from, directly or indirectly, asserting any claim or demand, or commencing, instituting or causing to be instituted or commenced, any proceeding of any kind, whether at law or equity, against any Releasee, based upon any matter purported to be released or covered by this Section 4.

Without in any way limiting any of the rights and remedies otherwise available to any Releasee, each party, to the extent not prohibited by Florida law, shall indemnify and hold harmless each Releasee from and against all loss, liability, claim, damage (including, without limitation, incidental and consequential damages) or expense (including, without

limitation, costs of investigation and defense and reasonable attorney's fees and costs) arising directly or indirectly from or in connection with the assertion by or on behalf of the Releasing Party, or any of the Releasing Party's Affiliates, successors or assigns, of any claim or other matter purported to be released pursuant to this release.

For purposes of this release, an "Affiliate" of a party shall mean any parent company, director, officer, agent, partner or shareholder of such person, and any entity that is, directly or indirectly, controlled by or under common control with such party.

5. Savings Clause. The Participation Agreement shall continue in full force and effect.

6. No Third Party Beneficiaries. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and the other Releasees and shall not run to the benefit of any other persons or entities.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives.

ASSIGNOR:
City of Tallahassee

By:_____
Name:_____
Title:_____
Date of Signature:_____

Attest:

By:_____
Robert B. Inzer
City Treasurer-Clerk

ASSIGNEE:
Florida Power Corporation, a Florida corporation

By:_____
Name:_____
Title:_____
Date of Signature:_____

STATE OF FLORIDA
COUNTY OF PINELLAS

The foregoing instrument was acknowledged before me this _____ day of _____, 1998, by _____, as _____ of City of Tallahassee, on behalf of City. He/she is personally known to me or has produced _____ as identification.

_____
NOTARY PUBLIC

_____
Print Name

[AFFIX NOTARIAL SEAL] Commission No.:_____

STATE OF FLORIDA
COUNTY OF PINELLAS

The foregoing instrument was acknowledged before me this _____ day of _____, 1998, by _____, as _____ of Florida Power Corporation, a Florida corporation, on behalf of the corporation. He/she is personally known to me or has produced _____ as identification.

_____
NOTARY PUBLIC

_____
Print Name

[AFFIX NOTARIAL SEAL] Commission No.:_____

EXHIBIT "J"

[Intentionally omitted]

EXHIBIT "K"

OPINION OF COUNSEL FOR FLORIDA POWER CORPORATION

[LETTERHEAD OF FLORIDA POWER CORPORATION]

[Date]

City of Tallahassee
[Insert Address]

Dear Sir/Madam:

I am General Counsel of Florida Power Corporation ("Company"), a Florida corporation, and in such capacity and together with attorneys of the Company's Legal Department acting under my supervision have acted as counsel to Company in connection with that certain CR-3 Acquisition Agreement dated as of _____, 1998 (the "Acquisition Agreement") and the Power Sale Agreement dated as of _____, 1998 (the "Power Sale Agreement") between Company and City of Tallahassee ("City").

In so acting, I have examined originals or copies of the Acquisition Agreement and Power Sale Agreement, and have relied as to factual matters upon the representations and warranties contained in each document (such reliance does not include the representations contained in Sections, 4.01, 4.02, and 4.03 of the Acquisition Agreement). I or attorneys of the Company's Legal Department acting under my supervision have also examined originals or copies, certified or otherwise identified to our satisfaction, of all corporate records, documents, agreements and other instruments, certificates, opinions and correspondence with public officials, and certificates of officers and representatives of Company and made such other investigations as we have deemed necessary or advisable for the purposes of rendering the opinions set forth herein. As to all matters of fact covered thereby, I have relied, without independent investigation or verification, thereon. In such examination, I have assumed the genuineness of all signatures and the authenticity of all documents submitted to me as originals and the conformity with the originals of all documents submitted to me as copies. This opinion is issued to you pursuant to Section 7.02 of the Acquisition Agreement.

Based on the foregoing and subject to the further qualifications and limitations set forth below, I am of the opinion that:

(a) Company (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida and (ii) has all requisite corporate power and authority to carry on its business as it is presently being conducted and to execute, deliver

and perform its obligations under the Acquisition Agreement and the Power Sale Agreement.

(b) The Acquisition Agreement and the Power Sale Agreement have been duly authorized, executed and delivered by Company and constitute the legal, valid and binding obligations of Company, enforceable in accordance with their respective terms.

(c) The execution, delivery and performance by Company of the Acquisition Agreement and the Power Sale Agreement, and the consummation by it of the transactions contemplated thereby, and compliance by it with any of the terms and provisions thereof do not and will not violate any provision of the Articles of Incorporation or By-Laws of Company or, to the best of my knowledge, after due inquiry, result in the creation or imposition of any lien upon any property of Company or constitute a default under any material agreement or instrument to which Company is a party or by which any of its properties are bound, except such as would not have a material adverse effect on Company's ability to perform its obligations under the Acquisition Agreement or the Power Sale Agreement.

(d) There are no actions, suits or proceedings (including, without limitation, any arbitration proceedings, Worker's Compensation or other administrative proceedings, condemnation proceedings, criminal prosecutions or governmental investigations) pending or, to the best of my knowledge, threatened against or affecting Company or any of its property before any court or administrative body or agency having jurisdiction which question the legality or validity of the Acquisition Agreement or Power Sale Agreement or the transactions contemplated thereby, or which would have a material adverse effect on Company's ability to perform its obligations under the Acquisition Agreement or the Power Sale Agreement.

(e) The execution, delivery and performance by Company of the Acquisition Agreement and the Power Sale Agreement have been duly authorized by all necessary action on its part, and do not require any shareholder approval or consent of any trustee or holder of any of the indebtedness or other obligations of Company.

All terms used in this letter shall be deemed to have the definitions set forth in the Acquisition Agreement except as specifically set forth herein.

In rendering the opinion set forth above, I have assumed the Acquisition Agreement and the Power Sale Agreement constitute the legal, valid and binding obligations, under all relevant laws, of all parties thereto other than Company.

