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**Florida
Power**
CORPORATION

JAMES A. MCGEE
SENIOR COUNSEL

November 19, 1996

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

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FLORIDA PUBLIC
SERVICE COMMISSION
96 NOV 20 AM 10:35
MAIL ROOM

Re: Docket No. 960001-EI

Dear Ms. Bayó:

Enclosed for filing in the subject docket are an original and fifteen copies of the Notice of Estimated True-Up Under-Recovery 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

- ACK _____
- AFA 3
- APP _____
- CAF _____
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JAM/kp
Enclosure

cc: Parties of record

DOCUMENT NUMBER-DATE

12452 NOV 20 96

GENERAL OFFICE

FPSC-RECORDS/REPORTING

CERTIFICATE OF SERVICE

Docket No. 960001

I HEREBY CERTIFY that a true and correct copy of the Notice of Estimated True-Up Under-Recovery of Florida Power Corporation has been sent by regular U.S. mail to the following individuals this 19th day of November, 1996:

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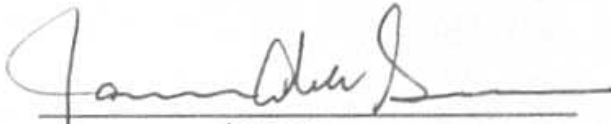
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Attorney

ORIGINAL
FILE DATE

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost
recovery clause with generating
performance incentive factor.

Docket No. 960001-EI
Submitted for filing:
November 20, 1996

**NOTICE OF ESTIMATED
TRUE-UP UNDER-RECOVERY**

Florida Power Corporation (Florida Power or the Company), pursuant to Order No. 13694 in Docket No. 840001-EI, hereby notifies the Commission of an estimated end of period true-up under-recovery which is expected to exceed 10 percent of it's fuel and purchased power costs.

Florida Power is presently in the process of performing a detailed reprojection through the end of the current October 1996 - March 1997 period, which will be included with its filing on January 13, 1997 for the February fuel adjustment hearings. Based on current information, an estimated true-up under-recovery of approximately \$70 million is anticipated, which substantially exceeds the 10 percent threshold. The under-recovery is due primarily to an outage at the Crystal River 3 nuclear unit which is currently expected to extend at least through February 1997, and oil price which are approximately \$3 to \$4 per barrel higher than forecasted.

Because of the size of the expected under-recovery, Florida Power proposes to mitigate the rate impact on customers by spreading the recovery over a 12-

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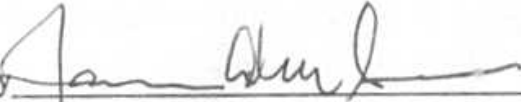
month period beginning April 1997, instead of the normal six months (or eight to nine months with a mid-course correction). By not instituting an immediate mid-course correction the Company will be allowed additional time to assess the status of CR3 and better predict its return to service.

To further mitigate the rate impact of the fuel under-recovery on residential customers, Florida Power will also propose to flow back its 1995 revenue decoupling over-recovery of \$17.7 million (plus accumulated interest) that the Commission deferred at the February 1996 Energy Conservation Cost Recovery hearings in order to offset potential QF buydowns. Thereafter, in Docket No. 961184-EQ, Florida Power petitioned for approval to buydown the last ten years of an existing QF contract and to offset the cost of the buydown by amortizing the decoupling over-recovery over a period of from one to three years, whichever period best minimizes fluctuations in the customers' overall bill. Consistent with this objective, Florida Power will request a one-year amortization of the decoupling over-recovery in its upcoming ECCR filing.

Under Florida Power's proposal, using current projections and an assumption that CR3 will return to service by the end of February, residential rates will increase approximately \$2.00 per 1,000 kWh over their current level of \$83.39 for the six-month period beginning in April 1997 and are expected to remain at that level for the following period through March 1998. Final projections and amounts will be submitted with Florida Power's regular fuel and capacity cost recovery and ECCR filings.

Respectfully submitted,

OFFICE OF THE GENERAL COUNSEL
FLORIDA POWER CORPORATION

By 

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