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August 1, 1997

IN REPLY REFER TO

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VIA FACSIMILE & FEDERAL EXPRESS

Christiana T. Moore, Esquire
Associate General Counsel
Division of Appeals
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0862

Re: Docket No. 961407-EQ -- Florida Power Corporation - Petition for Expedited Approval of Settlement Agreement with Pasco Cogen, Ltd.

Dear Ms. Moore:

This letter constitutes the response of our client, Pasco Cogen, Ltd. ("Pasco"), to your letter dated July 23, 1997, which inquired of parties to the above docket (and others) whether they believe any information presented by the Commission Staff to the Commission in this docket reflected bias as a result of a reported relationship between Lorna Wagner, a former Commission employee, and Robert Dolan, an employee of Florida Power Corporation ("FPC").

First, Pasco, is unaware of any information that was withheld from the Commission during the course of the proceedings in this docket. Further, Pasco believes that the information presented in favor of approval of the settlement agreement between FPC and Pasco was both accurate and supported by the facts.

Second, the very nature of the proceeding in the above docket strongly suggests that, had there been any bias in the information presented to the Commission, it would have been discovered by the parties, the Commission Staff, or the Commissioners themselves prior to the issuance of the Commission's Order No. PSC-97-0523-FOF-EQ.

What was before the Commission was FPC's petition for approval -- for cost recovery purposes -- of a settlement of pending litigation. The issue was whether the settlement, which amended the power purchase agreement between FPC and Pasco, was prudent and would be permitted for cost recovery. The agreement spoke for itself. Reference to the docket file will reflect that the Staff asked FPC for additional information, which FPC provided. The

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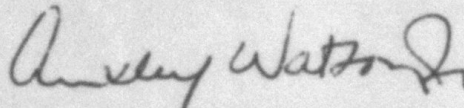
Commission's technical Staff analyzed the information FPC provided, and other information they had available to them, and wrote three recommendations -- the primary one to approve the settlement, and two alternates to deny such approval. None of the recommendations was authored by Ms. Wagner.

The Staff's recommendations were filed on March 20, 1997, and were considered by the Commission at an agenda conference on April 1, 1997. Ms. Wagner's participation in these discussions was minimal and, in Pasco's opinion, non-substantive in nature. On the other hand, the substantive discussion and argument involving counsel and employee representatives of the parties, a member of the Commission's legal staff (other than Ms. Wagner), and the Commissioners themselves, consumed more than three hours. Pasco believes that evidence of bias (if any) would have emerged -- at the very latest -- in the open discussions of the issues which occurred at the agenda conference. To Pasco's knowledge, that did not occur, and no person involved in this docket has suggested that any bias was present in any of the information the Commission considered in deciding to approve the FPC-Pasco settlement.

The Commission's order approving the settlement in this docket is administratively final and no longer subject to appeal, and Pasco (and its partners) have taken significant actions and made material decisions (including the sale of one partner's one-half interest in the partnership to an unrelated and uninvolved third party) in reliance on the final and binding effect of the order. Any change or uncertainty with respect to the finality of the order in this docket would cause extreme prejudice to Pasco. While Pasco agrees the appearance created by the announcement of the relationship between Ms. Wagner and Mr. Dolan is unfortunate, it is confident that the Commission's decision to approve the FPC-Pasco settlement in this docket was free from bias. We respectfully request that the Commission conclude its review in this docket as expeditiously as possible.

Thank you for the opportunity to submit the foregoing comments.

Respectfully,



ANSLEY WATSON, JR.

AWjr/a

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