My opinion that any document is valid, binding, or enforceable in accordance with its terms is qualified as to:

(a) limitations imposed by bankruptcy, insolvency, reorganization,

(b) general principles of equity, including without limitation the possible unavailability of specific performance or injunctive relief, regardless of whether such enforceability is considered in a proceeding in equity or at law; and

(c) rulings, orders, or decrees of the Nuclear Regulatory Commission, the Federal Energy Regulatory Commission, and the Florida Public Service Commission.

I do not purport to express any opinion herein concerning any laws other than the laws of the State of Florida and the federal laws of the United States of America, all as in effect on the date hereof.

This opinion speaks as of the date hereof. This opinion is furnished by me at your request for your sole benefit and no other person or entity shall be entitled to rely on this opinion without my express written consent. This opinion is limited to the matters stated herein, and no opinion is implied or may be implied or may be inferred beyond matters expressly stated herein.

Yours truly,

Kenneth E. Armstrong
General Counsel

EXHIBIT "L"

POWER SALES AGREEMENT
BETWEEN
FLORIDA POWER CORPORATION AND CITY OF TALLAHASSEE

(Sheets 1 through 9)

1.6 CPI shall mean the Consumer Price Index for All Urban Consumers (i.e., the CPI-U) published by the United States Department of Labor, Bureau of Labor Statistics or, if this index ceases to be published, such other index as is commercially accepted as the successor index to the Consumer Price Index.

1.7 Delivery Point, unless otherwise designated by City, shall mean the interface between the system of the City and the system of the Company. If a different point for delivery of Capacity and Associated Energy is designated by City and is available, that point shall be referred to as the "Alternate Delivery Point".

1.8 Force Majeure shall mean any cause beyond the reasonable control of, and not the result of negligence or the lack of diligence of, the Party claiming Force Majeure or its contractors or suppliers. It includes, without limitation, earthquake, storm, lightning, flood, backwater caused by flood, fire, explosion, act of the public enemy, epidemic, accident, failure of facilities, equipment or fuel supply, acts of God, war, riot, civil disturbances, strike, labor disturbances, labor or material shortage, national emergency, interruption of synchronous operation, the failure of any party, other than City or an affiliate of City, to provide transmission services to City under the terms of an agreement for firm transmission and related ancillary services, entered into between City and such party, as described in this Section below, or other similar or dissimilar causes beyond the reasonable control of the Party affected, which causes such Party could not have avoided by exercising Good Utility Practice. City's failure, for whatever reason, to maintain, at all times during the term of this Agreement, a valid, binding and enforceable agreement for firm transmission and related ancillary services that allows City to receive Capacity and Associated Energy under the terms of this Agreement, City's failure to properly schedule the transmission or receipt of Capacity and Associated Energy under the terms of this Agreement, or any other failure of City to receive any Capacity and Associated Energy (unless such other failure is beyond the reasonable control of, and not the result of negligence or the lack of diligence of, City) shall not constitute a Force Majeure event.

1.9 Good Utility Practice shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of

acceptable practices, methods or acts.

II. SCOPE OF AGREEMENT

Company agrees to sell and City agrees to purchase 11.4 MW of Capacity and Associated Energy at a 100% capacity factor at all times during the term of this Agreement, subject to the terms and conditions set forth herein.

III. AMENDMENT OF AGREEMENT

Nothing in this Agreement shall affect the rights of the parties under Section 205 or Section 206 of the Federal Power Act, except that neither party shall have the right to make a filing to change the rates, terms, or conditions in this Agreement, or to otherwise terminate this Agreement, absent the mutual, written agreement of the parties.

IV. EFFECTIVE DATE AND TERM

This Agreement shall become effective on the closing date of Company's acquisition of City's portion of CR-3 and shall remain in effect thereafter through December 3, 2016.

V. DELIVERY BY COMPANY

5.1 At all times during the term of this Agreement, Company shall provide 11.4 MW of Capacity and Associated Energy to City at a 100% capacity factor.

5.2 Capacity and Associated Energy shall be provided by Company resources at a priority level equivalent to Company's firm native load. To the extent Company eliminates bundled service for its native load, Capacity and Associated Energy under this Agreement shall be provided at a priority level equal to the Company's highest service obligation of its generation division.

VI. RATES AND CHARGES

6.1 City shall compensate the Company for generation service at a rate up to $42 per generated MWh for all Capacity and Associated Energy beginning on the effective date through December 31, 2007 and such rate shall escalate thereafter annually at the CPI through December 3, 2016.

6.2 City shall maintain, at all times during the term of this Agreement, a valid, binding, and enforceable agreement for firm transmission and related ancillary services that allows City to receive Capacity and Associated Energy at the Delivery Point or Alternate Delivery Point under the terms of this Agreement. Such service shall be obtained by City pursuant to the Company's Open Access Transmission Tariff (the "Open Access Tariff"), and there shall be no charges in addition to those set forth in Section 6.1 above related to such transmission and ancillary services. All real power losses shall be the responsibility of City and City may provide for losses by accepting delivery of a net amount or by making alternative arrangements. Any charges resulting from alternative arrangements made by the City shall be borne by the City. City shall have a service agreement pursuant to the Open Access Tariff on file covering the transmission and ancillary services necessary for the delivery of the Capacity and Associated Energy to the Delivery Point or Alternate Delivery Point and charges for such transmission and ancillary services for the transaction shall be assessed to the City under the Open Access Tariff. City reserves the right to modify the service it receives under the Open Access Tariff in accordance with the Open Access Tariff requirements.

6.3 The sum of the charges to City for Capacity and Associated Energy under this Agreement delivered to City at the Delivery Point or at an Alternate Delivery Point and for the ancillary services and transmission services necessary for the delivery of the Capacity and Associated Energy to the Delivery Point or to an Alternate Delivery Point under the Open Access Tariff shall equal $42 per MWh beginning on the effective date through December 31, 2007 and escalating thereafter annually at the CPI through December 3, 2016. Charges for the ancillary services and transmission services necessary for the delivery of the Capacity and Associated Energy to the Delivery Point, or to an Alternate Delivery Point shall be at the then applicable rates under the Open Access Tariff and shall be separately stated on bills to City. At present, City intends to take Network Contract Demand Transmission Service under the Open Access Tariff. Attachment A hereto sets forth the currently effective Formula Rates and Charges for Network Contract Demand Transmission Service and Ancillary Services under the Open Access Tariff. The actual charges for such services in effect on the initial filing date of this Agreement are set forth in Exhibit 1 to that filing. Nothing in this Agreement shall inhibit City's ability to choose a different service under the Open Access Tariff, provided that such service is then available under the Open Access Tariff and City complies with the relevant provisions of the Open Access Tariff as well as Federal Energy Regulatory Commission policy. If City modifies its existing transmission service under the Open Access Tariff, any additional costs associated with such modification would be incurred by City and would not be included in the sum of the charges described in this section 6.3.

