

MEMORANDUM

FEBRUARY 10, 1997

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF LEGAL SERVICES (V. JOHNSON) VDJ
RE: DOCKET NO. 970001-EI - FUEL AND PURCHASED POWER COST
RECOVERY CLAUSE AND GENERATING PERFORMANCE INCENTIVE
FACTOR.

Attached are copies of news releases regarding the Crystal River Nuclear Plant received from Florida Power Corporation. Please place these documents in the correspondence file for the above docket.

VDJ/js
Attachment
cc: All Parties
Division of Electric and Gas (R. Bass)
Division of Auditing and Financial Analysis (S. Merta)
I:fuememo.vdj

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News

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Florida Power Corporation's Crystal River Nuclear Plant Update

ST. PETERSBURG, Florida, November 22, 1996 — In October, Florida Power Corporation completed repairs to its Crystal River Nuclear plant resulting from an oil pressure problem with its new turbine. Florida Power decided to voluntarily keep the plant down to address several design basis issues and has completed its review of the items necessary to restart the nuclear plant. Last week the Nuclear Regulatory Commission (NRC) staff established a special panel to provide oversight to Florida Power in restarting its nuclear plant. The panel is chaired by Johns Jaudon, Deputy Director of Region II Division of Reactor Safety.

The panel held its first organizational meeting on November 13, and has begun to develop a checklist of all open issues at the Crystal River Nuclear plant. Over the next few weeks, the panel will meet with Florida Power to determine which items must be completed prior to restarting the plant.

Florida Power's current restart plan calls for the nuclear plant to return to service on February 28, 1997. However, establishing this NRC oversight panel could delay Florida Power's expected schedule for restarting the nuclear plant. It is likely to be at least the middle of December before the NRC panel has completed its assessment and Florida Power is able to determine the impact, if any, to its restart schedule.

Financial Impact from the Nuclear Plant Outage

As previously reported, nuclear O&M costs will be about \$15 million higher than targeted for 1996. And management expects 1997 spending to also be at the higher level. Depending on the corrective action, capital spending in 1997 may increase, but it is not expected to be material to Florida Power's capital budget. From a financial viewpoint, Florida Power does not expect the problems at the nuclear plant to adversely impact its earnings in 1996 or 1997.

On November 15, a research report was issued by Merrill Lynch about Florida Power's nuclear plant. The management of Florida Progress does not agree with Merrill Lynch's conclusion that the problems at the nuclear plant could lead to a change in dividend policy or dividend growth.

— more —

Florida Progress has always taken a long-term view in setting its dividend policy. When the dividend payout was 93% in 1992, the company didn't take a short-term view of cutting its dividend. Based on the "Street's" expectations for 1996, Florida Progress' dividend payout would be 79% at the end of the year.

Update on Management's Corrective Action Plan

During the last few months, several assessments have been conducted on the nuclear plant by Florida Power, NRC staff and outside teams of experienced nuclear industry professionals. Florida Power has developed an action plan to incorporate the recommendations from these assessments.

Schedule 1 provides an update on the accomplishments that have been made to date. While the corrective action plan will remain an ongoing effort, the regional NRC staff have acknowledged Florida Power's progress in the areas of management oversight, regulatory sensitivity and operations' performance. Florida Power's senior management is committed to continuing to improve the performance in each area and intends to improve the overall performance trend of its nuclear plant.

Florida Progress (NYSE:FPC) is a Fortune 500 diversified utility holding company with assets of \$5.8 billion. Its principal subsidiary is Florida Power, the state's second-largest electric utility with about 1.3 million customers. Diversified operations include coal mining, marine operations, rail services and life insurance.

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Schedule 1
Florida Power 's Crystal River Nuclear Plant
Update on Management's Corrective Action Plan

Through regular meetings with the NRC staff, Florida Power has reported the following accomplishments in improving plant performance:

Management Oversight

- Renewed Florida Power's commitment to nuclear safety.
- Voluntarily kept the plant down in October in a maintenance outage to correct design basis issues.
- Senior nuclear management has been candid in critically assessing its problems.
- Florida Power's president has been actively involved in NRC and INPO meetings — with a commitment that the problems at the nuclear plant will be corrected.
- The independent off-site safety review committee has been revamped.
- Hired a new quality assessment director and a new manager of quality audits. The quality assessment department is now focused on broader issues.
- Created a new nuclear safety assessment team.

