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April 14, 1997

HAND-DELIVERED

Blanca S. Bayo, Director
Division of Records and Reporting
Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

Re: Docket No. **970096-EQ**

Dear Ms. Bayo:

Enclosed for filing and distribution are the original and fifteen copies of the parties' Joint Motion for Approval of Stipulation in the above docket.

Please acknowledge receipt of the above on the extra copy enclosed herein and return it to me. Thank you for your assistance.

Sincerely,

Vicki Gordon Kaufman
Vicki Gordon Kaufman

ACK _____
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APP _____
CAF _____
CMU _____ VGK/pw
 Encls.
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EAG Dudley
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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for expedited approval of an agreement to purchase the Tiger Bay cogeneration facility and terminate related purchased power contracts by Florida Power Corporation.

Docket No. 970096-EQ

JOINT MOTION FOR APPROVAL OF STIPULATION

Florida Power Corporation ("FPC"), the Office of Public Counsel ("Public Counsel") and the Florida Industrial Power Users Group ("FIPUG"), (collectively, "the Parties") hereby jointly move the Florida Public Service Commission ("the Commission") to approve the Stipulation among them attached hereto. In support of their motion, the Parties state as follows:

FPC has petitioned the Commission to approve its agreement to purchase the Tiger Bay cogeneration facility ("the Facility") and terminate the five (5) power purchase agreements (three with General Peat, one with Ecopeat, and one with Timber2) (the "PPA's") currently served by the Facility. Those agreements are among the most expensive sources of capacity and energy serving FPC's ratepayers. In its petition, FPC seeks recovery of the Purchase Cost (the aggregate amount to purchase the Facility, terminate the PPA's, and recover the associated financing costs) over a five (5) year period. Public Counsel and FIPUG have intervened in the proceeding, and have objected to FPC's requested method for recovery of the Purchase Cost, proposing instead a much longer recovery period. FPC and FIPUG have each submitted pre-filed testimony and exhibits in support of their respective positions.

In recognition of the significant and complex issues involved in this proceeding, and the attendant time, expense, and inherent uncertainty in continuing to litigate this dispute over the method and timing of recovery by FPC of the Purchase Cost, the Parties have entered into the attached stipulation, which, if approved by the Commission, would resolve all disputed issues among the Parties, and the need for an evidentiary hearing on FPC's petition.

WHEREFORE the Parties jointly request that the Commission enter an order approving the attached stipulation.

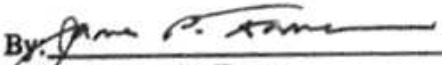
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and

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117 South Gadsden Street
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By: Vicki Gordon Kaufman

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for expedited approval of an agreement to purchase the Tiger Bay cogeneration facility and terminate related purchased power contracts by Florida Power Corporation.

Docket No. 970096-EQ

STIPULATION

This Stipulation is entered into by and among Florida Power Corporation ("FPC"), the Office of Public Counsel ("Public Counsel"), and the Florida Industrial Power Users Group ("FIPUG") (collectively, "the Parties"), as follows:

1. Public Counsel and FIPUG hereby withdraw any and all objections they have made, shall make no further objections, and shall fully support FPC's petition for approval of its agreement to purchase the Tiger Bay Facility ("the Facility"), terminate its five purchase power agreements, and recover the financing costs associated therewith (collectively the "Purchase Cost"), and for approval of the method and timing of recovery by FPC of the retail portion of the Purchase Cost, as set forth in this Stipulation.

2. FPC's request for recovery of the Purchase Cost shall be modified so that recovery will occur in the following manner, instead of in the manner set forth in FPC's petition and pre-filed testimony.

- a. \$75 million of the Purchase Cost shall be included in FPC's rate base, and all non-fuel expenses associated with the Facility shall be included in FPC's base

rates and recovered accordingly. The remaining amount of the Purchase Cost (approximately \$370 million), which shall be determined in an amount certain at closing, shall constitute a regulatory asset ("the Tiger Bay Regulatory Asset") and shall be recorded in Account 182.3, *Other Regulatory Assets*. The retail portion of the Tiger Bay Regulatory Asset shall be amortized in accordance with subparagraphs (b) through (g) below.

- b. Upon closing of the transaction to purchase the Facility and terminate the five (5) power purchase agreements (three with General Peat, one with Ecopeat, and one with Timber2) (the "PPA's"), FPC shall continue to recover costs from FPC's ratepayers under the Capacity Cost Recovery Clause ("CCR") and the Fuel Adjustment Clause ("FAC"), as part of FPC's Fuel and Purchased Power Cost Recovery proceedings, and as if the PPA's were still in effect such that the full capacity payments and the appropriate energy payments were being made. This shall continue for as long as the existing gas contract with Vastar Gas Marketing, Inc. (the "Vastar Gas Contract") remains in effect, or a balance on the retail portion of the Tiger Bay Regulatory Asset exists. In no event shall the amount collected hereunder exceed the sum of the balance on the retail portion of the Tiger Bay Regulatory Asset plus the Natural Gas Costs as defined in subparagraph (c) below.
- c. The revenues recovered through the mechanism set forth in subparagraph (b) above shall be utilized by FPC first to pay for the natural gas supply and transportation costs associated with the operation of the Facility (the "Natural Gas