VII. TERMINATION OF AGREEMENT

In consideration of Company's acquisition of City's ownership interest in CR-3 and Company's assumption of certain liabilities of City with respect to CR-3, as set forth in the Acquisition Agreement, this Agreement shall not terminate except as provided in this section. The Agreement shall terminate at 11:59 p.m., on December 3, 2016. The applicable provisions of this Agreement shall continue in effect after the term of the Agreement to the extent necessary to provide for final billings and adjustments and to preserve, enforce or bring action upon any rights or obligations under the Agreement.

VIII. PERMITS AND EASEMENTS

Each Party shall furnish or arrange to have furnished all permits and easements which are necessary for construction and maintenance of the facilities required for delivery of Capacity and Associated Energy hereunder on its respective side of the Delivery Point.

IX. USE OF SERVICE

City and Company shall cooperate in obtaining the most efficient use of their facilities and shall avoid insofar as practicable the imposition of low power factor or widely fluctuating loads or unbalanced loads.

X. CITY'S PAYMENT OBLIGATION

10.1 In consideration of Company's acquisition of City's ownership interest in CR-3 and Company's assumption of certain liabilities of City with respect to CR-3, as set forth in the Acquisition Agreement, City shall be obligated to pay for the 11.4 MW of Capacity and Associated Energy in accordance with the terms of this Agreement. City shall not be obligated to pay for any portion of the 11.4 MW of Capacity and Associated Energy that Company fails to deliver to the Delivery Point or an Alternate Delivery Point.

10.2 Bills shall be rendered monthly by Company and shall be due when rendered and payable within twenty (20) days from the date of the bill (the "Payment Period"). Bills not paid within twenty (20) days from the date of the bill shall be deemed delinquent and shall accrue interest from the end of the Payment Period to the date of payment at the current annual rate provided for refunds made under the Federal Power Act by the Federal Energy Regulatory Commission or any successor agency. In the case of a disputed bill, payment of the disputed portion shall be made by City to Company during Payment Period, in which case any portion

finally determined not to be owing to Company shall be refunded by Company with interest computed as set out above for the period after the Payment Period.

XI. FORCE MAJEURE

Except as otherwise provided in this Agreement, in the event that either of the Parties should be delayed in, or prevented from performing or carrying out any of the agreements, covenants and obligations made by, and imposed by this Agreement upon such Party by reason of Force Majeure, then and in such case(s), such Party shall be relieved of performance under this Agreement and such Party shall not be liable to the other Party for, or on account of, any loss, damage, injury or expense (including consequential damages and cost of replacement power) resulting from, or arising out of any such delay or prevention from performing; provided, however, the excuse from performance will be of no greater scope and of no longer duration than is reasonably required by the Force Majeure, and the Party suffering such delay or prevention shall notify the other Party and use due and, in its judgment, practical diligence to remove the cause(s) thereof. Nothing contained herein shall be construed to require a Party to settle any strike, lockout, work stoppage or other industrial disturbance or dispute in which it may be involved or to take an appeal from any judicial, regulatory or administrative action.

XII. INDEMNIFICATION

In the case of loss, damage or injury (including death) to any person(s) or property occurring on a Party's side of the Delivery Point or an Alternate Delivery Point for Capacity and Associated Energy provided under this Agreement, that Party, to the extent permitted by Florida law, shall indemnify, hold harmless and defend the other Party (including the other Party's parent, subsidiaries, affiliates and the respective officers, directors, agents and employees) against claims, demands, costs or expenses directly connected with or arising directly out of the performance of its obligations under this Agreement; provided, however that neither Party shall be required to indemnify the other Party for such other Party's negligence or willful misconduct, and provided that the obligation of the Parties regarding continuity of service shall be limited as provided in Section XIII hereof. Each Party further agrees to waive all rights against and to release the other Party from any liability which it may incur for payment, if any, of benefits to its own employees under any statutory obligation. Nothing herein shall create, or be interpreted as creating, a contractual relationship of one Party with the customers of the other Party; neither does it create a duty thereto.

XIII. CONTINUITY OF SERVICE

If Company implements emergency load reduction measures to Company's firm native load, it may require the City to reduce purchases from Company. Emergency load reduction measures shall be measures required for Company to respond to unforeseeable demand in electric service or unforeseeable loss of electric supply resources caused by unforeseeable events beyond the control of Company when Company is unable to acquire additional electric supply after using its best reasonable efforts to acquire additional electric supply. During such emergencies, the purchase reductions by City are not to be more onerous than Company's reductions to its firm native load. Any such emergency load reductions shall not constitute negligence or any breach by Company.

XIV. INTERPRETATION

14.01 The interpretation and performance of this Agreement shall be in accordance with and controlled by the laws of the State of Florida.

14.02 In the interpreting of this Agreement, the singular shall include the plural and vice versa, and, unless the context otherwise requires, the word "including" shall mean "including, without limitation."

XV. NOTICES

Notices and written communications under this Agreement shall be addressed to:

FLORIDA POWER CORPORATION

Director, Power Marketing
Florida Power Corporation
263 Thirteenth Avenue South
St. Petersburg, FL 33701

CITY OF TALLAHASSEE

City of Tallahassee
Manager, Wholesale Energy Services
400 E. Van Buren Street
Tallahassee, FL 32301

XVI. PRIOR AGREEMENTS

The terms and provisions in this Agreement and the Acquisition Agreement shall constitute the entire agreement between City and Company with respect to the matters provided for herein and therein and supersede all previous agreements with respect thereto, whether verbal or written, between City and Company.

XVII. GOVERNMENTAL AUTHORITY

All obligations of Company and City are subject to action of such federal or state regulatory agency or other governmental authority as may have jurisdiction; provided, however, that nothing herein shall affect City's obligation to pay for Capacity and Associated Energy under the terms of this Agreement.