Engineering Performance

- All key management positions have been changed.
- Actively recruiting for a new director of engineering.
- Hired 8 new engineers on staff and retained an engineering consultant to provide another 20-25 engineers on site for at least the next year.
- Instituted a rigorous 50.59 review of past modifications to the plant's safety systems.
- Improved training for 50.59 review for appropriate plant personnel.

Design Basis Issues

- Identified eight design basis issues and developed an action plan to correct seven of the issues during the current maintenance outage (Schedule 2.)
- Sampling past modifications to determine if other design basis issues can be found.
- Established a program to conduct safety system functional inspections each year beginning in 1997.

Regulatory Sensitivity

- Changed the accountability and responsibility for licensing actions to line management from the staff licensing group. The plant's licensing staff is now in the role of facilitator with the NRC.
- Established an enhanced training program for achieving and maintaining regulatory compliance.
- Increased and improved the regular communications process with the NRC.

Operating Performance

- Key management positions have been changed.
- Working to improve operations' ability to support other groups through the addition of more resources.
- Established an enhanced training program that encourages self-disclosure of problems, self-assessments, conservative decision making and the importance of increasing margins of safety.

Schedule 2
Florida Power's Crystal River Nuclear Plant
Design Margin Improvement Scope of Work

Eight design basis issues have been identified during this maintenance outage. Presently, teams are working on evaluation, resolution and schedule.

1) High Pressure Injection (HPI) Pump recirculation to the Makeup Tank

Description: A scenario has been created in which there is a remote probability that radioactive water could be released from the cooling system into an auxiliary building.

Resolution: FPC is consulting with Framatome Technologies, Inc. to confirm whether the scenario is valid and within the plant design basis.

Schedule: This issue will be resolved prior to the start up from the current outage.

2) HPI System Modifications

Description: The plant's HPI system currently meets all design and licensing basis functional requirements. However, the configuration is not consistent with designs at other Babcock & Wilcox plants.

Resolution: Modifications are being considered.

Schedule: Since the HPI system is fully capable of meeting its design function, these modifications are not considered necessary to complete during the current outage. However, FPC is developing the design packages and determining if equipment can be procured in a timeframe to install in the current outage.

3) Low Pressure Injection (LPI) Pump Mission Time

Description: This system supplies water to the cooling system under low pressure conditions. Under certain conditions, it may be necessary to run this pump at a low flow rate for an extended period of time. FPC has performed testing on an identical pump under these conditions.

Resolution: Extended testing of the pump has been completed with successful results.

Schedule: This issue will be resolved before start up from the current outage.

4) Reactor Building Spray Pump

Description: In order for the plant's circulation system to operate properly, adequate water pressure must be maintained. It has been determined that the safety margin for maintaining water pressure under worst case assumptions could be improved.

Resolution: FPC plans to conduct factory testing and/or modify the pump impeller to improve the margin between required and available net positive suction head (NPSH).

Schedule: This issue will be resolved before start up from the current outage.

5) Emergency Feedwater System (EFS) Upgrades and Diesel Generator Load Impact

Description: The plant's EFS involves two pumps sharing a common suction line. Under certain scenarios, it has been determined that the safety margin for both pumps operating was too slim.

Resolution: Three possible modifications are being considered.

Schedule: This issue will be resolved before start up from the current outage.

6) Emergency Diesel Generator (EDG) Loading

Description: It has been determined, under a certain scenario, that the load demand for one of the plant's two EDGs could exceed its 3,500 kw rating for 1.5 to 2 seconds.

Resolution: A combination of three efforts is being pursued to increase the load capability of the EDG.

Schedule: This issue will be resolved before start up from the current outage.

7) Failure Modes and Effects of Loss of DC Power

Description: During the review and testing of the EDG (see # 6), it was determined that it would be prudent to perform extensive analysis on the effects of the loss of DC power at the plant.

Resolution: FPC plans to perform a DC power Failure Modes and Effects Analysis (FMEA) which includes evaluations of system interactions.