Costs"), and second to amortize the principal and interest costs associated with the retail portion of the Tiger Bay Regulatory Asset. For as long as the Vastar Gas Contract remains in effect or a balance on the retail portion of the Tiger Bay Regulatory Asset exists, the charges shall be recovered from FPC's customers in the following manner: The coal energy charge specified in the PPA's, less steam payments if any (the "PPA Energy Cost"), shall be recovered through the FAC. The capacity charge specified in the PPA's shall be recovered through the CCR and shall be applied only to: (1) the remaining fuel cost (the Natural Gas Costs less the PPA Energy Costs) if any, (2) interest applicable to the unamortized balance of the retail portion of the Tiger Bay Regulatory Asset, and (3) amortization of the remaining principal of the retail portion of the Tiger Bay Regulatory Asset. Once the retail portion of the Tiger Bay Regulatory Asset has been reduced to a zero balance and the Vastar Gas Contract is terminated or replaced, recovery pursuant to sub-paragraph (b) above shall cease and the Natural Gas Cost shall be recovered through the FAC.

- d. In the event FPC negotiates a buy-out or buy-down of the Vastar Gas Contract, and the Commission issues an order approving such buy-out or buy-down, the retail portion of costs associated with such buy-out or buy-down shall be added to the amount of the retail portion of the Tiger Bay Regulatory Asset and recovered in the same manner as set forth in sub-paragraphs (b) and (c) above, and sub-paragraphs (e) through (g) below. Public Counsel and FIPUG shall

retain the right to participate in any proceeding relating to the buy-down or buy-out of the Vastar Gas Contract.

- e. On a going-forward basis, FPC may, at its option, increase the dollar amount of amortization of the retail portion of the Tiger Bay Regulatory Asset, and each year's increased amount of amortization shall be deemed a prudent regulatory expense in calculating FPC's regulatory earnings for purposes of surveillance reporting, pursuant to Rule 25-6.024, F.A.C.
- f. In the event of a general rate proceeding on the level of FPC's base rates, Public Counsel and FIPUG shall support as a prudent FPC expense for cost recovery in FPC's base rates, all non-fuel expenses associated with the Facility, including but not limited to the return on the remaining undepreciated rate base of the Facility, all operating and maintenance expenses, taxes, and depreciation, but not including future capital additions and associated increases in non-fuel expenses. Public Counsel and FIPUG shall also support as a prudent FPC expense for cost recovery in FPC's CCR, FPC's average annual increased dollar amount of amortization of the retail portion of the Tiger Bay Regulatory Asset for the period beginning on the day of closing of the transaction to purchase the Facility and ending at the conclusion of the twelve month period preceding the rate case test year; provided, however, that once the retail portion of the Tiger Bay Regulatory Asset has been reduced to a zero balance, FPC shall remove this average annual amount from its CCR expense.

- g. If, in the future, the electric utility industry in Florida is deregulated or restructured in a manner that prevents FPC from continuing to recover the retail portion of the Tiger Bay Regulatory Asset as set forth in sub-paragraphs (b) through (f) above, Public Counsel and FIPUG shall not object to legislative or regulatory efforts by FPC to include the unamortized balance of the retail portion of the Tiger Bay Regulatory Asset for recovery by an appropriate mechanism designed as a non-bypassable charge for recovery of stranded costs or PURPA contract costs; provided, however, that Public Counsel and FIPUG shall retain the right to otherwise participate in any proceeding relating to the recovery of stranded costs or PURPA contract costs, including but not limited to the appropriate level of total stranded or PURPA contract costs to be recovered by FPC.
3. This Stipulation is contingent on approval in its entirety by the Commission.
4. This Stipulation may be executed in counterpart originals. A facsimile of an original signature shall be deemed an original.

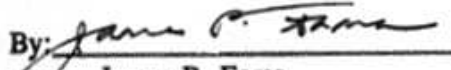
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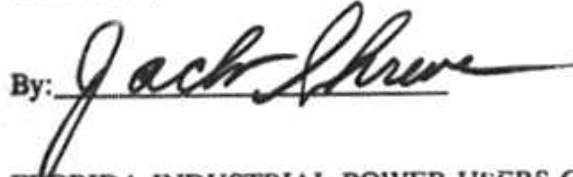
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and

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117 South Gadsden Street
Tallahassee, Florida 32301

By: Vicki Gordon Kaufman

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Joint Motion for Approval of Stipulation has been furnished by Hand Delivery*, Federal Express** or U.S. Mail to the following this 14th day of April, 1997:

Lorna Wagner*
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