XVIII. SUCCESSORS

This Agreement shall inure to the benefit of, and shall bind, the successors of the Parties hereto but shall not be assignable by either Party without the written consent of the other, which written consent shall not be unreasonably withheld or delayed; provided, however, that no such consent shall be required in the case of any assignment or delegation by Company to a corporation or other entity affiliated with Company or to which Company may sell or assign all or substantially all of its assets or with which it may enter into a merger, consolidation, reorganization, or other business combination.

XIX. ATTORNEYS' FEES

In the event of any litigation between the parties with respect to this Agreement, the prevailing Party shall be entitled to recover its attorneys' fees and costs (including paralegal costs) whether incurred prior to trial, during trial, on appeal or in bankruptcy proceedings.

XX. JURISDICTION

Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any of the parties solely in the courts of the State of Florida, County of Pinellas, or, if it has or can acquire jurisdiction, in the United States District Court for the Middle District of Florida, Ocala Division, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue therein.

XXI. RECITALS

The Recitals in this Agreement form an integral part of this Agreement and set forth the basis upon which the parties have entered into this Agreement and the Acquisition Agreement.

EXHIBIT B

AGREEMENT FOR THE SALE OF REPLACEMENT CAPACITY TO THE CITY OF TALLAHASSEE

Florida Power Corporation,
Rate Schedule No. ____
Original Sheet No. 1
Effective: _____

POWER SALE AGREEMENT BY AND BETWEEN FLORIDA POWER CORPORATION AND CITY OF TALLAHASSEE

THIS POWER SALE AGREEMENT (the "Agreement") is entered into as of December 9, 1998 together with permitted amendments by and between Florida Power Corporation ("Company"), a Florida Corporation, and City of Tallahassee ("City"), a Florida municipality. Each of Company and City may be referred to herein as a "Party" and together the "Parties".

WHEREAS, in consideration for Company's acquisition from City of City's ownership interest in Crystal River Unit 3 ("CR-3"), a nuclear steam electric generating unit, and Company's assumption of certain liabilities of City related to City's ownership interest in CR-3, pursuant to the CR-3 Acquisition Agreement between the Parties dated the 9th day of December, 1998 (the "Acquisition Agreement"), which is incorporated in and expressly made a part of this Agreement, the Parties desire to establish the terms and conditions upon which Company shall sell and City shall buy 11.4 MW of capacity and associated energy from Company at all times during the term of the Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein, and for other good and valuable consideration, the Parties hereby agree as follows:

I. DEFINITIONS

1.1 Agreement shall mean this Power Sale Agreement by and between Florida Power Corporation and City of Tallahassee.

1.2 Acquisition Agreement shall mean the agreement between City and Company setting forth the terms and conditions of Company's acquisition from City of City's ownership in CR-3, a nuclear steam electric generating unit, and Company's assumption of certain liabilities of City related to City's ownership interest in CR-3.

1.3 Capacity and Associated Energy shall mean the megawatts of power available at the generator(s) and the associated electrical energy.

1.4 City shall mean City of Tallahassee.

1.5 Company shall mean Florida Power Corporation.

1.6 CPI shall mean the Consumer Price Index for All Urban Consumers (i.e., the CPI-U) published by the United States Department of Labor, Bureau of Labor Statistics or, if this index ceases to be published, such other index as is commercially accepted as the successor index to the Consumer Price Index.

1.7 Delivery Point, unless otherwise designated by City, shall mean the interface between the system of the City and the system of the Company. If a different point for delivery of Capacity and Associated Energy is designated by City and is available, that point shall be referred to as the "Alternate Delivery Point".

1.8 Force Majeure shall mean any cause beyond the reasonable control of, and not the result of negligence or the lack of diligence of, the Party claiming Force Majeure or its contractors or suppliers. It includes, without limitation, earthquake, storm, lightning, flood, backwater caused by flood, fire, explosion, act of the public enemy, epidemic, accident, failure of facilities, equipment or fuel supply, acts of God, war, riot, civil disturbances, strike, labor disturbances, labor or material shortage, national emergency, interruption of synchronous operation, the failure of any party, other than City or an affiliate of City, to provide transmission services to City under the terms of an agreement for firm transmission and related ancillary services, entered into between City and such party, as described in this Section below, or other similar or dissimilar causes beyond the reasonable control of the Party affected, which causes such Party could not have avoided by exercising Good Utility Practice. City's failure, for whatever reason, to maintain, at all times during the term of this Agreement, a valid, binding and enforceable agreement for firm transmission and related ancillary services that allows City to receive Capacity and Associated Energy under the terms of this Agreement, City's failure to properly schedule the transmission or receipt of Capacity and Associated Energy under the terms of this Agreement, or any other failure of City to receive any Capacity and Associated Energy (unless such other failure is beyond the reasonable control of, and not the result of negligence or the lack of diligence of, City) shall not constitute a Force Majeure event.

1.9 Good Utility Practice shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of

acceptable practices, methods or acts.

II. SCOPE OF AGREEMENT

Company agrees to sell and City agrees to purchase 11.4 MW of Capacity and Associated Energy at a 100% capacity factor at all times during the term of this Agreement, subject to the terms and conditions set forth herein.

III. AMENDMENT OF AGREEMENT

Nothing in this Agreement shall affect the rights of the parties under Section 205 or Section 206 of the Federal Power Act, except that neither party shall have the right to make a filing to change the rates, terms, or conditions in this Agreement, or to otherwise terminate this Agreement, absent the mutual, written agreement of the parties.

IV. EFFECTIVE DATE AND TERM

This Agreement shall become effective on the closing date of Company's acquisition of City's portion of CR-3 and shall remain in effect thereafter through December 3, 2016.

V. DELIVERY BY COMPANY

5.1 At all times during the term of this Agreement, Company shall provide 11.4 MW of Capacity and Associated Energy to City at a 100% capacity factor.

5.2 Capacity and Associated Energy shall be provided by Company resources at a priority level equivalent to Company's firm native load. To the extent Company eliminates bundled service for its native load, Capacity and Associated Energy under this Agreement shall be provided at a priority level equal to the Company's highest service obligation of its generation division.