Schedule: The FMEA review will be completed to the extent that FPC is satisfied that we have identified any safety significant problems. Such problems will be addressed prior to start up from the current outage.

8) Generic Letter 96-06

Description: This generic letter was issued by the Nuclear Regulatory Commission to all nuclear operators in October 1996. It identifies several issues regarding the effect of post-accident containment heatup on various structures within the reactor building. CR-3 is susceptible to piping overpressurization. In addition, FPC is evaluating water hammer and two-phase heat transfer problems.

Resolution: FPC is installing thermal overpressure protection devices on containment penetrations affected by this overpressurization problem. Actions to address the impact of the other two issues, if any, will be determined after the review is completed.

Schedule: The overpressure protection devices will be installed prior to start up from the current outage. Actions to address the impact of the other two issues, if needed, will be scheduled according to the safety significance of the findings.

No. 97-05

For more information, contact NEI's media relations staff
at (202) 739-9000 during business hours or at (703) 644-8805
after hours and weekends.

Nuclear Industry Calls for Changes In NRC's Plant Appraisal Process

WASHINGTON, D.C., January 29, 1997—The Nuclear Regulatory Commission today released its list of nuclear power plants that warrant increased regulatory attention. The following is a statement by Joe F. Cahin, president and chief executive officer of the Nuclear Energy Institute, in response to the NRC announcement:

"The nuclear industry as a whole is performing at unprecedented levels of safety and reliability. According to NRC figures, there has been a steady reduction in the number of significant safety events at U.S. nuclear power plants from an average of 2.4 per year in 1985 to 0.1 in 1995. Utilities are working to maintain these high safety levels by participating in industry-wide programs to share exceptional safety practices at nuclear plants in the United States and in other nations.

"The NRC's discussions today would leave the unfortunate impression that all U.S. nuclear power plants are operating below their current record levels of safety. In addition, the agency's decision that some nuclear power plants warrant additional regulatory attention are based on subjective criteria, not an objective measure applied with consistency.

"The process the NRC has adopted with its 'watch list'—while not subverted in federal regulation—nonetheless has a significant impact on nuclear utilities. The industry is particularly concerned about the lack of clear, understandable ground rules for evaluating the nuclear plants the NRC believes are not operating up to its standards. The NRC must move toward an appraisal process that focuses more on objective measures.

"I think that the NRC today said must command additional attention to improving public safety here, in many cases, already identified their shortcomings and have demonstrated significant progress in bringing their facilities back to high industry safety standards. Identifying as 'problem' plants nuclear units that are currently working to regain high levels of safety and performance serves only a punitive purpose."

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The Nuclear Energy Institute is the nuclear energy industry's Washington-based policy organization. This news release and additional information about nuclear energy is available on NEI's Internet site at <http://www.nei.org>



NEWS

Release

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Florida Power Corporation Announces Replacements In Top Nuclear Positions

St. Petersburg, FL (January 7, 1997)— Two individuals have been selected for key positions at Florida Power Corporation's Crystal River 3 nuclear power plant. The announcement was made today by President Joe Richardson.

Roy A. Anderson, currently a senior vice president with Carolina Power & Light Company, will join Florida Power as a senior vice president later this month and also will become chief nuclear officer effective March 3. He will replace Pat Beard, who will then report to the president as senior vice president handling special nuclear projects until he retires April 1.

John P. Cowan, currently a vice president with Carolina Power & Light, will serve as site vice president at Crystal River 3. He will succeed Gary Boldt, who has announced his resignation effective January 31.

Anderson has 26 years of experience in the electric utility business including both nuclear and non-nuclear. Prior to working at Carolina Power & Light, he served as plant manager during the dramatic improvement to Boston Edison Company's Pilgrim Nuclear Power Station in the late 1980s. In 1993, he accepted the challenge to improve Carolina Power & Light's Brunswick Nuclear Plant, where he was faced with a plant in regulatory shut down, low Systematic Assessment of Licensee Performance (SALP) scores, and close Nuclear Regulatory Commission (NRC) scrutiny. In the ensuing two years, the Brunswick Nuclear Plant was transformed into a top performing nuclear generating station.