VI. RATES AND CHARGES

6.1 City shall compensate the Company for generation service at a rate up to $42 per generated MWh for all Capacity and Associated Energy beginning on the effective date through December 31, 2007 and such rate shall escalate thereafter annually at the CPI through December 3, 2016.

6.2 City shall maintain, at all times during the term of this Agreement, a valid, binding, and enforceable agreement for firm transmission and related ancillary services that allows City to receive Capacity and Associated Energy at the Delivery Point or Alternate Delivery Point under the terms of this Agreement. Such service shall be obtained by City pursuant to the Company's Open Access Transmission Tariff (the "Open Access Tariff"), and there shall be no charges in addition to those set forth in Section 6.1 above related to such transmission and ancillary services. All real power losses shall be the responsibility of City and City may provide for losses by accepting delivery of a net amount or by making alternative arrangements. Any charges resulting from alternative arrangements made by the City shall be borne by the City. City shall have a service agreement pursuant to the Open Access Tariff on file covering the transmission and ancillary services necessary for the delivery of the Capacity and Associated Energy to the Delivery Point or Alternate Delivery Point and charges for such transmission and ancillary services for the transaction shall be assessed to the City under the Open Access Tariff. City reserves the right to modify the service it receives under the Open Access Tariff in accordance with the Open Access Tariff requirements.

6.3 The sum of the charges to City for Capacity and Associated Energy under this Agreement delivered to City at the Delivery Point or at an Alternate Delivery Point and for the ancillary services and transmission services necessary for the delivery of the Capacity and Associated Energy to the Delivery Point or to an Alternate Delivery Point under the Open Access Tariff shall equal $42 per MWh beginning on the effective date through December 31, 2007 and escalating thereafter annually at the CPI through December 3, 2016. Charges for the ancillary services and transmission services necessary for the delivery of the Capacity and Associated Energy to the Delivery Point, or to an Alternate Delivery Point shall be at the then applicable rates under the Open Access Tariff and shall be separately stated on bills to City. At present, City intends to take Network Contract Demand Transmission Service under the Open Access Tariff. Attachment A hereto sets forth the currently effective Formula Rates and Charges for Network Contract Demand Transmission Service and Ancillary Services under the Open Access Tariff. The actual charges for such services in effect on the initial filing date of this Agreement are set forth in Exhibit 1 to that filing. Nothing in this Agreement shall inhibit City's ability to choose a different service under the Open Access Tariff, provided that such service is then available under the Open Access Tariff and City complies with the relevant provisions of the Open Access Tariff as well as Federal Energy Regulatory Commission policy. If City modifies its existing transmission service under the Open Access Tariff, any additional costs associated with such modification would be incurred by City and would not be included in the sum of the charges described in this section 6.3.

VII. TERMINATION OF AGREEMENT

In consideration of Company's acquisition of City's ownership interest in CR-3 and Company's assumption of certain liabilities of City with respect to CR-3, as set forth in the Acquisition Agreement, this Agreement shall not terminate except as provided in this section. The Agreement shall terminate at 11:59 p.m., on December 3, 2016. The applicable provisions of this Agreement shall continue in effect after the term of the Agreement to the extent necessary to provide for final billings and adjustments and to preserve, enforce or bring action upon any rights or obligations under the Agreement.

VIII. PERMITS AND EASEMENTS

Each Party shall furnish or arrange to have furnished all permits and easements which are necessary for construction and maintenance of the facilities required for delivery of Capacity and Associated Energy hereunder on its respective side of the Delivery Point.

IX. USE OF SERVICE

City and Company shall cooperate in obtaining the most efficient use of their facilities and shall avoid insofar as practicable the imposition of low power factor or widely fluctuating loads or unbalanced loads.

X. CITY'S PAYMENT OBLIGATION

10.1 In consideration of Company's acquisition of City's ownership interest in CR-3 and Company's assumption of certain liabilities of City with respect to CR-3, as set forth in the Acquisition Agreement, City shall be obligated to pay for the 11.4 MW of Capacity and Associated Energy in accordance with the terms of this Agreement. City shall not be obligated to pay for any portion of the 11.4 MW of Capacity and Associated Energy that Company fails to deliver to the Delivery Point or an Alternate Delivery Point.

10.2 Bills shall be rendered monthly by Company and shall be due when rendered and payable within twenty (20) days from the date of the bill (the "Payment Period"). Bills not paid within twenty (20) days from the date of the bill shall be deemed delinquent and shall accrue interest from the end of the Payment Period to the date of payment at the current annual rate provided for refunds made under the Federal Power Act by the Federal Energy Regulatory Commission or any successor agency. In the case of a disputed bill, payment of the disputed portion shall be made by City to Company during Payment Period, in which case any portion

finally determined not to be owing to Company shall be refunded by Company with interest computed as set out above for the period after the Payment Period.

XI. FORCE MAJEURE

Except as otherwise provided in this Agreement, in the event that either of the Parties should be delayed in, or prevented from performing or carrying out any of the agreements, covenants and obligations made by, and imposed by this Agreement upon such Party by reason of Force Majeure, then and in such case(s), such Party shall be relieved of performance under this Agreement and such Party shall not be liable to the other Party for, or on account of, any loss, damage, injury or expense (including consequential damages and cost of replacement power) resulting from, or arising out of any such delay or prevention from performing; provided, however, the excuse from performance will be of no greater scope and of no longer duration than is reasonably required by the Force Majeure, and the Party suffering such delay or prevention shall notify the other Party and use due and, in its judgment, practical diligence to remove the cause(s) thereof. Nothing contained herein shall be construed to require a Party to settle any strike, lockout, work stoppage or other industrial disturbance or dispute in which it may be involved or to take an appeal from any judicial, regulatory or administrative action.

XII. INDEMNIFICATION

In the case of loss, damage or injury (including death) to any person(s) or property occurring on a Party's side of the Delivery Point or an Alternate Delivery Point for Capacity and Associated Energy provided under this Agreement, that Party, to the extent permitted by Florida law, shall indemnify, hold harmless and defend the other Party (including the other Party's parent, subsidiaries, affiliates and the respective officers, directors, agents and employees) against claims, demands, costs or expenses directly connected with or arising directly out of the performance of its obligations under this Agreement; provided, however that neither Party shall be required to indemnify the other Party for such other Party's negligence or willful misconduct, and provided that the obligation of the Parties regarding continuity of service shall be limited as provided in Section XIII hereof. Each Party further agrees to waive all rights against and to release the other Party from any liability which it may incur for payment, if any, of benefits to its own employees under any statutory obligation. Nothing herein shall create, or be interpreted as creating, a contractual relationship of one Party with the customers of the other Party; neither does it create a duty thereto.

XIII. CONTINUITY OF SERVICE

If Company implements emergency load reduction measures to Company's firm native load, it may require the City to reduce purchases from Company. Emergency load reduction measures shall be measures required for Company to respond to unforeseeable demand in electric service or unforeseeable loss of electric supply resources caused by unforeseeable events beyond the control of Company when Company is unable to acquire additional electric supply after using its best reasonable efforts to acquire additional electric supply. During such emergencies, the purchase reductions by City are not to be more onerous than Company's reductions to its firm native load. Any such emergency load reductions shall not constitute negligence or any breach by Company.

XIV. INTERPRETATION

14.01 The interpretation and performance of this Agreement shall be in accordance with and controlled by the laws of the State of Florida.

14.02 In the interpreting of this Agreement, the singular shall include the plural and vice versa, and, unless the context otherwise requires, the word "including" shall mean "including, without limitation."

XV. NOTICES

Notices and written communications under this Agreement shall be addressed to:

FLORIDA POWER CORPORATION

Director, Power Marketing
Florida Power Corporation
263 Thirteenth Avenue South
St. Petersburg, FL 33701

CITY OF TALLAHASSEE

City of Tallahassee
Manager, Wholesale Energy Services
400 E. Van Buren Street
Tallahassee, FL 32301

XVI. PRIOR AGREEMENTS

The terms and provisions in this Agreement and the Acquisition Agreement shall constitute the entire agreement between City and Company with respect to the matters provided for herein and therein and supersede all previous agreements with respect thereto, whether verbal or written, between City and Company.

XVII. GOVERNMENTAL AUTHORITY

All obligations of Company and City are subject to action of such federal or state regulatory agency or other governmental authority as may have jurisdiction; provided, however, that nothing herein shall affect City's obligation to pay for Capacity and Associated Energy under the terms of this Agreement.

XVIII. SUCCESSORS

This Agreement shall inure to the benefit of, and shall bind, the successors of the Parties hereto but shall not be assignable by either Party without the written consent of the other, which written consent shall not be unreasonably withheld or delayed; provided, however, that no such consent shall be required in the case of any assignment or delegation by Company to a corporation or other entity affiliated with Company or to which Company may sell or assign all or substantially all of its assets or with which it may enter into a merger, consolidation, reorganization, or other business combination.

XIX. ATTORNEYS' FEES

In the event of any litigation between the parties with respect to this Agreement, the prevailing Party shall be entitled to recover its attorneys' fees and costs (including paralegal costs) whether incurred prior to trial, during trial, on appeal or in bankruptcy proceedings.

XX. JURISDICTION

Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any of the parties solely in the courts of the State of Florida, County of Pinellas, or, if it has or can acquire jurisdiction, in the United States District Court for the Middle District of Florida, Ocala Division, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue therein.

XXI. RECITALS

The Recitals in this Agreement form an integral part of this Agreement and set forth the basis upon which the parties have entered into this Agreement and the Acquisition Agreement.

XXII. COUNTERPARTS

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

XXIII. LIMITATION OF DAMAGES

Notwithstanding any provision of this Agreement to the contrary, in no event shall either Party be liable for consequential, special, incidental, or exemplary damages arising from any breach or default under this Agreement or from any act or omission under or in connection with this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this instrument to be executed by their respective authorized officials.

CITY OF TALLAHASSEE
(City)

By: _____
Anita R. Favors, City Manager

Attest: _____
George P. Atkinson
Deputy City Treasurer-Clerk

Dated: _____

FLORIDA POWER CORPORATION
(Company)

By: _____
Roy A. Anderson - Sr VP Energy Supply
(Type or print name and title of signatory)

Attest: _____

Dated: 12/9/98

FLORIDA POWER CORP.
LEGAL DEPT.
APPROVED
Date 12/8/98
By RAA

[11/09/98]

EXHIBIT C

FUEL ADJUSTMENT "A SCHEDULES" ILLUSTRATING FLORIDA POWER'S PROPOSED REGULATORY TREATMENT OF REPLACEMENT CAPACITY AGREEMENT

Case 1: Crystal River Unit 3 operates at 100% Capacity Factor.

In this scenario, all of the additional kWh sold are produced by the acquired 11.4 MW of nuclear capacity. Average nuclear fuel expense is assigned to the sale. There is no change in the generation of the remaining generating units or in purchased power. There is no change in cost for retail customers.

Schedule A-1

Line 1: Fuel Cost of System Net Generation

Actual MWh: Increases approximately 8,000 MWh per month as a result of the 11.4 MW capacity purchase (11.4x744 hours = 8,482 for a 31 day month).
Actual $: Increases by Actual MWh times average fuel cost for CR3.
Average nuclear fuel cost: $4/MWh
Total cost increase: $ 32 ($5/MWh x 8 GWh)

Line 2: Spent Nuclear Fuel Disposal Cost

Actual MWh: Increases by the same amount as Line 1.
Actual $: Increases by Actual MWh times $1.00 per MWh.
Cost increase: $ 8 ($1/MWh x 8 GWh)

Line 17: Fuel Cost of Supplemental and Unit Power Sales

Actual MWh: Increases by an amount equal to the MWh in Line 1.
Actual $: Increases by an amount equal to the $ amount in Line 5.
Total increase: $ 40

Other Schedules:

Schedule A5 would show an increase in Crystal River 3 generation of 8,000 MWh and a fuel cost increase of $32. This same change would occur on schedule A-3 for nuclear generation, cost, BTU consumption, etc. and flow to Schedule A-1.