Anderson holds a bachelor of science degree in marine and nuclear engineering from the State University of New York and a master of business administration degree in business operations research from the Rensselaer Polytechnic Institute.

Cowan has recently been serving on behalf of Carolina Power & Light at the Northeast Utilities Millstone Plants as restart officer because of his expertise in nuclear plant improvement. While at the Brunswick Nuclear Plant, Cowan moved up through

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several positions including director of site operations when he was responsible for improvements in the areas of SAMP scores and Institute of Nuclear Power Operations (INPO) performance. Prior to working at Carolina Power & Light, Cowan served with INPO.

Cowan received a bachelor's degree in nuclear engineering from the University of Wisconsin, a master's degree in business management from the Rensselaer Polytechnic Institute and a juris doctorate degree from Georgia State University.

"I feel very fortunate to have Roy and John joining the Crystal River 3 management team," said Richardson. "They are well respected for their experience and leadership and I am confident that they can lead the plant to achieving top performance."

Crystal River 3 is an 860-megawatt nuclear power plant located at Florida Power's Crystal River Energy Complex near the Gulf of Mexico in Citrus County. The plant has been in operation since 1977 and is Florida Power's only nuclear unit.

The plant was taken off line last September 2 to repair a cracked lubricating-oil pipe leading to the main turbine generator. While the repairs were made, Florida Power officials initiated an extended maintenance outage to analyze and resolve technical issues associated with plant equipment operating margins. Regular technical review meetings, involving Florida Power and the NRC, are being conducted to provide an open forum for discussion of issues and their resolutions. Close communication with the NRC will ensure a timely return of the plant to service once the issues are resolved.

Florida Power Corporation is the principal subsidiary of St. Petersburg-based Florida Progress Corporation (NYSE: FPC) and serves 1.3 million customers in central and northern Florida.



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FLORIDA POWER CORPORATION'S CRYSTAL RIVER NUCLEAR PLANT GOES ON NUCLEAR REGULATORY COMMISSION'S WATCH LIST

St. Petersburg, FL (January 28, 1997) – Officials at Florida Power Corporation today expressed disappointment at placement of the Crystal River 3 nuclear plant on the Nuclear Regulatory Commission's semi-annual "Watch List." The list identifies plants that will get increased attention from the NRC until a period of improved performance is demonstrated.

"Our focus remains addressing the issues that both we and the NRC have raised so that the plant can achieve sustained improved performance in a safe, reliable, and cost-effective manner," said Joe Richardson, president and chief operating officer.

The NRC cited the nuclear plant's 1996 decline in overall performance as the primary reason for putting the plant on the list. The Crystal River plant is in the category 2 designation of the Watch List, defined by the NRC as plants that are authorized to operate but will be closely monitored by the agency.

In late 1996, the company began implementing a Management Corrective Action Plan to address the NRC's concern over performance. Areas cited for improvement included management oversight, engineering performance, operator performance, and regulatory compliance. "We are confident that we have a comprehensive plan that will help return the unit to top performance," Richardson said.

The nuclear plant currently has been in an extended maintenance outage since September 2, 1996. The primary issue involves a loading problem with one of the plant's two emergency diesel generators that are part of the emergency core cooling system. Those generators would be activated in the event there is a loss of off-site power.

The NRC noted that attempts to further improve the safety margin of one of the generators during the plant's last refueling outage in the spring of 1996 should have been reviewed by the NRC prior to making the modifications.

**Florida Power Corporation
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The company is currently evaluating options to address the generator issue. Assuming it can be successfully resolved by the fourth quarter of 1997, the plant is expected to return to service by year-end. Appearing on the Watch List is not expected to significantly affect the company's plans to restart the plant.

Crystal River 3 is an 880-megawatt nuclear power plant located at Florida Power's Crystal River Energy Complex near the Gulf of Mexico in Citrus County. The plant has been in operation since 1977 and is Florida Power's only nuclear unit.

Florida Power Corporation, the state's second-largest electric utility, is the principal subsidiary of St. Petersburg-based Florida Progress Corporation (NYSE:FPC) and serves 1.3 million customers in central and northern Florida.

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