FLORIDA POWER CORPORATION
FUEL AND PURCHASED POWER COST RECOVERY CLAUSE
Impact of Tallahassee Nuclear Purchase/Capacity Resale on A-Schedules
FOR THE PERIOD OF: MARCH, 1999

Case 1: CR3 Operates at 100% Capacity Factor

			Base		Change		Result	
			DOLLARS	MWH	DOLLARS	MWH	DOLLARS	MWH
1.	Fuel Cost of System Net Generation		31,968	2,221	32	8	32,000	2,229
2.	Spent Nuclear Fuel Disposal Cost		539	539	8	8	547	547
3.	Nuclear D&D		-		-		-	-
4.	Adjustment to Fuel Cost		(2,451)	(63)	-	-	(2,451)	(63)
5.	TOTAL COST OF GENERATED POWER		30,056	2,158	40	8	30,096	2,166
6.	Energy Cost of Purchased Power (Excl. Econ & Cogens) (A7)		2,434	128	-	-	2,434	128
7.	Energy Cost of Sch. C,X Economy Purchases (Broker) (A9)		56	2	-	-	56	2
8.	Energy Cost of Economy Purchases (Non-Broker) (A9)		303	15	-	-	303	15
9.	Energy Cost of Schedule E Economy Purchases (A9)						-	-
10.	Capacity Cost of Economy Purchases (A9)						-	-
11.	Payments to Qualifying Facilities (A8)		10,168	583	-	-	10,168	583
12.	TOTAL COST OF PURCHASED POWER		12,961	728	-	-	12,961	728
13.	TOTAL AVAILABLE KWH			2,886		8	-	2,894
14.	Fuel Cost of Economy Sales	(A6)	(21)	(2)	-	-	(21)	(2)
14a.	Gain on Economy Sales - 80%	(A6)	(17)	(2)	-	-	(17)	(2)
15.	Fuel Cost of Other Power Sales	(A6)	(3,328)	(223)	-	-	(3,328)	(223)
15a.	Gain on Other Power Sales	(A6)		(223)		-	-	(223)
16.	Fuel Cost of Seminole Backup Sales	(A6)						
17.	Fuel Cost of Stratified Sales	(A6)	(4,178)	(186)	(40)	(8)	(4,218)	(194)
18.	TOTAL FUEL COST AND GAINS ON POWER SALES		(7,544)	(411)	(40)	(8)	(7,584)	(419)
19.	Net Inadvertent Interchange			3				
20.	TOTAL FUEL AND NET POWER TRANSACTIONS		35,473	2,478	-	-	35,473	2,478

Case 2: Crystal River Unit 3 operates at 75% Capacity Factor.

In this scenario, approximately 75% of the kWh sold to the city of Tallahassee are produced by the additional nuclear capacity. Average nuclear fuel expense is assigned to those kWh. The remaining energy (25%) is assumed to be produced by other generating units. This incremental cost of generation is assigned to this portion of the sale. There is no change in cost for retail customers.

Schedule A-1

Line 1: Fuel Cost of System Net Generation

Actual MWh: Increases approximately 8,000 MWh per month as a result of the 11.4 MW capacity purchase and resale (11.4x744 hours = 8,482 for a 31 day month).

Actual $: Increases by 6,000 MWh (75% CF) times average fuel cost for CR3.
Increases by 2,000 MWh (25% CF) times incremental fuel cost.

Average nuclear fuel cost:	$4/MWh	
Incremental fuel cost:	$30/MWh	
Total cost increase:	$ 24	($4/MWh x 6 GWh)
Plus:	$ 60	($30/MWh x 2 GWh)

Line 2: Spent Nuclear Fuel Disposal Cost

Actual MWh: Increases by the amount of nuclear generation produced by the 11.4 MW share (6 GWh)

Actual $: Increases by additional nuclear MWh (6,000 MWh) times $1.00/MWh.

Cost increase:	$ 6	($1/MWh x 6 GWh)

Line 17: Fuel Cost of Supplemental and Unit Power Sales

Actual MWh: Increases by an amount equal to the MWh in Line 1.

Actual $: Increases by an amount equal to the $ amount in Line 5.
Total increase: $ 90.

Other Schedules:

Schedule A5 would show an increase in Crystal River 3 generation of 6,000 MWh and a fuel cost increase of $24. In addition, other generating units would increase their generation by a total of 2 GWh at an average cost of $30.MWh. These changes would flowto Schedule A-3 and then flow to Schedule A-1.

FLORIDA POWER CORPORATION
FUEL AND PURCHASED POWER COST RECOVERY CLAUSE
Impact of Tallahassee Nuclear Purchase/Capacity Resale on A-Schedules
FOR THE PERIOD OF: MARCH, 1999

Case 2: CR3 Operates at 75% Capacity Factor

			Base		Change		Result	
			DOLLARS	GWH	DOLLARS	GWH	DOLLARS	GWH
1.	Fuel Cost of System Net Generation		31,968	2,221	84	8	32,052	2,229
2.	Spent Nuclear Fuel Disposal Cost		539	539	6	6	545	545
3.	Nuclear D&D		-		-		-	-
4.	Adjustment to Fuel Cost		(2,451)	(63)	-	-	(2,451)	(63)
5.	TOTAL COST OF GENERATED POWER		30,056	2,158	90	8	30,146	2,166
6.	Energy Cost of Purchased Power (Excl. Econ & Cogens) (A7)		2,434	128	-	-	2,434	128
7.	Energy Cost of Sch. C,X Economy Purchases (Broker) (A9)		56	2	-	-	56	2
8.	Energy Cost of Economy Purchases (Non-Broker) (A9)		303	15	-	-	303	15
9.	Energy Cost of Schedule E Economy Purchases (A9)						-	-
10.	Capacity Cost of Economy Purchases (A9)						-	-
11.	Payments to Qualifying Facilities (A8)		10,168	583	-	-	10,168	583
12.	TOTAL COST OF PURCHASED POWER		12,961	728	-	-	12,961	728
13.	TOTAL AVAILABLE KWH			2,886		8	-	2,894
14.	Fuel Cost of Economy Sales	(A6)	(21)	(2)	-	-	(21)	(2)
14a.	Gain on Economy Sales - 80%	(A6)	(17)	(2)	-	-	(17)	(2)
15.	Fuel Cost of Other Power Sales	(A6)	(3,328)	(223)	-	-	(3,328)	(223)
15a.	Gain on Other Power Sales	(A6)		(223)		-	-	(223)
16.	Fuel Cost of Seminole Backup Sales	(A6)						
17.	Fuel Cost of Stratified Sales	(A6)	(4,178)	(186)	(90)	(8)	(4,268)	(194)
18.	TOTAL FUEL COST AND GAINS ON POWER SALES		(7,544)	(411)	(90)	(8)	(7,634)	(419)
19.	Net Inadvertent Interchange			3				
20.	TOTAL FUEL AND NET POWER TRANSACTIONS		35,473	2,478	-	-	35,473	2,478

Case 3: Crystal River Unit 3 is out of service.

In this scenario, all of the kWh sold to the city of Tallahassee are produced by the non-nuclear generation or purchased. The incremental cost of generating and purchasing the 8,000 MWh is assigned to this portion of the sale. Again, there is no change in cost for retail customers.

Schedule A-1

Line 1: Fuel Cost of System Net Generation

Actual MWh: Increases approximately 8,000 MWh per month as a result of the 11.4 MW capacity sale (11.4x744 hours = 8,482 for a 31 day month).
Assumes 2/3 of the energy sold is generated, the other 1/3 purchased as economy.

Actual $: Increases by 6,000 MWh (67% of total) times incremental fuel cost.

Incremental fuel cost:	$ 30/MWh
Cost increase:	$ 180 ($30/MWh x 6 GWh)

Line 8: Energy cost of non-broker economy purchases

Actual MWh: Increases approximately 2,000 MWh.

Actual $: Increases by 2,000 MWh (67% of total) times purchased power cost.

Incremental purchase cost:	$ 30/MWh
Total cost increase:	$ 60 ($30/MWh x 2 GWh)

Line 17: Fuel Cost of Supplemental and Unit Power Sales

Actual MWh: Increases by an amount equal to the MWh in Lines 1 and 12.

Actual $: Increases by an amount equal to the $ amount in Lines 5 and 12.
Total increase: $ 240.

Other Schedules:

Schedule A5 would show a total increase in generation of 6,000 MWh and a fuel cost increase of $ 180 at an average cost of $30.MWh. These changes would flow to Schedule A-3 and then to Schedule A-1.

Additional purchases would show up on Schedule A6.

FLORIDA POWER CORPORATION
FUEL AND PURCHASED POWER COST RECOVERY CLAUSE
Impact of Tallahassee Nuclear Purchase/Capacity Resale on A-Schedules
FOR THE PERIOD OF: MARCH, 1999

Case 3: CR3 Off-line during the Month

			Base		Change		Result	
			DOLLARS	GWH	DOLLARS	GWH	DOLLARS	GWH
1.	Fuel Cost of System Net Generation		31,968	2,221	180	6	32,148	2,227
2.	Spent Nuclear Fuel Disposal Cost		539	539	-	-	539	539
3.	Nuclear D&D		-		-		-	-
4.	Adjustment to Fuel Cost		(2,451)	(63)	-	-	(2,451)	(63)
5.	TOTAL COST OF GENERATED POWER		30,056	2,158	180	6	30,236	2,164
6.	Energy Cost of Purchased Power (Excl. Econ & Cogens) (A7)		2,434	128	-	-	2,434	128
7.	Energy Cost of Sch. C,X Economy Purchases (Broker) (A9)		56	2	-	-	56	2
8.	Energy Cost of Economy Purchases (Non-Broker) (A9)		303	15	60	2	363	17
9.	Energy Cost of Schedule E Economy Purchases (A9)						-	-
10.	Capacity Cost of Economy Purchases (A9)						-	-
11.	Payments to Qualifying Facilities (A8)		10,168	583	-	-	10,168	583
12.	TOTAL COST OF PURCHASED POWER		12,961	728	60	2	13,021	730
13.	TOTAL AVAILABLE KWH			2,886		8	-	2,894
14.	Fuel Cost of Economy Sales	(A6)	(21)	(2)	-	-	(21)	(2)
14a.	Gain on Economy Sales - 80%	(A6)	(17)	(2)	-	-	(17)	(2)
15.	Fuel Cost of Other Power Sales	(A6)	(3,328)	(223)	-	-	(3,328)	(223)
15a.	Gain on Other Power Sales	(A6)		(223)		-	-	(223)
16.	Fuel Cost of Seminole Backup Sales	(A6)						
17.	Fuel Cost of Stratified Sales	(A6)	(4,178)	(186)	(240)	(8)	(4,418)	(194)
18.	TOTAL FUEL COST AND GAINS ON POWER SALES		(7,544)	(411)	(240)	(8)	(7,784)	(419)
19.	Net Inadvertent Interchange			3				
20.	TOTAL FUEL AND NET POWER TRANSACTIONS		35,473	2,478	-	-	35,473	2,478

STATE OF FLORIDA

DIVISION OF RECORDS & REPORTING
BLANCA S. BAYÓ
DIRECTOR
(850) 413-6770

Public Service Commission

June 15, 1999

James A. McGee, Attorney
Florida Power Corporation
Post Office Box 14042
St. Petersburg, Florida 33733-4042

Re: Docket No. 990771-EG

Dear Mr. McGee:

This will acknowledge receipt of a petition by Florida Power Corporation for approval of regulatory treatment associated with the sale of replacement capacity and energy to the City of Tallahassee, which was filed by this office on June 14, 1999 and assigned the above-referenced docket number. Appropriate staff members will be advised.

Mediation may be available to resolve any dispute in this docket. If mediation is conducted, it does not affect a substantially interested person's right to an administrative hearing. For more information, contact the Office of General Counsel at (850) 413-6078 or FAX (850) 413-6079.

Division of Records and Reporting
Florida Public Service Commission

FECA

Florida Electric Cooperatives Association, Inc.

2916 Apalachee Parkway
P.O. Box 590
Tallahassee, Florida 32302
(850) 877-6166
FAX: (850) 656-5485

June 24, 1999

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

Dear Ms. Bayo:

Please accept this letter as our official request to be put on the mailing list for the following docket(s):

Docket No. 990771-EI

Thank you for your assistance in this matter.

Sincerely,

Michelle Hershel
Director of Regulatory
Services

MH/hd

Done 6/25/99